

Procurement Improvement Plan (PIP)

FY 2013/14 to FY 2015/16



Ministry of Health and Population
Ramshahpath, Kathmandu, Nepal
April, 2014

Procurement Improvement Plan (PIP) - FY 2013/14 to FY 2015/16 has been prepared by Ministry of Health and Population (MoHP), Government of Nepal. Technical and Financial assistance for the work was provided by NHSSP.

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Preface

The Ministry of Health and Population (MoHP) has taken several steps during the preparation and finalization of this ***Procurement Improvement Plan (PIP) - FY 2013/14 to FY 2015/16***. We have realized the importance of strengthening procurement management practices across the MoHP which will help achieve the targets outlined in the Governance and Accountability Action Plan (GAAP) of Nepal Health Sector Programme-2. This plan intends to strengthen the MoHP's current practices on procurement planning, bidding procedures, internal control, reporting, monitoring and auditing. It further intends to enhance the capacity of human resources working in procurement management sectors of MoHP. MoHP considers this document as a live document for procurement. Based on Public Procurement Act and Regulation of GoN, discussions with EPDs, the annual report of the OAG's, reviews related to procurement management and the various consultation experts MoHP has decided to bring this plan.

MoHP appreciates the inputs from our valued partners i.e. The World Bank, DFID, USAID, KfW and AusAID in preparing and finalizing this important document. MoHP also thankful to the technical inputs from NHSSP and Crown Agents for translating the relevant evidences into this plan. We also value the inputs from departments, centers and divisions under the MoHP. Last but not least MoHP is thankful to LMD for preparing and finalising this plan.

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ACRONYMS

| | | |
|----------|---|---|
| AWPB | : | Annual Work Plan and Budget |
| CAPP | : | Consolidate Annual Procurement Plan |
| CMS | : | Contract Management System |
| DFID | : | Department for International Development |
| DHO | : | District Health Office |
| DoHS | : | Department of Health Services |
| DPHO | : | District Public Health Office |
| EDP | : | External Development Partner |
| FCGO | : | Financial Control General Office |
| FMIP | : | Financial Management Improvement Plan |
| FMR | : | Financial Monitoring Report |
| FMTC | : | Financial Management Technical Committee |
| FPA | : | Financial Procedure Act |
| FPR | : | Financial Procedure Regulation |
| GAAP | : | Governance and Accountability Action Plan |
| GoN | : | Government of Nepal |
| GPP | : | Good Practice Principle |
| HFRA | : | Health Fiduciary Risk Assessment |
| HRFMD | : | Human resource and Management Division |
| IPR | : | Implementation Progress Report |
| JFA | : | Joint Financing Arrangement |
| LMD | : | Logistics management Division |
| LMIS | : | Logistic Management Information System |
| M&E | : | Monitoring and Evaluation |
| MD | : | Management Division |
| MoF | : | Ministry of Finance |
| MoHP | : | Ministry of Health and Population |
| MTEF | : | Medium-Term Expenditure Framework |
| NHSP | : | Nepal Health Sector Programme |
| NHSSP | : | Nepal Health Sector Support Programme |
| NPC | : | National Planning Commission |
| OAG | : | Office of the Auditor General |
| PETS | : | Public Expenditure Tracking Survey |
| PFM | : | Public Financial Management |
| PIP | : | Procurement Implementation Plan |
| PPICD | : | Policy, Planning and International Cooperation Division |
| QA | : | Quality Assurance |
| RFR (WB) | : | Report on Fiduciary Review (World Bank) of NHSP-2 |
| RHD | : | Regional Health Directorate |
| TABUCS | : | Transaction Accounting and Budget Control System |

1. Background

Procurement management refers to the capacity to plan in accordance with national policy and procurement framework, to prepare procurement plan and implementation, ensure their timely receiving and distribution of goods and medicines, to ensure transparent and timely delivering such goods and medicines to spending, and to provide follow up of goods and medicines, auditing of procurement expenditure, including assessment of value for money. There is a wide agreement that effective institutions and systems of procurement management have a critical role to play in implementing the national policies, plans, the public expenditure and financial accountability framework (PEFA) and international commitments including millennium development goals (MDG). During NHSP-1 and the first half of NHSP-2, activities were implemented to strengthen the procurement management system and thereby improve performance in procurement management.

