



The relevance of GPA principles for public health

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**Advanced Regional Government Procurement
Workshop for Asian Economies**

Bangkok

13-15 January 2015



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I. The importance of efficient, transparent and competitive procurement processes for the health sector

The importance of efficient, transparent and competitive procurement processes for the health sector (1)



- **Public spending on public health is one of the largest government spending items - USD 3 trillion global health sector (Transparency Int.);**
- Thus, the **efficient utilisation of taxpayers' funds** and achievement of **value for money** in this sector is important.
- **Possible improvements ?**
 - **The procurement of medicines has been particularly prone to weak governance**, which, in turn contributes to stock-outs, wastage, poor quality, and cost inflation.
 - A medicine pricing study found that, in Africa, European and Western Pacific Regions, governments paid an **unnecessary surcharge of, in average, 34-44% for medicines.**

The importance of efficient, transparent and competitive procurement processes for the health sector (2)



- Evidence of cost reduction/improvements in value for money in the health care sector made possible through transparent and competitive tendering:
 - ➔ A 2011 study analyses the effect on drug prices when the drugs are sold via the **retail pharmacy channel** versus via **tendered procurement by NGOs** such as the Global Fund and the Clinton Foundation.
 - ➔ The paper finds that **“the evidence from HIV/AIDS, TB and malaria drugs shows that procurement mechanisms lower originator and generic prices by 42% and 28% respectively, compared to their retail pharmacy prices.”**
- Source: P.M Danzon, A.W. Mulcahy; A.K. Towse, "Pharmaceutical Pricing in Emerging Markets: Effects of Income, Competition and Procurement" US National Bureau of Economic Research (NBER), NBER Working Paper Series no 17174, available at <http://www.nber.org/papers/w17174>.



II. Strengthening competition (including international) in the public health procurement market



Strengthening competition (including internationally) in the public health procurement market (1)

- A **direct relationship** between the extent of competition in government procurement markets and the cost to governments of the goods and services that are procured has long been established.
- **International liberalization** not only a tool to gain **access to foreign markets**, it also creates **improved competition in the domestic market (value-for-money)**. It can also provide **access to technology** that may not otherwise be available in the domestic market.



Strengthening competition (including internationally) in the public health procurement market (1)

- **This also applies to the public health sector** - this is corroborated by a recent study by the Swedish national Board of Trade – which study finds that open borders appear as important for quality and efficiency of the health care sector as it is for any other field in the economy.
 - **“Borders that are open to competition in government procurement spur competition in markets where few firms are active, improve the quality of health care, and help authorities ensure that tax-revenue money is spent in the most efficient way.”**

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