



The World Bank

Procurement Policy Review Feedback Summary

Date: September 27, 2012

Venue: Washington DC, USA (Roundtable on Procurement of Medical Equipment and Technology)

Total Number of Participants: 37

Overview and General Reactions

The World Bank hosted a one-day roundtable on issues that are specifically relevant to the procurement of medical equipment and technology. The Global Diagnostic Imaging, Healthcare IT & Radiation Therapy Trade Association (DITTA) co-hosted the meeting. The focus of this consultative event was to gather insights into the specific sector and to gather best practices for procurement from the private sector as well as from government agencies.

General feedback

- **Internal capacity.** World Bank staff are not specialized in technical and health issues, but rather cover a whole range of medical devices and pharmaceuticals in a general way. The Bank's general focus in relevant projects is on the improvement of healthcare systems without having special resources for the evaluation of technical components and specifications. This lack of internal capacity was acknowledged as limitation by both the World Bank and external stakeholders. Suggestions were made that a stronger focus on outcomes (instead of outputs) would allow procurement processes that are more appropriate for medical technology. Industry representatives advocated for better cooperation between the private sector and the World Bank to help strengthen the Bank's internal capacity in this regard. It was also emphasized that even when the World Bank hires consultants to handle the technical review of bidding documents, those consultants need to

understand both the technical specifications and well as principles of procurement, which is often a challenge. World Bank officials explained that the Bank views the health industry as different from the markets that it typically deals with. . Other sectors such as infrastructure have engineers who understand those specifications. In the IT sector, an Industry Fellow is available to provide support on specific areas where the World Bank lacks technical expertise.

- **Country capacity.** Most developing countries lack the capacity to write technical specifications for medical equipment. Again, consultants are often hired to define specifications relevant to clinical performance, which poses challenges if the consultant does not understand the basic principles of public procurement or the full array of medical equipment available in the market place. A representative of the Croatian Ministry of Health stated that borrowers have great difficulty in preparing unbiased technical specification because no experienced and qualified individuals to prepare them exist. Borrowers therefore rely on the World Bank for assistance.
- **Coverage of the full procurement cycle.** Industry participants pointed out that over a 20 year life cycle of equipment, the cost of procurement is roughly four percent of the total cost of ownership (TCO = Installation + Site Development), while the cost to operate is 96 percent. The World Bank should therefore consider what happens to equipment once it is purchased. As healthcare systems become more complex, the Bank should view complex medical projects through the same lens it views infrastructure. Local Task Team Leaders and MOH should be included in the project planning process as early as possible in order to build an environment of trust from the onset. It was also suggested that the World Bank make efforts to ensure that equipment procured through the World Bank is installed properly.
- **Capacity building and sustainable procurement.** A stronger focus on the full procurement cycle entails a focus on post-market and continuing education of technicians, operators, and administrators. Capacity building and education were identified as essential for sustainability of investments and stakeholders were of the view that Procurement has a responsibility to have a mechanism to enforce the presence of some key components such as training for the project. Stakeholders pointed out that economic incentives need to be present in order for a procured technology to be used properly. There is no point in purchasing technology if it cannot be operated. The key issue here is the availability of trained operators. Existing World Bank resources for online training, such as WBI, should be utilized. WBI includes the health sector as one of seven target areas for training. The industry could help expand WBI's Health Systems module to address key considerations in the med tech acquisition process. This would not substitute, however, for hands-on training needed for complex projects. Participants noted that continuing medical training is not covered in bids. However, the World Bank has seen requests from borrowers for training at the bidder's expense for onsite training (preceptorship). The World Bank might consider including continuing training and supporting budgets for annual training and the operation of a regional training center. Bank officials suggested that the industry consider making an effort to provide training manuals in the local language instead of international language and to make other documents such as guarantees easier to understand.

- **Market analysis.** Industry representatives pointed out a number of specifics of the medical technology market and how those specifics should be addressed. It was suggested that the Bank narrow down the number of companies bidding for complex health systems, as only a small number of companies have the capacity for such systems. Bank officials further noted that the Bank may consider a pre-qualification process prior to bidding, which would require that companies
 - Have standing in a given country,
 - Have 2-3 service providers for maintenance,
 - Have at least a five-year history, and
 - Can show interoperability.

