



ETHIOPIAN PHARMACEUTICALS SUPPLY AGENCY (EPSA) PROCUREMENT STRATEGY PLAN 2020–2025

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June 2020

Foreword

From a Pharmaceuticals Supply Chain perspective, procurement is a strategic business function designed to consult the market for the purchase of pharmaceuticals and other health products. A Procurement Strategy is one of the important road maps for implementing the recommendations of the Pharmaceuticals Sector Transformation Plan (PSTP). The purpose of a Procurement Strategy is to guarantee economy of scale; to ensure the transparency of operations; and to obtain the desired quality of pharmaceuticals and services at the best possible price.

The Ethiopian Pharmaceuticals Supply Agency (EPSA) is a public sector organisation that was established to secure the availability of quality-assured basic health products at an affordable price at public health facilities across the country. As part of this effort, the Agency has developed this Procurement Strategy for pharmaceuticals procurement activities with a view to make the service more cost-effective and efficient.

This Procurement Strategy and the implementation guide highlights the goal and underlying components of EPSA's strategy and plan. The strategy will promote access to quality-assured pharmaceuticals through consistent implementation of the processes and procedures. It will also promote and drive towards achieving organisational goals. Implementation of the strategy needs to be reinforced by management at all levels and it should be reviewed regularly.

I would like to take this opportunity to thank Pamela Steele Associates (PSA) for its all-rounded support and I would also like to express my appreciation to all who participated in the development of this document. I would also like to encourage users of this Procurement Strategy to send their comments regarding the document to the Agency by mail (Ethiopian Pharmaceuticals Supply Agency, PO Box 21904, Addis Ababa, Ethiopia; website available at <http://EPSA.gov.et>).

Director General, EPSA

Acknowledgements

EPSA would like to acknowledge all contributors for their efforts in developing and enriching this strategic procurement and implementation guide. The Agency expresses its immense appreciation to the staff at PSA for their commitment and professional competence, as well as for delivering this strategy on time with the required quality.

The Agency would like to extend its gratitude to PSA for their technical and financial support throughout the development of this document.

Finally, the Agency would also like to thank the following persons who have contributed to this Procurement Strategy and implementation document:

- Mr Goitom Gigar, Inbound Deputy Director General, EPSA
- Mr Seifu Isa, Tender Management Directorate, EPSA
- Mr Azmeraw Muluallem, Contracts Management Directorate, EPSA
- Mr Dan, Senior Technical Advisor (Upstream Supply Chain Management), PSA
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List of abbreviations

BPT	Business Process Transformation
CMD	Contracts Management Directorate
EFDA	Ethiopian Food and Drug Authority
EPISA	Ethiopian Pharmaceuticals Supply Agency
FMOH	Federal Ministry of Health
HRM	Human Resources Management
HSTP	Health Sector Transformation Plan
IPLS	Integrated Pharmaceuticals Logistics System
KPI	Key Performance Indicator
PLMP	Pharmaceuticals Logistics Master Plan
PPA	Public Procurement Agency
PSA	Pamela Steele Associates
PSTP	Pharmaceuticals Sector Transformation Plan
QMDS	Quantification and Market-Shaping Directorate
RDF	Revolving Drug Fund
SDP	Service Delivery Point
SOPs	Standard Operating Procedures
SWOT	Strengths, Weaknesses, Opportunities and Threats
TMD	Tender Management Directorate
WHO	World Health Organization

1 Introduction

The Pharmaceuticals Logistics Master Plan (PLMP) was developed to strengthen the Supply Chain Management of pharmaceuticals in Ethiopia (Federal Ministry of Health [FMOH] 2006). The goal of the PLMP is to improve medicine availability by adopting an integrated Supply Chain system for all public health facilities enrolled in the national Supply Chain managed by the Ethiopian Pharmaceuticals Supply Agency (EPSA), which has been established as an autonomous agency in accordance with Proclamation 553/2007 (Act No. 553 2007). It is the successor of the Drug Fund and Pharmaceuticals Agency in accordance with the PLMP issued in 2006.

The Agency is meant to ensure that public health institutions are supplied with quality-assured essential pharmaceuticals at affordable prices in a timely and sustainable manner. As such, the Agency intends to play a continuous and complementary role in collaboration with key stakeholders in development efforts for health service expansion and for strengthening the Pharmaceuticals Supply Chain system of the country. Since its establishment in September 2007 GC, the Agency has implemented needs-based forecasting, pooled procurement, and modern inventory management systems to meet the ever-increasing demand for health commodities.

Specifically, the Agency is mandated to undertake the following key strategic Public Health Supply Chain Management activities while handling both programme-based and Revolving Drug Fund (RDF) commodities:

- Quantification;
- Procurement;
- Warehousing and inventory management;
- Distribution to health facilities in line with the requisition cycle, as guided by the Integrated Pharmaceuticals Logistics System (IPLS)¹ for programme commodities while stock items are distributed to the respective Hubs and collected by health facilities.

EPSA is currently undertaking various transformation activities to improve its business operations across all functions. These transformation activities have direct implications for EPSA's procurement function.

Under the Inbound Deputy Director General, the Procurement Directorate is working very hard to implement an effective procurement process by adhering to extant legal frameworks of public procurement guidelines and implementing standard operating procedures (SOPs) and practices to ensure the regular availability of medicine in line with the 6 + 1 rights of good Health Supply Chains, including the right quantity, the right quality, the right price, the right products, the right/reliable suppliers, etc. The key operational principles are:

- Procurement of health commodities using their generic names;

¹ IPLS integrates the supply management of products and the product-related information of different health programmes.

- Procurement using the Agency’s procurement list, adopted from the National Essential List of Medicines;
- Procurement based on the approved Annual Procurement Plan;
- Procurement activities and decisions performed under key separated functions and bodies units;
- A transparent procurement process, with clearly defined evaluation mechanisms;
- Open and competitive procurement.

Going forward, the new Procurement Strategy framework will provide clear guidance on the procurement of health commodities by applying the principles of category management or product positioning. The principle of category management means grouping products exhibiting similar supply risks and value by determining the appropriate buying techniques and tactics for each product category. In the first phase of implementing the EPSA’s Procurement Strategy, the procurement regulatory framework will focus on system, process and workforce capacity development.

The policy regulatory framework will be expanded in the second phase to ensure that lead time reduction and cost-effectiveness are covered. This can be fulfilled by adopting a Procurement Strategy that intensifies competition among qualified suppliers with value for money and quality products as the key objectives. The strategy will also provide the basis for continually evaluating and monitoring its effectiveness through the key performance indicators (KPIs) laid out in the strategy document.

This strategy document will help improve Tender Management operational constraints such as long procurement lead times, linear evaluation mechanisms (single criteria of pricing), limited Tender Management processes and the lack of procurement data automation and integration. Furthermore, the document will enhance the preparedness and the ability of the procurement function while aligning it with the overall EPSA corporate strategy (Revised Pharmaceuticals Supply Transformation Plan [PSTP] September 2018).

In addition to this section, the remaining part of this strategy document is structured to present the vision, mission and strategy of the Procurement Directorate in Section 2. The situational analysis, including an analysis of EPSA showing its strengths and weaknesses as well as the opportunities and threats within its business environment (a SWOT analysis), is presented in Section 3. In Section 4, the goal and guiding principles of EPSA’s Procurement Strategy are discussed and the document ends with a conclusion in Section 5.

2 The vision, mission and strategy of the Tender Management Directorate

There is a continued need for EPSA’s health commodities procurement operations to be conducted under an enhanced procurement policy regulating framework that considers the existing principles of value for money, effective competition based on equal treatment, transparency and accountability. Going forward, the new Procurement Strategy framework will provide clear guidance on the procurement of health goods by applying the principles of category management or product positioning. The principle of category management means grouping products exhibiting similar supply risks and value by determining the appropriate buying techniques and tactics for each product category. In the first phase of implementing EPSA’s Procurement Strategy, the procurement regulatory framework will focus on system,

process and staff capacity development. The policy regulatory framework will be expanded in the second phase to ensure that lead time reduction and cost-effectiveness are covered. This can be fulfilled by adopting a robust Procurement Strategy that intensify competition among qualified suppliers with value for money and quality of products as the key objectives. The strategy also needs to further provide the basis for continually evaluating and monitoring its effectiveness through the KPIs laid out in the strategy document.

2.1 Vision for the Procurement Directorate

EPSA's vision for the procurement function is to have an organised, proactive, effective, efficient and technology-enabled Procurement Unit by 2025.

The Procurement Unit also aims to be the leading procurement system with the lowest lead time for health commodities in Ethiopia.

2.2 Mission of the Tender Management Directorate

The mission of the Tender Management Directorate is to:

- Ensure the availability of quality-assured health commodities at affordable prices through transparency and competitive procurement procedures;
- Attain high ethical standards throughout the sourcing procedures to ensure best value for money;
- Assure all stakeholders and the public that the procurement process is conducted in line with public procurement guidelines, agreed parameters and deadlines;
- Implement best international practices throughout the procurement activities;
- Adopt world-class procurement systems and practices that will improve EPSA's efficiency and cost-effectiveness in delivering quality-assured health commodities to all the regions in Ethiopia to improve healthcare service delivery.

Through effective leadership, the Procurement Directorate will ensure its mission is achieved by complying with principles of procurement and good governance that encourage effective competition among qualified suppliers based on a vendor management framework, transparency and equal treatment with due consideration of Supply Chain value proposition for environmental and social responsibility and overall accountability.