Despite the various types and nature of the challenges MoHP has made an impressive progress in improving the procurement management practices. A consolidated annual procurement plan for goods, services and construction was prepared and approved. Training in procurement was conducted at the central and district levels. Multi-year procurement is ongoing for specified items and is planned to expand to other items as well. The introduction of an electronic bidding system (electronic submission) for the procurement of drugs, medical consumables and equipment is progressing well.

In order to strengthen the current good practices and implement new initiatives this Procurement Improvement Plan (PIP)-FY 2013/14-2015/16 is prepared and endorsed by Ministry of Health and Population (MoHP).

2. Purpose

The purpose of this PIP is to strengthen the procurement planning, implementation and monitoring practices which will help achieve the objectives of GAAP included in NHSP-2.

The Procurement Implementation Plan also intends to strengthen the MoHP's current practices on procurement planning, implementation, safeguard of goods and medicines, internal control, reporting, monitoring, auditing and transparency measures. It further intends to enhance the capacity of human resources working in procurement management sectors.

3. Key Results

The overall thrust of implementing PIP is to improve the procurement management practices and reduce the fiduciary risks related to the procurement in health sector. Following are the key results:

- Fully implement the e-bidding system in health sector;
- Strengthen procurement transparency;
- Reduce the audit observation on procurement;
- Timely delivered the goods, medicines and equipment's in the health institutions and
- Capacity building of the staffs working in procurement.

Procurement Improvement Plan (PIP)

Overall Objective: Procurement Improvement Plan (PIP) developed, endorsed and implemented

| S.N | Key Activities | Implementing Unit | Key Indicators | Timeframe | Status | Remarks |
|----------|---|------------------------------------|--|---|---------------------|----------|
| 1 | Improved procurement guidelines, planning, procedures and budgeting | | | | | |
| 1.1 | Enforce sector procurement guidelines and procedures | MoHP HRFMD, DoHS/LMD | Approved guidelines available at LMD | By July 2014 | Guidelines Approved | FRA/DFID |
| 1.2 | Build LMD staff capacity through procurement and supply chain related training | DoHS/LMD | Training on capacity building of LMD staff completed | Throughout NHSP-2 | | FRA/DFID |
| 1.3 | Continue the support in the preparation of the Consolidated Annual Procurement Plan (CAPP) | DoHS/LMD | Approved CAPP is in place | During 2014/15 | | FRA/DFID |
| 1.4 | Sector procurement guidelines and procedures are reviewed and enforced | MoHP/HRFMD, DoHS/LMD | Sector Procurement guidelines reviewed | Throughout NHSP-2 | | FRA/DFID |
| 1.5 | Capital procurement plan prepared for next year including procurement bank with priorities | MoHP /HRFMD, DoHS/LMD/ MD | Capital procurement plan in place | For 14/15 completed by May 2014 For remaining period by 15/16. | | FRA/DFID |
| 1.6 | The Consolidated Annual Procurement Plan (CAPP) for goods, services and construction is aligned and integrated into AWPB and is prepared on time (at the beginning of the financial year, as per JFA requirement). (Construction activities are carried out by Management division, LMD will integrate construction activities in CAPP as an annex) | MoHP /HRFMD, DoHS/LMD | CAPP is prepared and approved by the end of previous fiscal year | For 14/15 completed by July 2014 | | FRA/DFID |
| 1.7 | Enhance linkage of LMIS and procurement planning | MoHP /HRFMD, DoHS/LMD | Procurement plan link with LMIS | By July 2015 | | FRA/DFID |
| 2 | Improvements in procurement processes including e-Procurement | | | | | |
| 2.1 | Ensure required staff are in place (and remain in place so as not to dilute the inputs) and attend any capacity | DoHS/LMD | Capable team is at LMD for quality procurement | By July 2014 | | FRA/DFID |