The World Bank acknowledged that it must be careful not to restrict the growth opportunities of small and medium companies.

It was noted that controlling medical environments and practice are not the responsibility of World Bank procurement, but there is a role for procurement to play in analyzing the medical environment of a country and making suggestions to the borrower.

- It was noted that **Public Private Partnerships (PPP)** in the health sector have a significant impact. Governments are realizing that their abilities are limited in maintaining complex medical systems. Therefore, the World Bank is starting to see service tenders for private companies to offer medical equipment services. In many emerging economies, the health sector does not have the capacity to operate their machines, so they ask vendors to sell as well as service the equipment. However, the tender often tends to span to beyond its original purpose. What starts as simple maintenance progresses to diagnostic services and eventually therapeutic services. How service contracts deal with this slippery slope is an area of increasing concern. The ideal solution may be PPP models that wet-lease a complete healthcare solution including management of all clinical and non-clinical services from a suitable consortium with sufficient experience in the field.
- **Transparency.** Industry representatives asked that the World Bank make a commitment to stronger oversight to ensure that there is transparency and accountability in order to have the robust competition that the industry wants. The industry relies on the World Bank for oversight. There were calls for an open source database run by an independent third party for commonly used medical equipment. For example, ECRI has a database that provides a brief description of most medical devices and a side-by-side listing of available international medical product specifications to assist procurement agents (e.g. Argentina uses ECRI). The use of the database is chargeable. Stakeholders also appealed to the World Bank to provide guidelines for the bidders to minimize grievance complaints. An Ombudsman or similar redress mechanism was suggested

as a short-term improvement to procurement transparency.

- **Fraud and corruption.** It is important that the World Bank make sure that specifications are not tailored for specific bidders, although resources for close oversight are limited. The medical technology industry should partner with the World Bank in providing up to date technical specifications to aid in catching issues early. The industry should be vigilant when competing and should alert the Bank as early as it identifies bidding problems. There is a misconception that if a company complains, it will be penalized during the evaluation of a bid. On the issue of fraud and corruption it was further noted that the forging of documents is common in high risk projects. As a short-term solution, the World Bank should partner with the industry to reduce the number of abuses. In the long-term, the industry should partner with developing countries to build capacity. This could be understood as part of the private sector's social responsibility and as facilitation of future opportunities in those countries.
- **Cooperation with the industry.** Industry representatives suggested a number of areas for cooperation with the World Bank. In addition to cooperation when developing specifications, it was suggested to create a roundtable working group or workshop to focus on specific areas of concern for the Bank that the industry can help in solving. The German Health Partnership (GHP) was cited as an example of a joint public and private initiative to resolve issues. The GHP
 - Forms a trusting public-private partnership,
 - Conducts pre-feasibility studies,
 - Develops models based on user requirements,
 - Offers joint solutions that could not otherwise been offered from individual companies, and
 - The customer (borrowing government) pays for the service.

An IFC representative noted that this organization has regular consultations with hospitals and the technology sector through CEO meetings twice a year. The Bank should have similar consultation with the group present for this round table. It was also suggested that the industry develop a general unbiased guidance document or manual for the borrower on how to write technical specifications. There are, however, legal concerns that need to be further explored so that rules and regulations are not violated from either side. The conflict of interest issue also needs to be carefully dealt with on the side of the industry.

Participants also described the European example of Competitive Dialogue where customers and bidders come together through a structured process to create a concept to which all bidders are asked to bid. This process is reflected on the

Bank's IT sector two-stage competitive bidding process.

- This is suitable for large projects of \$5-\$10 million in value,
- Projects could be regionally aligned,
- Projects could be bundled together as part of a whole carefully aligned package that meets the needs of the country or region,
- This would create the conditions for capacity building in the region after the acquisition of equipment, which is critical to the sustainability of the project.

Industry representatives recommended that World Bank staff as well as Ministry officials attend medical technology symposiums such as RSNA, Medica, JPR, Arab Health, etc. The industry could help host and arrange special meetings to address specific technology and clinical practice interests of World Bank staff and Ministry officials. It was also suggested that the World Bank host technology days, for instance as part of the Human Development Week.