This strategy will enable the Procurement Directorate to align properly with EPSA's corporate strategic objectives and improve on procurement proactiveness towards its daily Supply Chain operations. It will also provide the strategic positioning of procurement as a key contributor to the overall performance of EPSA's Supply Chain and business model in view of the ongoing transformation.

The strategy of realising the proposed vision and to operationalise EPSA's procurement function mission is based on three Strategic Pillars and the ability to mitigate the risks facing the function. The enhanced procurement framework and the three Strategic Pillars (corresponding to three identified risks) will form the basis of the guidelines and principles governing the conceptual framework of this strategy, which is further elaborated in Sections 3 and 4.

3 Situational analysis

3.1 The current context and contributions of procurement at EPSA

The procurement function ensures all health commodities are sourced from both local and global markets and made available to Ethiopians at an affordable price to reduce the economic burden of healthcare. When EPSA was established, the first core activity was to establish a Procurement Directorate that would provide procurement services and advice to management in line with public procurement legal frameworks. The Procurement Directorate was initially combined with Contracts Management processes. Given EPSA's rapid growth to meet demand from the Hubs in various regions, there was need for a Contracts Management Directorate (CMD) to be responsible for the proper management of established contracts.

Through the Business Process Transformation (BPT) that outlined key areas of business improvements, EPSA decided to establish a CMD to allow procurement to focus on the annual planning of needs, the sourcing of planned requirements, the formulation of contracts and risk management.

EPSA's Tender Management Directorate (TMD) needs to ensure the constant availability of medical commodities in the country; it therefore needs to work in constant collaboration with both key internal and external stakeholders. External key stakeholders collaborate with EPSA to ensure the activities of the Directorate (including forecasting of demand requirements, prequalification of medical commodities, approval of products for use in the country and administrative, budgetary and payment procedures) are achieved effectively and efficiently to avoid any Supply Chain disruptions that would impact the delivery of essential medicine to the people who need it.

The procurement function accounts for about 80% of EPSA's annual budget. This makes EPSA one of the largest importers of health commodities and procurement expenditure is the largest cost centre in the end-to-end Supply Chain operations. This explains the strategic importance of the function and the heightened focus on it to enhance its optimal performance in line with the current results-based management framework.

3.2 Procurement scope, annual expenditure, implementation and oversight structures

3.2.1 Procurement scope and annual expenditure

EPSA's procurement scope is defined by the approved procurement list of items that outlines, through approved requisitions, what to stock and distribute to health facilities countrywide. The procurement of health commodities includes the purchase of over 2,000 line items, including programme and RDF pharmaceuticals, chemicals and reagents, medical consumables and medical devices. The Procurement Directorate is currently organised under four category managers in line with the product nature (pharmaceuticals, chemical reagents, medical consumables and medical equipment). The Procurement Directorate also undertakes special procurement on behalf of requesting health facilities from the regions.

A trend analysis of procurement volume shows an annual increment over the years in the range of 25%–35%. For instance, the total health commodities procurement expenditures of

2017/18 and 2018/19 were US \$344 million and US \$472 million respectively, which shows the procurement volume is increasing annually at a rate of 27%. The scope of this Procurement Strategy is in accordance with the recent findings of the revised Pharmaceuticals Health Sector Transformation Plan (HSTP October 2015), which is focused on developing an implementation strategy for '*SO2 C1: Ensure high levels of product availability and deliver excellent customer service*' and '*SO4 P1: Grow the business by developing a culture of flexibility, operating at international standards, to enable the Agency to take advantage of new business opportunities*'. The Procurement Strategy will generally align with the two objectives stated above to focus on intervention modalities to avert the bottlenecks identified by internal and external auditors, consultants and donors, with the aim of finally achieving the SO2 and SO4 objectives on the revised PSTP.

3.2.2 EPSA's current procurement compliance and oversight structure

EPSA (as an agency under FMOH) was created through a presidential legal notice and not through an Act of Parliament. It thus has an insignificant degree of autonomy for executing procurement per the specific nature of pharmaceuticals, but it operates under the direction and oversight of the Public Procurement & Property Administration Agency the Federal Anti-Corruption and Ethics Commission and the Tender Endorsement Committees, and the overall governance is monitored by the Executive and Board members of EPSA.

Although compliance with public procurement regulations and internal and external audit mechanisms apply across all procurement categories, there might be exceptional requirements by donors that the Agency has to comply with in terms of procurement rules/guidelines or conditions of financial agreements signed between the donor and the Federal Government.

In the context of the procurement function, a more harmonised approach towards instilling and enforcing internal controls needs to be adopted. Evidently, such recommendations need to be compatible with the enhancements to the internal control framework being implemented under the current extensive transformation agenda, through which EPSA seeks to put in place a more effective oversight and compliance function at all levels of the organisation.

3.2.3 Management of procurement personnel

Human resources for Supply Chain is a critical pillar for efficient and effective operations. Upon recruitment, EPSA's procurement staff are permanent and pensionable as they are recruited by the Public Service Commission (given that EPSA is still an agency under FMOH).

In this regard, it is increasingly recognised that human resources expertise is required to effectively review the suitability of curriculum vitae, Terms of Reference and appropriateness of the contractual modality or to assess the actual needs for required services in relation to current staffing.

EPSA is currently in the process of changing its legal status by adopting a new proclamation that will enable EPSA's Board of Directors to decide on the human resources requirements of the Agency instead of relying on the Public Service Commission for their staffing needs. This will also enable EPSA to recruit new staff from the labour market, including the private sector, in alignment with the competency and job requirements of an open position.

If the new proclamation is approved and adopted, staff remuneration will improve, since EPSA will make related decisions based on the surplus realised from sale of stock items and will link remuneration and incentives to individual or team performance. This will lead to the overall improvement of Supply Chain operations. In the event that the new proclamation is not approved, EPSA will continuously work in collaboration with the Public Service Commission to ensure that staff deployed to the Agency are suitable to undertake their respective assignments to enable EPSA fulfil its obligations.

3.2.4 Current structure for implementing EPSA's procurement

The Procurement Directorate is currently organised under four category managers in line with the nature of the different products EPSA procures from suppliers (pharmaceuticals, chemical reagents, medical consumables and medical equipment). Based on specific requests, the Procurement Directorate also centrally undertakes special procurement on behalf of requesting health facilities from the regions. A trend analysis of the procurement volume showed an annual increment in the range of 25%-35%.

The Directorate has currently pilot tested the use of long-term contracts on commodities with a highly defined marketplace where products can be easily and competitively sourced from the open market (Framework Agreement as outlined in Proclamation 649/2009). Through call-down of orders, the department intends to reduce procurement lead time significantly.

The Directorate has also adopted a robust annual planning of commodities based on an approved supply plan with a clear implementation schedule that defines timelines for each activity and risk matrix management. EPSA's procurement expenditure accounts for 80% of the Agency's annual budget. Procurement legal frameworks support the acquisition of all the categories of health commodities that EPSA stocks and distributes to health facilities, with additional cost recovery on a percentage. Additionally, the consolidated procurement of RDF and programme items is undertaken under the auspices of the centralised procurement function, as are the set-up and negotiations of organisation-wide long-term agreements or framework agreements. Under specific request, the procurement function also centrally undertakes procurement on behalf of requesting units from the regions.

3.2.5 Risks and challenges identified by external stakeholders, auditors and EPSA's internal assessments

The current challenges, weaknesses and risks facing EPSA's procurement function (as observed or identified by internal and external auditors and the Quality Management Directorate at each step of the procurement cycle for health commodities) can be thematically grouped as gaps or weaknesses in terms of the following:

- Monitoring and governance;
- Transparency and accountability;
- Quality assurance;
- Tender Management;
- Stakeholder relationship management;
- Cost-effectiveness.

Although most stakeholder comments are internally focused on EPSA and relate to the efficiency, transparency and cost-effectiveness of the procurement function, many observations highlight the need for a more comprehensive outlook towards managing the relationship between the procurement function and its vendors. The interest of vendors in EPSA's procurement activities extends beyond winning EPSA's tenders. Vendors, among other things, need a better framework for engaging with EPSA's procurement function and for recognising the importance of EPSA's role in setting norms and standards for procurement, warehousing and distribution to the last mile.

Vendors are also keen to receive valuable feedback from EPSA on the performance of their products under field conditions. This strategy seeks to put in place a robust procurement framework and operational systems for dealing with procurement constraints and concerns, while carefully managing related risks. Most actions that need to be taken to address procurement concerns must have a regulatory basis (or foundation) in the Public Procurement Agency's (PPA) procurement legal frameworks. These concerns can be clustered as follows:

- Prequalification of suppliers based on category management;
- Lead time reduction to improve product availability;
- Automation of procurement processes;
- Annual procurement planning;
- Data generation and use for decision-making;
- Value for money and cost-effectiveness;
- The risk management frameworks.

This strategy will address stakeholder concerns regarding compliance with procurement legal frameworks and the procurement process and systems, as outlined in later sections of this document.

3.2.6 Internal assessment of current constraints and challenges

An internal assessment was undertaken based on the data of health commodities procured by TMD in 2018. This assessment examined the challenges and risks facing the Directorate in procuring the four categories of health commodities. It also examined cross-cutting issues relating to the adequacy of the current operational systems and operational capacity of the Directorate. The results of the internal assessment can be summarised as follows.