| S.N | Key Activities | Implementing Unit | Key Indicators | Timeframe | Status | Remarks |
|----------|---|-----------------------|---|------------------------------|--------|--|
| | building initiatives organised | | | | | |
| 2.2 | Support in procurement, with regular involvement in preparation of bid documents, evaluations, contracts and QA | DoHS/LMD/ | Support provided in procurement process | Throughout NHSP-2 | | FRA/DFID |
| 2.3 | Quality assurance is well embedded in current national procurement mechanisms | MoHP /HRFMD, DoHS/LMD | Quality issues ensured in to the procurement mechanism | By July 2015 | | FRA/DFID |
| 2.4 | Implementation of e-bidding system and Contract Management System (CMS). Coordination with PPMO for development of procurement system | DoHS/LMD | -e-bidding system & CMS implemented. -Most of the bidding at LMD is at least submitted by e-submission process | By July 2014 | | FRA/DFID |
| 3 | Improvements in procurement monitoring, inventory management system, audit and tracking mechanisms | | | | | |
| 3.1 | Preparation of trimester procurement monitoring reports | DoHS/LMD | Support provided in procurement control, monitoring & reporting | Throughout NHSP-2 | | FRA/DFID |
| 3.2 | Harmonise reporting requirements between JFA and WB FA | DoHS/LMD | Reporting requirements harmonised | By July 2014 | | FRA/DFID |
| 3.3 | Support to LMIS to ensure it is fully implemented in all districts | DoHS/LMD | Revised LMIS is in place in all districts | By July 2014 | | FRA/DFID |
| 3.4 | Procurement Monitoring Reports on the progress of the procurement plan (requirements of JFA and WB Financing Agreement, signed between the IDA and GoN) are produced and circulated | MoHP/PPICD, DoHS/LMD | Timely periodic progress are produced | Starting in FY December 2014 | | FRA/DFID |
| 3.5 | Initiate a procurement audit | MoHP /HRFMD, DoHS/LMD | Good procurement practice is established at centre and districts | FY 14/15 | | - PPA, 2007 (clause No. 7.3) & PPR, 2008 (clause No. 16) - FRA/DFID |
| 3.6 | Initiate a study (or PETS) to | MoHP | Revised and | By July 2015 | | FRA/DFID |

| S.N | Key Activities | Implementing Unit | Key Indicators | Timeframe | Status | Remarks |
|-----------|--|-----------------------|---|------------------|--------|------------|
| | identify and pin point the deficiencies in the inventory management system | /HRFMD, DoHS/LMD | effective IMS up to districts | | | |
| 3.7 | LMIS fully supports preparation of procurement monitoring reports. Consider enhancing existing LMIS to suit the growing needs (like addition of details of expiry date for effective tracking, more frequent physical stock checks to ensure LMIS is fully implemented in all districts and they can input directly, so there are no delays whilst data is sent to LMD for input | MoHP /HRFMD, DoHS/LMD | LMIS linkage is established with MoHP after revision and update | Sept 2014 | | FRA/DFID |
| 4 | Address procurement issues at district level | | | | | |
| 4.1 | Conduct comprehensive assessment at district level using the OECD-DAC Methodology for Assessing Procurement Systems (MAPS) tool | MoHP /HRFMD, DoHS/LMD | Assessment of procurement system conducted at district level | By July 2015 | | FRA/DFID |
| 4.2 | Assess quality and timeliness of the data on procurement from all 75 districts | MoHP /HRFMD, DoHS/LMD | District level data base prepared on procurement | By July 2015 | | FRA/DFID |
| 4.3 | Select pilot districts (devolved and non-devolved) where major procurement difficulties are observed | MoHP /HRFMD, DoHS/LMD | Pilot districts with procurement difficulties selected | By July 2015 | | FRA/DFID |
| 4.4 | The procurement capacity and training needs assessment, implementation for district procurement people | MoHP /HRFMD, DoHS/LMD | Training provided for district level capacity procurement | By July 2015 | | FRA/DFID |
| 5. | Develop the capacity of human resources working in procurement (MoHP/LMD and spending units) | | | | | |
| 5.1 | Capacity buildings of LMD & Departments on the procurement | MoHP, LMD | - Training as required | As when required | | - FRA/DFID |
| 5.2 | Undertake a review of GAAP and PIP quality and use them in preparation for NHSP-3, and related M&E framework (with EDP support). | MoHP PPICD & LMD | - GAAP and PIP quality reviewed | Dec 2014 | | |

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