3.2.7 Procurement of commodities under RDF

This involves procurement of medical equipment, pharmaceuticals, medical supplies and laboratory reagents. These procurements are accomplished in line with the requirements of the RDF programme, where EPSA undertakes a cost recovery mechanism from each product sold to health facilities. This enables EPSA to make a surplus from the sales, which is then re-invested into the programme for stocking purposes. These procurements account for 85% of EPSA's annual recurrent budget. Thus, TMD will ensure that all health commodities procured under this programme are very competitive in terms of pricing so that EPSA can improve on the availability and affordability of health commodities without increasing the out-of-pocket expenses/user fees on the population. All the tenders advertised always result in contracts where less than 2% fail. Failed contracts are re-tendered afresh using alternate procurement methods or open tender.

The Tender Endorsement Committee will ensure that all approvals are within the annual budget allocation and that the recommended bidders meet all the terms and conditions stated in the bidding documents. TMD should ensure that contingency plans are in place for each category of health commodities to ensure a continuous supply of these commodities, taking into consideration the stocks available at the various warehouses/Hubs in the country and incoming pipeline management, since the items are stock items and critical for the country's health system.

3.2.8 Procurement of commodities under programme funding

These are health commodities directly funded by different donors and the Federal Government through FMOH. They include medical equipment, medicine, medical supplies, and laboratory reagents. They account for about 10% of EPSA's budget since most of the items are procured by the donors themselves and EPSA's responsibility is to warehouse and distribute these commodities at a service fee. These items are issued for free and EPSA does not charge the client since the donor pays all the required costs. Based on a distribution plan aligned with the IPLS SOP, EPSA ensures scheduled distribution of these health commodities to health facilities. The programme items EPSA may be required to buy are integrated with RDF commodities to ensure a large-volume scaled approach for economies of scale, competitive prices and volume discounts. Both the Programme and RDF Teams are based in TMD for proper planning and coordination of procurement processes.

3.2.9 Procurement systems and procurement operational capacity risks

There are numerous risks facing the procurement function in the Supply Chain operations of EPSA. Risks will be constantly managed through an enterprise risk management approach to mitigate against any disruption of procurement activities that might affect other Supply Chain functions. The strategy document will address these risks confronting the EPSA procurement function by putting in place necessary mitigation, including measures and systems to overcome the negative effects of these three categories of risk. Section 2 presents the guiding vision of this strategy.

The following are identified risks based on EPSA's risk register for each department and bottlenecks analysis reports:

- Effects of Market dynamism on suppliers;
- Suppliers failing to supply in accordance with contract requirements;
- Price increments/fluctuations;
- Lack of qualified suppliers;
- Limited manufacturing capacity of local manufacturers;
- Corrupt, fraudulent, collusive, coercive and obstructive practices of suppliers;
- Corruption of staff and conflicts of interest;
- Procurement legal frameworks, compliance and oversight risks;
- Cost-effectiveness risks;
- Operational capability risks;
- Failure to automate the procurement process risks: procurement processes are marred by errors characterised by manual systems—no activities visibility or integration that should enhance Supply Chain operations at the inbound functional areas;
- Lack of prequalification exercise risks (this has affected procurement lead time and the use of alternate procurement methods and supplier positioning based on KPIs).

3.2.10 Procurement SWOT

Specific procurement issues derived from EPSA’s PSTP and Business Process Re-Engineering highlights SWOT related to the procurement function and is presented in Table 1.

Table 1. SWOT of procurement operations

Strengths	Weaknesses
<ul style="list-style-type: none"> • Increased competitive bidding; • Implementing framework and long-term agreements that enhance order placement; • Availability of approved manuals, guidelines and SOPs for Supply Chain technical areas; • Establishment of transparent procurement procedures with accountability for any misconduct; • EPSA committed to gender equity in Supply Chain workforce; • Developing local manufacturers capacity by floating local bids. 	<ul style="list-style-type: none"> • Long procurement lead time; • Repetitive procurement requests; • Lack of prequalified suppliers; • Poor recordkeeping systems/practices; • Absence of comprehensive procurement plan; • Inadequate integration and limited stakeholder engagement with major stakeholders such as the Ethiopian Food and Drug Authority (EFDA) and the PPA; • The concept of best value procurement (which considers other criteria, such as past delivery performance and better product shelf-life, as part of the tender evaluation process) is not used.
Opportunities	Threats
<ul style="list-style-type: none"> • Possibility of new EPSA proclamation and its impact on organisational culture and staff motivation, as well as a positive impact on the procurement function; • Being a pilot implementer of government’s electronic procurement system; • Availability of support from different stakeholders, including technical advice and support from donors; • Other countries’ initiatives to conduct pooled procurement with Ethiopia; • Continuous staff capacity development activities; • Adequate number of staff members with good working culture and competencies; • Being a core operational area; • Procurement volume is increasing in value, line items and diversity; • Management commitment to support procurement operations. 	<ul style="list-style-type: none"> • Trained and experienced procurement staff turnover; • Bidders’ coercive and collusive practices; • Inadequate cooperation or late response of internal stakeholders; • Lack of responsiveness of closed machines consumables suppliers and sole manufacturers of niche products; • EFDA’s strict requirement for only purchasing registered products; • Absence of full implementation of category management for specialised commodities (microbiology, lab consumables, imaging and diagnostics commodities); • Inferior quality or substandard commodities (lack of in-house capacity for quality assurance); • Misaligned/rogue procurement (conducting procurement without a committed budget or actual need); • Staff conflict of interest in the procurement process; • Absence of market information/lack of market intelligence mechanisms (prices, specifications and manufacturers) for market strategy development; • Lack of flexibility in procurement rules and regulations (customisation).

4 The goal and guiding principles of EPSA's Procurement Strategy

4.1 The goal of EPSA's Procurement Strategy

The following PSTP strategic objectives are addressed by this Procurement Strategy.

SO2 C1: 'Ensure high levels of product availability and deliver excellent customer service'

SO4 P1: 'Grow the business by developing a culture of flexibility, operating at international standards, to enable the Agency to take advantage of new business opportunities'

The Procurement Directorate will always ensure that the functional strategy aligns and addresses these two stated corporate objectives of EPSA.

4.2 EPSA's procurement guiding principles

The following principles underpin this Procurement Strategy:

- **Value for money** in the use of public funds for procurement;
- **Non-discrimination** among candidates on grounds of nationality or any other criteria not related to their qualification to carry out supply;
- **Transparency and fairness** of the award criteria on which decisions are made in line with public procurement guidelines, as well as the decisions on each procurement;
- **Accountability** for decisions made and measures taken regarding public procurement and property administration;
- **Careful handling** and proper use of public property;
- **Continuous improvement** towards excellence as a way of working and avoiding abrupt, one-time changes while aspiring to do EPSA's best;
- **Commitment** to a strong work ethic, integrity and honesty, as well as compliance with applicable laws;
- **Sustainability**, working towards a future where EPSA no longer requires ongoing inputs from donors and technical partners;
- **Teamwork**, fostering the understanding that staff can do much more together as a team than through their own individual effort;
- **Integrity**, instilled in everything EPSA does through honesty and transparency;
- **Professionalism** that recognises the importance of Supply Chain Management functions, creating career paths that encourage the development of individuals and maximises retention;
- **Compassion** or showing sympathy and concern for others.

4.3 EPSA's procurement legal frameworks

As an agency under FMOH, EPSA is required by law to conduct procurement processes with total compliance and adherence to public procurement legal frameworks (Proclamation 649/2009, Directive of 08 July 2010 and Manual 2011). The three legal frameworks clearly provide the processes and procedures to follow from planning to disposal of obsolete items. The Procurement Team therefore ensures total compliance with each provision in the legal frameworks. Any non-adherence may lead to punishment and disciplinary actions where

necessary. All EPSA needs are subject to the provisions of the legal frameworks during planning, sourcing, Contracts Management and receipt and inspection of goods before distribution to health facilities.

EPSA is also able to develop its internal procurement manual according to Proclamation 553/2007 that established the Agency. This does not mean that the procurement process should be exempt from the existing legal frameworks; the manual should not at any time conflict with the provisions and clauses for each of the legal framework. The manual and the provisions and clauses of the legal framework should always be in harmony.

Given the complex and unique nature of pharmaceuticals procurement, EPSA is better placed to seek certain exemptions from the PPA depending on procurement at hand and on the situations to address to improve the availability of health commodities to the general public and to reduce out-of-pocket burdens.

The procurement function also handles donor-funded health commodities under programmes. The legal framework to be applied depends on the conditions under which the financial agreement is signed between the Federal Government and the specific donor.

EPSA, as an implementing agency of this financial agreement, may follow the donor procurement rules and regulations or adopt the public procurement legal frameworks as stated.

Procurement legal frameworks (whether at donor level or at national level) always consider the existing principles of value for money, effective competition based on equal treatment, transparency and accountability in view of the commitment to environmentally responsible and socially responsible procurement. It also lays a groundwork for efficient interaction with the vendor community.

The frameworks provide for a robust process in selecting and tendering the health commodities EPSA requires to stock and distribute from local and international firms. Further, the framework provides clear guidance on the procurement of health commodities by applying the principles of category management or product positioning. The principle of category management means grouping products exhibiting similar supply risks and value by determining the appropriate buying techniques and tactics for each product category. In the first phase of implementing EPSA's Procurement Strategy, the procurement framework for health commodities will focus on mitigating risk, ensuring total compliance and achieving cost-effectiveness. The legal framework for health commodities will further be assessed to ensure that the main thrusts of risk mitigation, compliance, and cost-effectiveness are covered.

The procurement legal framework is needed to intensify competition between qualified suppliers and providers with value for money as the key objective by selecting the most advantageous bid based on a combination of factors related to price, quality, timely delivery, environmental performance and compliance with social and labour norms, while considering life cycle costing whenever feasible. Such an approach is of utmost importance to promote firm adherence to sustainable procurement (environmentally and socially responsible procurement without compromising value for money) within EPSA's

procurement function. The framework also needs to provide a basis for continually refining and monitoring its effectiveness by prescribing the creation of internal procurement SOPs and strategy analyses.

4.4 The Directorate’s Strategic Pillars

The Procurement Strategy is based on three pillars. These pillars are: efficient procurement processes (see Figure ??: The Framework); an agile and responsive procurement system; and optimising human resources for procurement. The pillars will be discussed in the following section.

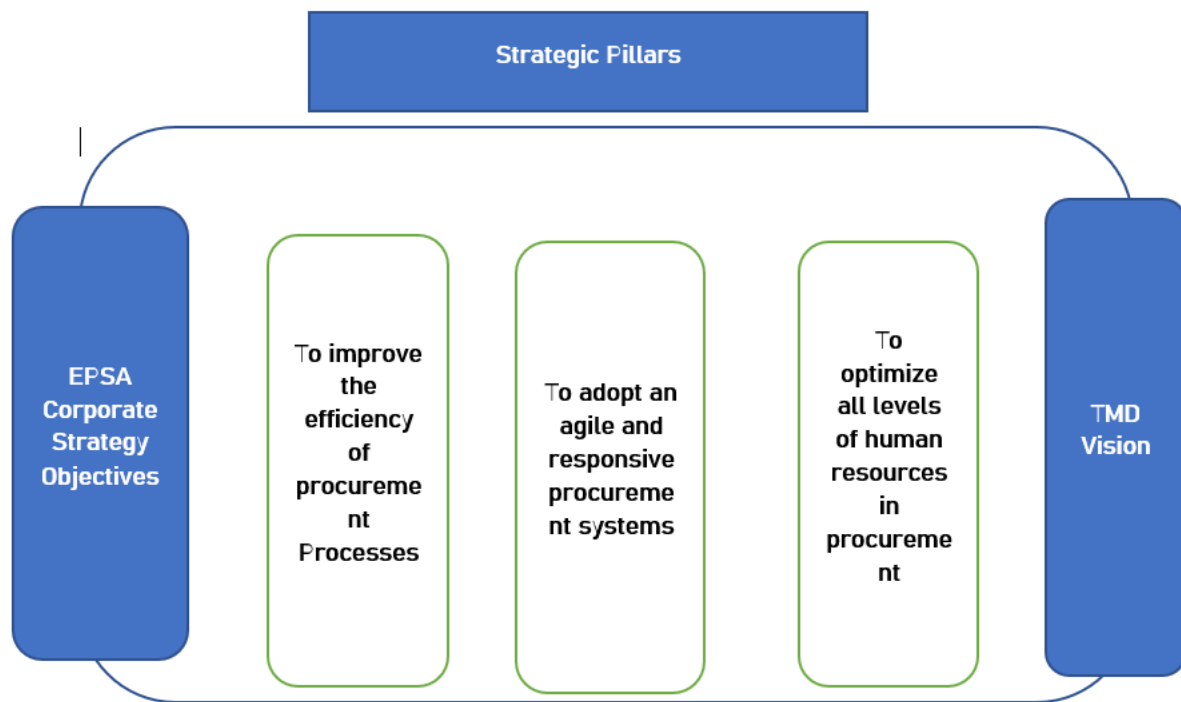


Figure 1: Procurement pillars

4.4.1 Strategic Pillar 1: Efficient procurement processes

Strategic Pillar 1 aims to improve the efficiency of procurement processes by adopting lean principles while implementing and managing procurement activities.

To achieve this aim, this pillar will focus on comprehensive annual procurement planning, consolidating the procurement of programme and RDF commodities, the use of an annual implementation schedule for all procurement activities with clear timelines, robust risk management framework for procurement processes, the use of framework agreements across most categories of health commodities (with the exception of medical equipment, which is capital intensive), the use of supplier past performance as an additional criterion during evaluation, proper lead time management and a value for money approach for each procurement.

Use of special permitted procurement methods (such as large value, framework agreements and public–private partnerships that are compliant with PPA procurement legal

frameworks) should also align with procurement process KPIs, comply with international standards and regulations and conform to ethical standards and cost-effectiveness measures throughout the procurement process. They should only be used for health commodities on the approved procurement list, which is drawn from the country's essential medicine list. Implementing Strategic Pillar 1 will ensure that the procurement process becomes lean: non-value-adding but supporting processes/necessary steps will be streamlined and non-value-adding and unnecessary activities (waste) will be eliminated/removed.

Achieving Strategic Pillar 1 will also be based upon the outcome of the BPT conducted by EPSA across its entire business operations. All procurement processes will be defined to ensure high-level and measurable efficiencies through process level indicators and key stakeholder engagement and satisfaction.

4.4.2 The procurement processes

The current procurement processes are marred with several inadequacies, as observed in the risk and situation analysis—for example, long lead times have affected outbound stock-holding patterns, disrupting service delivery in each service delivery point (SDP) and in turn affecting EPSA's reputation with its key internal and external stakeholders. The current situation requires the implementation of continuous improvement initiatives to enhance process efficiency, which will enable improved product flow from inbound to outbound Supply Chain operations until last-mile delivery.

4.4.3 Segregation of duties

Adherence to the procurement legal framework and an enhanced structure of the procurement function with segregation of duties and responsibilities are critical to prevent conflicts of interest of staff involved in the preparation of tenders, tender opening, tender evaluation and tender approval. The roles and responsibilities of these functions will be clearly defined to enforce the accountability of the respective functions. The legal framework only provides for the tenure of the Tender Endorsement Committee; the remaining committees should be *ad hoc* for every procurement process that requires their establishment of the same.

The Procurement Directorate will also ensure that relevant departments within and outside EPSA are involved or made aware of the procurement proceedings to increase transparency and encourage accountability among the stakeholders of the Directorate.

Segregation of duties should be defined in the SOPs so that staff are aware of their scope of activities, responsibilities and the relevant decision-making authorities. This will improve information visibility and flow within the procurement function and the overall Supply Chain system to avoid the risk of a bullwhip effect on the Supply Chain.

4.4.3.1 Implementing Strategic Pillar 1

To support Strategic Pillar 1, the following principles and supporting measures will be implemented for each procurement process.

4.4.3.2 Annual procurement planning

a government agency, EPSA is bound by public procurement legal frameworks to execute its mandates to procure, warehouse and distribute health commodities. Procurement planning is one critical step in any procurement process and will be well-defined since the plan will guide budgeting and budgetary implementation processes. A Public Health Supply Chain requires a robust supply plan that will guide procurement planning.

Annual procurement needs will be well-planned, requiring proactive consultation with key stakeholders, and will be aligned to the budget in view of available resources and competing demands. TMD should prepare the Annual Procurement Plan in compliance with the requirements of PPA legal requirements.

The Directorate will also ensure the Annual Procurement Plan gets the required approval from the Tender Endorsement Committee, EPSA Management and the Board. The Directorate will only implement the plan after getting the required approvals.

The Directorate will further ensure that approved procurement plan is communicated to all relevant key internal and external stakeholders. EPSA stocking pattern should consider the stock at hand, items in the supply pipeline and the country's needs. Procurement planning processes should be governed by PPA legal frameworks that describe the rules and regulations to be followed in the annual procurement planning process.

4.4.3.3 Consolidation of the procurement of RDF and programme commodities

Procurement process efficiency is critical to ensuring health product availability. TMD should ensure that all the Annual Procurement Plans for the different categories of health commodities are aggregated into a consolidated procurement plan. This will enable the Directorate to group all similar items into a single procurement package and identify the best procurement method that will provide EPSA with value for money from the procurement processes.

The consolidated procurement plan will allow a quarterly procurement approach for items required; this will also enable EPSA to state its annual foreign currency requirements to the Commercial Bank of Ethiopia. The consolidated procurement plan should be approved along with the Annual Procurement Plans for each category management. This will also allow a procurement approach that enables both programme items and RDF items to be grouped together for packaging to enhance Contracts Management and economies of scale on similar items.

4.4.3.4 Development of an implementation schedule for procurement and the consolidated plan

In compliance with PPA legal frameworks, TMD will, after the preparation of the annual procurement and consolidated plan, prepare an implementation plan that will outline all the required activities to be undertaken during implementation of the consolidated plan with clear timelines and a RACI chart showing the responsible persons (those who are accountable, consulted or informed). The implementation schedule will provide the Director and the team with good visibility of the activities that will be conducted throughout the

year. Currently, there is no implementation schedule showing the planned activities in the procurement plan and this is affecting the efficiency and effectiveness of procurement processes. When completed, the implementation schedule will be communicated at the beginning of the financial year to all the staff of TMD (regardless of their level within the Directorate) to enable them know and understand their contributions to the Directorate for the financial year. This will improve process excellence and ensure the tracking of all activities with the appropriate performance indicators. All health products acquired through the Annual Procurement Plan will have a unique identifier from the bid and contract document to aid traceability of the health commodities as they move across the Supply Chain. This will help ensure that the health commodities can be easily identified from the rest in the market.

4.4.3.5 Development of a risk management framework

EPSA Quality Management System Team are currently developing a risk strategy to support EPSA's business operations. Procurement, as a core Supply Chain function, is exposed to many risks that can cause overall Supply Chain disruption and in turn affect product availability and service delivery at SDPs in the country. TMD will adopt EPSA's risk management plan in identifying and managing all kinds of risks that affect the Directorate's ability to meet its obligations and goals. The Directorate will also implement international and industry best practices on risk management to ensure that procurement process efficiency and effectiveness is achieved to the maximum with minimal interruptions/ disruptions to product availability.

4.4.3.6 Use of special permitted procurement methods (large-volume, framework agreements and public-private partnership).

TMD may adopt one of the special permitted procurement methods stated above for use depending on the outcome of any scenario analysis undertaken by the Director and the Coordinators of the TMD. These methods will be adopted and used by the Tender Management Team given the current challenges with long procurement lead times and buying of large volumes of health commodities from both local and global markets. The methods should provide EPSA with value for money and ensure constant availability of medical commodities across the Supply Chain. During the implementation of any of the special permitted methods, the Directorate should ensure total compliance with procurement legal frameworks and seek necessary approvals internally and externally where required. Use of framework agreements and large volume will improve EPSA's strategic sourcing from the local and international marketplace. The use of special methods will not make Tender Management avoid key procurement methods as provided by the procurement legal frameworks.

4.4.3.7 Use of past bidder performance during tender evaluations

The supplier selection process is usually a critical step in the procurement cycle. This process will should be well-managed, especially during the evaluation process. The criteria used for supplier evaluation must be objective enough to ensure sound and responsive bidders are selected and approved for contract agreement with EPSA. Tender Management will therefore ensure that the outcome of the supplier performance evaluation processes using KPIs agreed by the relevant stakeholders will be shared by Contracts Management to be

incorporated in the bidding document during the invitation to the tender process. Supplier past performance will be a key evaluation criteria that Tender Management will use to guard against the selection of non-performing suppliers. This will caution against awarding contracts to non-performing bidders and ensure that volume-based and long-term contracts are given to reliable suppliers with good performance track records. This will reduce the disruption of the procurement process where a supplier declines or fails to deliver consignments in line with conditions of tender and contract.

4.4.3.8 Total lead time management

Procurement lead time management is a critical component of the procurement cycle management. This component, if not well-planned and managed, can affect product availability across the Supply Chain and lead to EPSA's inability to meet public expectations. Tender Management will ensure compliance with the annual implementation schedules developed at the beginning of each year during the development of the annual and consolidated procurement plan. The Directorate will undertake biannual lead time management analyses to ensure all planned activities are implemented per the schedules and timelines and implement any corrective actions to address any schedule slippage. The outcome of the analysis should inform Tender Management of what proactive actions will be taken to ensure all procurement activities are realised within the year. The lead time management should also conform to EPSA's process and corporate-level indicators as provided in the corporate strategy and Monitoring and Evaluations Frameworks. Tender Management will deploy an operational excellence approach to ensure procurement lead time is reduced to achieve constant flow of products from inbound Supply Chain operations through outbound warehouse to last-mile delivery. The current tender lead time is too long and this has affected EPSA promise to ensure improved product availability at the SDPs. Therefore, this strategy will enable the use of Incoterms rules to mitigate EPSA's delivery (freighting/shipping) risk, the adoption of annual and consolidated procurement planning of health commodities regardless of the source of funding and the use of an implementation schedule to proactively manage the implementation of planned procurement activities in a financial year.

4.4.3.9 Value for money approach and cost-effectiveness measures

Considering that robust procurement processes ensure value for money among other metrics/indicators, the Tender Management Team will always ensure during procurement planning and during implementation that EPSA's derives value for money from procurement activities. To understand the full and final cost of a commodity, they will adopt a total cost of ownership or total life cycle approach. This enables EPSA to ensure that the goods procured are well-defined, meet overall objectives of why they were procured, are fit for purpose and provide economic advantage to the Agency. Health commodities planned and approved in the procurement list must not subject EPSA and the public to losses from the higher total cost of ownership and higher out-of-pocket expenses on health commodities, respectively. It is imperative for Tender Management to work very closely with the Quantification and Market-Shaping Directorate (QMSD) and other external stakeholders to ensure all health commodities planned will improve the quality of services provided at public health facilities.

The Tender Management Team will also ensure items acquired from local and international markets provide economic benefits to EPSA and the public at large. This will improve the availability and affordability of drugs to the public and increase confidence in the public health system when the burden of out-of-pocket expenses is reduced. Tender Management will ensure that procurement spend is within the approved budget and prices received from suppliers are very competitive in line with local and international price indicators. Procurement methods used will enable competition and ensure that prices paid by procurement to suppliers do not create a burden on the final consumers/end users. Tender Management will identify the cost centres and cost drivers in their operations to understand their spend patterns. This will be analysed through procurement administrative cost and spend analysis. Going forward, Tender Management staff will be trained in Pharmacoeconomics—for example, a cost-effective medicine is not necessarily the least expensive. It is:(it may be less expensive and at least as effective, more effective with an additional benefit worth the additional cost or less expensive and less effective)

The prices realised by EPSA must not compromise the quality of the medicine. Tender Management will use international price indicators published annually by Management Science for Health to benchmark their medicine prices. According to the World Health Organization (WHO) (2007), the price of publicly procured medicine is considered acceptable if it has a median price ratio of 1 or less than 1.

4.4.3.10 Assessing value for money

Through their audit units, different public organisations use three criteria to assess the value for money of government spending (i.e. the optimal use of resources to achieve the intended outcomes). These criteria are:

- **Economy:** minimising the cost of resources used or required (inputs), or spending less;
- **Efficiency:** the relationship between the output from goods or services and the resources to produce them, or spending well;
- **Effectiveness:** the relationship between the intended and actual results of public spending (outcomes), or spending wisely.

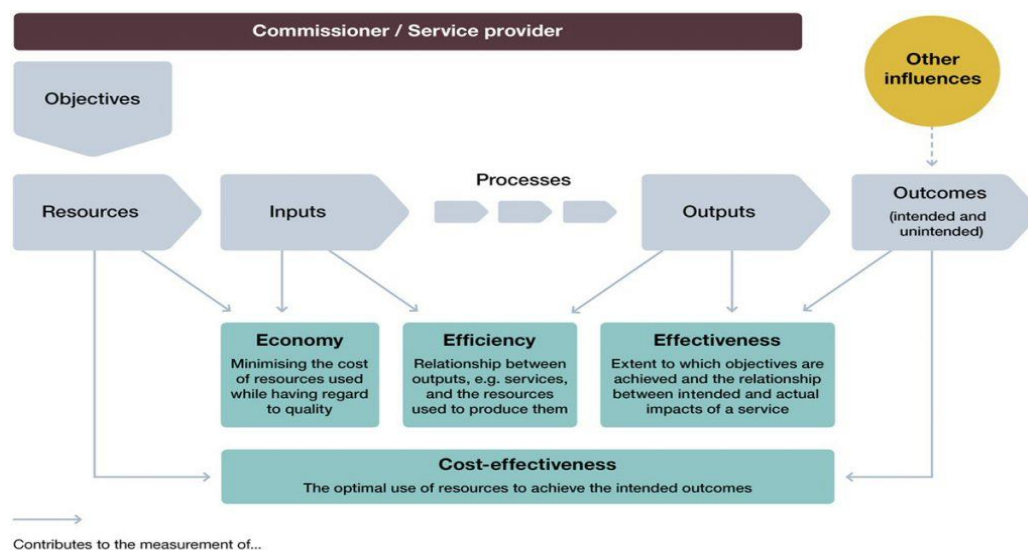


Figure 2: Assessment of value for money (National Audit Office UK)

Tender Management will adopt the use of these three criteria to assess the value for money of government spending, i.e. the optimal use of resources to achieve the intended outcomes. The intended outcomes include equity in access to medicine. Equity means the extent to which services are available and reach all people that they are intended to (spending fairly). Some people may receive differing levels of service for reasons other than differences in their levels of need. The following are some examples of perceived equity by different people:

- The cost and level of provision of a service is more for one group of people than that for another group of people with similar needs;
- Some people cannot reach, see, hear or use a service;
- The service may be unsuitable for some people's specific needs;
- The service is provided in a language that some people do not speak or terms they do not understand;
- Some people are unaware that the service is available to them.

4.4.3.11 Total compliance with PPA legal frameworks and ethical requirements

As a public institution, EPSA's procurement process is governed by procurement legal frameworks (Proclamation 649/2009; Directive of 08 June 2010; Manual 2011) issued by the Public Property Administration Agency. The legal framework regulates procurement process from needs identification, budgeting and disposal of the said need where applicable. The Tender Management Team must be able to read, interpret and apply the provisions in their daily operations and decision-making while executing any procurement request. All procurement should be dependent on the conditions of the legal frameworks as long as if they are funded by the Federal Government of Ethiopia. For donor-funded commodities, a signed financial agreement between the government and the donor will stipulate what procurement rules and regulations will be used. A high level of compliance with relevant public procurement guidelines and donor procurement rules will improve the confidence of the public and donor community in EPSA's operations.

4.4.3.12 Alignment with EPSA procurement process KPIs

EPSA's Monitoring and Evaluation Directorate has developed a monitoring and evaluation framework for use in EPSA's business operations. This framework provides the key performance areas and indicators at the corporate level and at the process level, as well as individual indicators. Procurement, as a core Supply Chain function, has both process- and individual-level indicators. The Tender Management Team will ensure that all process-level indicators are regularly measured and the results communicated to relevant key internal and external stakeholders. These will include indicators such as lead time management, price competitiveness and cost-effectiveness. The performance measurement of KPIs should be published internal and externally on a quarterly basis without fail. The Directorate will establish a team to coordinate this process.

4.4.3.13 Compliance with international standards and national regulations

Health commodities are usually subjected to stringent regulatory requirements or standards, both locally and globally. The procurement function's current sourcing strategy is more focused on procuring from the global marketplace, given the efficiency and

effectiveness achieved by this approach as compared with procuring from the local market. The Directorate will therefore ensure that the relevant international standards are used, especially for product quality requirements and international commercial processes.

This will help improve the procurement lead time to avoid any delay subject to non-compliance with international standards and national regulations. Bidders submitting bids should be required to ensure total compliance with such outlined standards. The products that suppliers will ship to EPSA should conform to required design and meet the fit-for-purpose/fit-for-use requirements.

All procured medicine must be registered and sourcing of certain kinds of medicine from countries with Stringent Regulatory Authority and/or from WHO prequalified suppliers will be encouraged. This medicine could include medicine with a narrow therapeutic index, genetically modified biopharmaceuticals and medicine in a high-risk therapeutic category. All products should be further vetted by EFDA. The Tender Management Team will ensure such provisions are incorporated in the bidding document and become part of the evaluation criteria for supplier selections.

4.4.3.14 Use of approved and registered procurement list of drugs

There is no argument that using approved and registered list drugs to conduct procurement is not a good approach, but the way it is done currently is causing delays in the procurement process as Tender Management has been tendering for commodities that have not been approved by EFDA for public use in the country. This affects the procurement process through back-and-forth enquiries between EFDA and EPSA when contracts have been placed for health commodities and need EFDA validation to progress. TMD will ensure that the Memorandum of Understanding between EPSA and EFDA is implemented to improve collaboration between the two public health institutions for the benefit of the public. The items on the supply plan and the procurement plan should be items that have already been approved for country use and regulated by EFDA. When absolutely necessary due to new or emerging public health concerns (such as COVID-19, for which there no currently approved medicine or vaccines), TMD should seek authority or waivers from EFDA to tender non-registered molecules of non-registered alternatives in Ethiopia where possible. TMD and QMSD will always identify molecules that require local registration and share this with EFDA. The molecule identified must be available on the List of Approved Essential Medicines for the country. Going forward, TMD should be proactive and engage EFDA early in the procurement process; the procurement process should therefore not commence with any product that is not on EPSA's procurement list and which has not been registered for use in the country.

4.4.4 Strategic Pillar 2: Adoption of an agile and responsive procurement system

Under this pillar, EPSA will adopt an agile and responsive procurement system that enhance its operational capacity. The adoption of a flexible and adaptable procurement system will help respond to the country's changing healthcare needs, emergencies and donor requirements. During the implementation of Strategic Pillar 2, the following will be considered for adoption in line with corporate objectives:

- The use of transparent and accountable systems that ensure audit trails of all procurement proceedings;

- Robust procurement systems and structures and the automation of procurement processes;
- Data generation and use for management decision-making;
- Lean and agile systems;
- Standard tools, documentation and templates;
- E-procurement processes;
- Adherence to legal frameworks;
- Proactive stakeholder coordination;
- Ongoing market analysis;
- Supply Chain models and structured performance evaluation;
- Records management and custody of documentation;
- Response to planned requirements with fit-for-purpose budgets.

The current procurement systems have failed to address the increasing demand from different stakeholders that EPSA is expected to fulfil. The procurement system does not respond adequately to emergencies and respective donor requirements. Thus, the current vertical procurement approach still exists where some donors still buy commodities and let EPSA warehouse and distribute at an agreed fee. Procurement systems must be flexible respond to the country's changing needs, given that EPSA is the sole buyer and distributor of health commodities on behalf of the Federal Government.

4.4.4.1 Strategic directions

Implementing Strategic Pillar 2 will ensure that all procurement systems and processes will become agile to respond to the country's requirements and accommodate all donor activities, from planning to last-mile delivery of health commodities. This will improve the availability at every SDP and increase the confidence of key stakeholders in EPSA Supply Chain operations, thus reducing the out-of-pocket expense burden on the final consumers of health services.

4.4.4.2 Segregation of duties

Adherence to the procurement legal framework and an enhanced structure of the procurement function with segregation of duties and responsibilities are critical to prevent conflicts of interest of staff involved in the preparation of tenders, tender opening, tender evaluation and tender approval. The roles and responsibilities of these functions will be clearly defined to enforce the accountability of the respective functions. The legal framework only provides for the tenure of the Tender Endorsement Committee; the remaining committees should be *ad hoc* for every procurement process that requires establishment of the same.

The Procurement Directorate will also ensure that relevant departments within and outside EPSA are involved or made aware of the procurement proceedings to increase transparency and encourage accountability among the stakeholders of the Directorate.

Segregation of duties should be defined in the SOPs so that staff are aware of their scope of activities, responsibilities and the relevant decision-making authorities. This will improve information visibility and flow within the procurement function and the overall Supply Chain system to avoid the risk of a bullwhip effect on the Supply Chain.

4.4.4.3 Implementing Strategic Pillar 2

To support Strategic Pillar 2, the following principles and supporting measures will be implemented for each procurement process.

4.4.4.4 Use transparent and accountable systems that ensure audit trails

A reliable procurement system (be it manual or automated) must always provide room for an audit trail on activities undertaken. The Tender Management Team will always ensure that procurement systems are transparent, auditable and accountable to EPSA and its stakeholders. All procurement process and activities must be reliable, verifiable, transparent and meet the expectations of the stakeholders. The team should also be accountable for their actions and will ensure procurement systems attain public trust and confidence. The Tender Management Team will also ensure that the system is constantly working and continuously improving to ensure health commodities are delivered as and when required. The system should not at any point subject EPSA to any losses or reputational damage. The Director of Tender Management will constantly provide opinions and suggestions on what areas require improvements to the Inbound Deputy Director General and the Director General for consideration and adoption. This must align with the country's constantly changing needs and regulations from the government and stakeholders. The system should provide good governance for the procurement of health commodities and not be subjected to any corrupt practices as defined in the procurement legal frameworks.

4.4.4.5 Procurement based on a solid budget and supply plan

Tender Management will not commence procurement of items that are not in the Annual Procurement Plan unless they are emergency requirements that have been approved by Senior Management. All procurement activities (be it donor- or RDF-funded) must have an approved budget and supply plan. The procurement plan will be subjected to EPSA's annual budget allocation, which is approved by the Board. Any amendment to the Annual Procurement Plan during implementation will require the necessary approval and budget consideration. Tender Management will provide quarterly assessments of the implementation of the Annual Procurement Plan against budget utilisation. Requests for foreign currency for international tenders will also be based on approved budget and procurement plans. The annual budget allocation should be based on the performance of the RDF and EPSA's annual workplan on recurrent and development expenditures.

4.4.4.6 Strong alignment between the supply plan and the procurement plan

QMSD will ensure that all needs from stakeholders are well-captured in the supply plan. The items in the supply plan will be adopted to inform the procurement plan by only picking items that require replenishment within the year. This will also be aligned with the budget approval process. The Tender Management Team will ensure constant monitoring and evaluation of the implementation of both procurement plan and supply plan. This will help with proper stocking patterns of health commodities at the outbound level to avoid any losses through expiries. Through monitoring of supply plan and procurement plan, call-down of orders will be effectively managed and visibility attained across end-to-end Supply Chain operations.

4.4.4.7 Automation of procurement processes

EPSA's Supply Chain is a complex Supply Chain mode, with various stakeholders and a budget implemented through the acquisition of health commodities for use in the country. Supply Chain functions urgently need automation as the current manual system is marred by inefficiencies that do not allow the Supply Chain to deliver optimally as expected by internal and external stakeholders.

Supply Chain automation occurs through the use of enterprise resource planning systems or the adoption of separate functional systems for inbound operations and outbound operations passing through a control tower that integrates both standalone systems into a two-way information flow. Tender Management processes will be automated to ensure high levels of increased visibility and efficiencies in its operations. The automation can be deployed as a phased approach or deployed all at once. It is expected that automation will increase Tender Management data generation to inform decision-making at every level of the procurement process; it is also expected to increase staff performance.

4.4.4.8 Data generation and management

As a result of its procurement spend (which is one of the largest in the country's public sector), it is imperative for procurement processes to be based on timely and reliable data. The current data system does not allow data integration; thus all generated data are on standalone computer systems that are manned by different individuals depending on their assignments. Data generation will be critically considered by Procurement Teams and management throughout the procurement cycle for analysis and interpretation for use during planning, call-downs, supplier assessment and risk identification and management. Automation of procurement processes should improve data availability, reliability and completeness. All the data generated by the teams at different process levels will be managed for the assessment of current performance of procurement processes using process-level KPIs and implementing continuous improvements to ensure that procurement systems are lean and agile to effectively and efficiently support the procurement function.

4.4.4.9 Lean and agile procurement system

Whether procurement systems are manual or automated, it is important that they should become lean and agile to continuously meet user demands efficiently and effectively as and when required. Tender Management will ensure that all identified waste and non-value-adding activities in the procurement process are eliminated or removed. This can be based on the implementation of EPSA's BPT report. The system will also be agile in nature to respond to the country's health products demands, as well as to deal with both micro- and macro-environmental changes without interfering with the overall Supply Chain objectives. The Tender Management Team will ensure that the EPSA procurement adopts a lean and agility philosophy to ensure the use of robust and dynamic procurement systems.

4.4.4.10 Standardise tools, documentation and templates for operations

Tender Management will ensure that all the procurement tools, documentation and templates required for the implementation of procurement activities meet local, industry and international standards for ease of doing business with private sectors locally and

globally. The documents developed and issued by government authorities should be standardised and comprehensible by officers during modifications and implementations. Tools and templates should also be standardised for Tender Management to have lean and agile systems and avoid delays caused by using ineffective tools and templates. All Tender Management staff will be trained in the use and modification of tools, documents and templates. Because of compliance requirements to existing procurement legal frameworks, tools, techniques and templates will be aligned with these legal frameworks. To continuously improve the procurement tools, techniques, templates and documentation used in EPSA's procurement activities, Tender Management Teams can go on learning and benchmarking visits to similar agencies operating in other regions/countries or markets to understand their operations and assess the tools they use. Weak documentation can cause Supply Chain disruption and can lead to litigation against EPSA.

4.4.4.11 E-procurement in procurement process

Procurement legal frameworks already allow the use of e-procurement processes, where most procurement activities are done through online platforms or are internet-based. This is still dependent upon the approval of e-commerce rules and regulations that will define process requirements and how any breach to a party will be resolved. EPSA will also adopt the use of e-procurement until it has achieved excellence in its Supply Chain operation through a robust database. E-procurement frameworks require a well-designed Supply Chain infrastructure that will be responsive, reliable and secure to avoid any losses from rogue individuals hacking the e-procurement platform. Tender Management should keep checking with the relevant regulatory authorities, including the PPA, the Ministry of Finance and the Federal Government, on the progress the country is making towards the realisation on use of E-procurement the same and when EPSA can use it.

4.4.4.12 Adherence to legal frameworks

As a public institution, EPSA's procurement system is governed by public procurement, finance, audit and ethics and anti-corruption legal frameworks. The operation of EPSA is also defined by Proclamation 553/2007, which established the Agency. The Tender Management Team will always ensure adherence to the relevant legal frameworks that regulate EPSA's procurement system. Adherence to governance and compliance requirements will protect EPSA against corruption and help avoid negative audit outcomes that can potentially affect the overall public trust and donor confidence in EPSA and its procurement system. The outcomes of any audits by the Federal Government EPSA procurement systems will depend on how Tender Management implements procurement activities in line with these legal frameworks. EPSA will adhere to donor procurement rules and regulations in the procurement of donor-funded commodities.

4.4.4.13 Key stakeholders coordination and collaborations

The procurement process is one of the major ways by which public institutions such as EPSA interact with the marketplace through the tendering of health products, enabling both local and foreign companies to participate in the tendering process. As part of its operations, Tender Management interacts daily with various internal and external stakeholders. This requires constant coordination of its engagement and collaboration with internal and external stakeholders. Tender Management will ensure proper communication with these

key stakeholders, outlining the expected outputs from the collaboration and the support required from these stakeholders. If a stakeholder is critical to the operations of the Directorate, the relationship with the stakeholder can be defined through mechanisms such as Memoranda of Understanding between the parties and the stakeholder. As a minimum, the Memorandum of Understanding should define the objectives of the relationship and the obligations of the parties.

4.4.4.14 Continuous market analysis and reporting

The Tender Management Teams maintain ongoing interactions with the market through its tendering process; hence market understanding is very critical for every commodity on EPSA's procurement list. EPSA, as the largest buyer from the public sector, should shape the market of certain products both locally and international given its volume-based procurement. According to the BPT document, QMSD was established to undertake market-shaping activities. Tender Management should continue to work closely with QMSD to ensure proper market analyses are conducted and reports shared with key stakeholders. The tendering operations of TMD help shape and influence the market of health commodities locally and internationally. Prices should be reviewed continuously and analysed in comparison with international and local indicators to ensure EPSA gets the most advantageous prices for health commodities that will increase both availability and affordability at the last mile. The market analysis should be guided by the QMSD Market-Shaping Manual. Tender Management will adopt some tools for market analysis, including supplier and product positioning matrix, scenario analysis and situation analysis and international price indicators published annually by Management Science for Health to benchmark their medicine prices. According to WHO (2007), the price of publicly procured medicine is considered acceptable if it has a median price ratio of 1 or less than 1. The team can also use publications issued by similar agencies operating in other frontier markets for comparison.

4.4.4.15 Records management and custody of documentation

The Public Procurement Manual (2011) requires that all procurement records generated during procurement should be kept for a period of 10 years before sending them to archives for storage. Tender Management will ensure all generated documents from requisition to disposal of the assets are all kept intact in a single or multiple filing system. Proper custody of the documentation will be observed throughout and after completion of the procurement process. Tender Management will ensure automation of the records management systems to improve document security and storage. The Directorate will adopt industry best practices in records management by having a dedicated team/staff for records management in the Directorate, by the use of bulk filing systems and by using bantex (PVC) files, archival boxes, racking systems and colour coding of procurement filing systems. Files will be kept in a place and in a manner (electronically and manually) so that they can be easily retrieved for ease of reference upon request by the Audit Teams or donors. Also, all Coordinators in the Directorate must continuously ensure that the content of each file is maintained and kept, as well as an electronic copy of the content of the file. The Directorate will develop a checklist of what should be in each file for every procurement process. File serialisation should follow conditions outlined in the procurement legal frameworks.

4.4.4.16 Communication

The procurement system should ensure a robust communication process that enables the Directorate to proactively communicate with internal and external stakeholders. Tender Management will adopt EPSA's communication strategy to ensure that an effective two-way communication with internal and external stakeholders is achieved. Inadequate communication is a challenge the procurement function is currently facing; this impacts greatly on the tendering processes, leading to protracted communication with key stakeholders such as EFDA. Tender Management Teams will develop a communication plan (including techniques, approved communication channels and templates) for communicating with various internal and external stakeholders. TMD will use the tools and techniques in the communications plan to proactively respond to suppliers queries and clarifications to prevent any disruption of procurement activities as a result of outstanding queries, clarifications and issues. Issues that cannot be responded to or resolved at any level or by any member of staff will be escalated to the next level or next responsible person to address; a structured feedback mechanism will be adopted to ensure that issues are proactively addressed. An issues log will be maintained to track, prioritise and address issues at every step of the procurement cycle.

4.4.4.17 SOPs

EPSA's procurement process is governed by the relevant legal frameworks that apply to public sector organisations in Ethiopia. For ease of understanding, Tender Management will define certain processes that are not well-outlined in the legal frameworks through SOPs to help the team in the implementation of procurement processes. The SOP will define the organogram of the Directorate, the roles and interrelationships between roles and the reporting lines within the Directorate. TMD staff will be issued copies of the SOP and be trained in how to use it alongside all the respective legal frameworks. Coordinators will ensure that all officers understand the SOPs. The SOPs will be reviewed every two years to ensure they continue to address changing operational requirements for a lean and agile procurement system.

4.4.4.18 Prequalification of suppliers

Supplier prequalification is one of the strategic procurement activities in any robust procurement system. Supplier prequalification enables the use of alternate procurement methods to improve the total procurement lead time. Given its complex procurement circumstances, EPSA will ensure through TMD that annual prequalification of suppliers is conducted in a structured manner. The prequalification process will be reliable and effective to ensure that only capable suppliers/manufacturers of different product categories are prequalified as approved suppliers. This will help the Agency sustain its Supply Chain operations and meet its obligations to the government and the public. Tender Management, in compliance with procurement legal framework, will adopt the list of prequalified suppliers into EPSA's procurement system in line with their respective products categories. Suppliers will be retained on the list based on the outcome of the evaluation of their performance in line with TMD's functional objectives and KPIs. This will increase EPSA's database of reliable suppliers, which can be used by Tender Management as and when required.

4.4.5 Strategic Pillar 3: Optimisation of human resources for procurement

This pillar focuses on optimising all levels of human resources in TMD by developing their capacity so they can apply and implement lean principles and agile systems in the procurement process. During the implementation of Strategic Pillar 3, the following will be considered: individual competencies and qualifications; individual KPIs as provided by EPSA human resources; professionalism; a continuous development plan for staff; right placement; performance management; membership of professional associations; onboarding requirements; and supportive supervisions. Strategic Pillar 3 is essential to effectively execute and support Strategic Pillars 1 and 2 to reduce on redundancy.

The current procurement workforce is not optimally utilised through the effective allocation of tasks in line with their strengths and competencies. They are also not fully utilised due to limited continuous development opportunities that would support them to implement procurement processes as and when required; this affects the timeliness of the procurement process, leading to delays that reduce the procurement system's responsiveness to the country and donor requirements for an efficient and effective procurement process. Teams are not well-aligned with the Directorate's organogram, which provides clarity on their responsibilities and activities to be performed at every level. This also affects the definition and understanding of the teams' objectives and how these objectives align with EPSA's corporate goals, as well as with their individual KPIs.

4.4.5.1 Strategic directions

Implementing Strategic Pillar 3 will ensure the optimal use of staff in TMD. The workforce in the Directorate should understand how the Directorate's objectives align with their individual performance within the Directorate and how the Directorate's objectives align with EPSA's overall corporate strategy. Tasks should be allocated based on staff capability and competency to achieve the assigned tasks on day to day operation Proper onboarding of new procurement staff should cover topics such as EPSA's vision and mission statements, its corporate objectives, the strategic objectives of the Directorate and how this aligns with the corporate goals. It should also cover the individual staff KPIs and how they align with the Directorate's objectives, with the systems, tools and techniques used in the Directorate and with relevant legal frameworks, and how this alignment leads to the achievement of process and system operations requirements.

4.4.5.2 Segregation of duties

Adherence to the procurement legal framework and an enhanced structure of the procurement function with segregation of duties and responsibilities are critical to prevent conflicts of interest of staff involved in the preparation of tenders, tender opening, tender evaluation and tender approval. The roles and responsibilities of these functions will be clearly defined to enforce the accountability of the respective functions. The legal framework only provides for the tenure of the Tender Endorsement Committee; the remaining committees should be *ad hoc* for every procurement process that requires establishment of the same.

The Procurement Directorate must also ensure that relevant departments within and outside EPSA are involved or made aware of procurement proceedings to increase transparency and encourage accountability among the stakeholders of the Directorate.

Segregation of duties should be defined in the SOPs so that staff are aware of their scope of activities, responsibilities and the relevant decision-making authorities. This will improve information visibility and flow within the procurement function and the overall Supply Chain system to avoid the risk of a bullwhip effect on the Supply Chain.

4.4.5.3 *Implementing Strategic Pillar 3*

To support the achievement of Strategic Pillar 3, the following principles and supporting measures will be implemented for each procurement processes.

4.4.5.4 *Individual competencies and qualifications*

The procurement function plays a critical role in upstream Supply Chain Management. Procurement roles and responsibilities must be performed, managed and driven by persons with the right competencies and qualifications. Incompetent workforce in the procurement function can slow down the overall Supply Chain operations of the Agency. Supply Chain human resources must be competent to understand all the technical Supply Chain functions and their interrelationships, systems and integration requirements for implementing lean and agile Supply Chain systems. Tender Management will ensure that all staff in the Directorate has the right competencies and qualifications to join the Directorate and constantly guide them with correct requirements for different job positions within the Directorate.

4.4.5.5 *Individual key performance indicators*

EPSA's Monitoring and Evaluation framework provides for individual KPIs that should be measured progressively, as well as staff development plans drawn for the continuous capacity development of the staff. Tender Management should ensure that each staff member, irrespective of their job grade, has individual KPIs. The KPIs must be aligned with EPSA's overall corporate strategy and functional strategy so that the staff member understands the common goals and objectives being addressed through the operations of their Directorate. This will help them continue to improve their performance in the discharge of their responsibilities and duties.

4.4.5.6 *Professionalism*

Tender Management interacts with suppliers during the tendering process; a high level of professionalism, including e-mail and phone ethics, must therefore be observed by staff throughout the communication processes with suppliers and other stakeholders. Staff of the Directorate should maintain a high level of professionalism while reporting activities, during meetings with suppliers and while providing technical advice on procurement matters; they should have excellent time management and maintain their ethical conduct at all times. The Directorate should implement and ensure a zero-tolerance attitude to corruption through its policies as guided by the procurement legal frameworks.

4.4.5.7 Continuous development plan

Tender Management will ensure that, every year, all procurement staff should have a continuous development plan that outlines their key areas of development needs. The implementation of the continuous development plan will be based on available budget, the importance of the training to the staff member in relation to his/her position and resource allocation. Staff should submit their annual continuous development plan outlining areas of development; this should be shared with the Human Resources Directorate for planning and scheduling staff development within the year. The development plan must focus on core areas that, if addressed, will improve the member of staff's overall performance to enable the Directorate to achieve operational excellence.

4.4.5.8 Right placement

Tender Management will coordinate with the Human Resources Management (HRM) Directorate to ensure that all staff deployed to the Directorate are well-placed to contribute to the Directorate based on their current skills, competencies, experience and interpersonal abilities. This will enable the Director of Tender Management to assign duties and responsibilities accordingly to individuals based on their competencies and interpersonal skills. Staff should be assigned tasks they can achieve with minimal supervision. Right placement also reduces the time and funds spent on the staff development process because, when skilled personnel are rightfully placed, they undertake their duties and obligations better as a result of their knowledge, experience and understanding of the task.

4.4.5.9 Performance management

Staff or team performance management is critical in ensuring that members of staff constantly improve their performance and deliver the required business objectives. Tender Management will deploy staff performance management based on guidelines issued by HRM. This should be well-managed through a quantitative or qualitative assessment approach. Staff in the Directorate who perform well will be rewarded accordingly and continuously supported to maintain their high performance. Low-performing staff should be subjected to development programmes to ensure they improve their performance within a defined period. If a member of staff fails to improve after undertaking the development programme, they will be referred to HRM for further internal mechanisms that address performance issues.

4.4.5.10 Membership of professional associations

Tender Management will constantly enrol their staff in local and international professional associations, such as the Chartered Institute of Procurement and Supply. This will enable staff to ensure that procurement standards, international best practices and ethical conduct are implemented in the discharge of their professional responsibilities. This will broaden staff knowledge, skills and professional networks through interaction with peers and attendance on short-term professional development courses that might improve staff competencies. Supply Chain Management associations (such as the Association for Supply Chain Management) will also enable staff to be updated on current Supply Chain Management knowledge, information and best practices that can be adopted by EPSA to improve its Supply Chain performance. Tender Management will also enrol or encourage

staff members to undertake long-term professional courses offered by the Chartered Institute of Procurement and Supply to attain a master's degree or Diploma in Procurement.

4.4.5.11 New staff onboarding processes

On getting new staff from HRM, Tender Management will ensure a proper onboarding process is planned and accomplished for the new staff member. Respective Coordinators will ensure the staff member is onboarded on the objectives, reporting lines, procurement processes, systems, teams and operations in the Directorate. This should be aligned with the staff probation period before assigning the new member of staff to any specific category management areas. Proper onboarding will also ensure the constant monitoring of staff progress for proper recommendation to HRM for consideration to hire on Permanent and Pensionable scheme.

4.4.5.12 Supportive supervision

Procurement is a technical area in Supply Chain Management and, if not well-understood by practitioners, can cause a lot of challenges in the operations of the Agency. The Tender Management Director will ensure that, once a new staff member starts the onboarding process within the department, they will also be under supportive supervision by a specific Coordinator for the duration of their probation. This should help develop the capacity of the member of staff to undertake complex procurement tasks with few or no problems and little disruption, with minimal supervision.

5 Conclusions

This strategy document aims at empowering TMD to be responsive to its key internal and external stakeholders, as well as to foster a workplace culture that encourages learning and continuous improvements in the following priorities of the Directorate:

- Reducing the overall procurement lead time;
- Strengthening the workforce capacity development;
- Enhancing key stakeholder engagements;
- Compliance with legal frameworks;
- Improving procurement data management.

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Appendix 1: Implementation plan

Strategic objectives	Activities	Timelines				
		2020/21	2022	2023	2024	2025
SO 1: Efficient procurement systems (Strategic Pillar 1 aims to improve the efficiency of procurement processes by adopting lean principles while implementing and managing procurement activities)	Annual procurement planning	✓	✓	✓	✓	✓
	Consolidated procurement of RDF and programme commodities	✓	✓	✓	✓	✓
	Development of Implementation schedule for procurement and consolidated plans	✓	✓	✓	✓	✓
	Development of risk management framework	✓	✓	✓	✓	✓
	Use of special permitted procurement methods (large-volume, framework agreements and public-private partnerships)	✓	✓	✓	✓	✓
	Use of past bidders' performance during tender evaluation	✓	✓	✓	✓	✓
	Total lead time management	✓	✓	✓	✓	✓
	Value for money approach and cost-effectiveness measures	✓	✓	✓	✓	✓
	Total compliance with PPA legal frameworks and ethical requirements	✓	✓	✓	✓	✓
	Alignment with EPSA procurement process KPIs	✓	✓	✓	✓	✓
	Compliance with international standards and national regulations	✓	✓	✓	✓	✓
	Use approved and registered procurement list of drugs	✓	✓	✓	✓	✓
SO 2: Adoption of an agile and responsive procurement system (in this pillar, EPSA will adopt an agile and responsive procurement system that enhances its operations capacity. The adoption of this flexible system will respond to the country's demand, emergencies and donor requirements)	Use transparent and accountable systems to enhance audit trails	✓	✓	✓	✓	✓
	Procurement based on solid budget and supply plan	✓	✓	✓	✓	✓
	Strong alignment between procurement plan and supply plan automation of procurement processes	✓	✓	✓	✓	✓
	Data generation and management	✓	✓	✓	✓	✓
	Lean and agile procurement system	✓	✓	✓	✓	✓
	Standardise tools, documentation, and templates for operations	✓	✓	✓	✓	✓
	E-procurement	✓	✓	✓	✓	✓
	Adherence with legal frameworks	✓	✓	✓	✓	✓
	Key stakeholder coordination and	✓	✓	✓	✓	✓

	collaboration					
	Continuous market analysis and reporting	✓	✓	✓	✓	✓
	Records management and custody of documentations	✓	✓	✓	✓	✓
	Communication	✓	✓	✓	✓	✓
	SOPs	✓	✓	✓	✓	✓
	Prequalification of suppliers	✓	✓	✓	✓	✓
SO 3: Optimisation of human resources for procurement (to optimise all levels of human resources in procurement by developing their capacity, so they can apply and implement lean principles and agile systems to enhance efficiency and effectiveness of procurement operators)	Individual competencies and qualification	✓	✓	✓	✓	✓
	Individual KPIs	✓	✓	✓	✓	✓
	Professionalism	✓	✓	✓	✓	✓
	Continuous development plan	✓	✓	✓	✓	✓
	Right placement	✓	✓	✓	✓	✓
	Performance management	✓	✓	✓	✓	✓
	Membership of professional associations	✓	✓	✓	✓	✓
	New staff onboarding processes	✓	✓	✓	✓	✓
Supportive supervision	✓	✓	✓	✓	✓	