

# An Analysis of Pharmaceutical Lending By The World Bank

Rosa Rodríguez-Monguió and Juan Rovira

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**AN ANALYSIS OF PHARMACEUTICAL LENDING  
BY THE WORLD BANK**

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## Health, Nutrition and Population (HNP) Discussion Paper

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# Health, Nutrition and Population (HNP) Discussion Paper

## An Analysis of Pharmaceutical Lending by the World Bank

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The paper aims to quantify and analyze World Bank lending for pharmaceuticals. Previous studies have compiled data on approved lending, but not on actual pharmaceutical purchases made by countries with using World Bank loan funds.

**Abstract:** The World Bank (WB) began to lend for health, nutrition, and population (HNP) in the late 1970s. Today, the Bank has become the single largest external source of HNP financing in low- and middle-income countries. The Bank's activities in the HNP sector are based on the rationale that investments in health, nutrition, and population constitute an investment in human capital that is necessary for enhanced welfare, reduced poverty and sustainable growth.

During fiscal years (FY) 1999 to 2002, the World Bank approved 683 lending projects in all sectors, with a total lending amount of US\$ 38,306 million (2001 prices). During the same period of time, the World Bank approved 65 HNP lending projects, with a total cumulative value of US\$ 3,298 million (2001 prices). The Bank has been financing pharmaceutical activities within the HNP portfolio since 1983. In total, the Bank has provided financing for pharmaceuticals in over 100 HNP projects in all six regions.<sup>1</sup> According to the results of the present research, contracts for the procurement of pharmaceuticals and medical products (PMP) under Bank financed projects from FY 1999 to FY 2002 accounted for almost 36% of the procurement of goods in HNP, and for 18% of the total HNP procurement activity including goods, civil works, consulting and other services.

Despite the increased interest in pharmaceuticals, lending in this area has been conducted without the guidance of an explicit operational policy on pharmaceuticals. While the World Bank has produced a number of policy papers and reports on pharmaceuticals, these are not considered operational policy. In this situation, good practices and implicit policy guide the pharmaceutical activities of the HNP sector and the Bank's pharmaceutical activities.

**Keywords:** pharmaceuticals, medical products, lending, World Bank, business warehouse.

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<sup>1</sup> The World Bank works in six regions: Latin America and the Caribbean (LAC), Middle East and North Africa (MNA), Africa (AFR), South Asia (SAR), Europe and Central Asia (ECA), East Asia and the Pacific (EAP).



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## FOREWORD

Several critical inputs are needed in order for health services to function properly. This includes pharmaceuticals, equipment, other consumables, capital, human resources, and knowledge. This publication – *An Analysis of Pharmaceutical Lending by the World Bank* – by Rosa Rodríguez-Monguió and Juan Rovira reviews the World Bank’s work on pharmaceuticals. It is the first in a series of publication on the role of pharmaceuticals as a critical input to health services in low- and middle-income countries.

Drugs are often the most important cost driver of health care expenditure on hospitals and ambulatory care. Patients that have access to adequate and effective drugs at the time of need are more likely to be happy with the treatment they receive. When such drugs are not available or ineffective after use, patients will go elsewhere, even if they have to pay high prices to private providers, to get the care they think they need.

The availability of affordable and effective drugs is, therefore, one of the most visible indicators of the quality of health services. Satisfaction with the drugs received is a key determinant of utilization of health services and return visits in the public sector. And the cost of out-of-pocket spending on drugs is a major contributor to the impoverishing effects of illness.

Despite significant progress in increasing access to essential medicines in low- and middle-income countries during the past decades, many of the health services used by the poor still lacks adequate supplies of basic medicines. Drug shortages and quality problems continue to undermine the performance of health systems throughout the developing world.

Many factors influence whether poor people can obtain affordable drugs of good quality. This includes issues related to pricing and procurement of existing drugs, new product development, patenting/intellectual property rights, manufacturing or import of drugs, macroeconomic constraints, and foreign exchange fluctuations. Without addressing these issues, many countries will fail to reach their poverty and Millennium Development Goal targets.

This Discussion Paper makes a valuable contribution to this topic by reviewing the role of the World Bank in helping low- and middle-income countries secure adequate access to basic drugs for the poor.

*Alexander S. Preker*

Lead Economist  
Editor of HNP Publications



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## **BACKGROUND: PRIOR STUDIES ON PHARMACEUTICALS AT THE WORLD BANK**

Several World Bank papers have addressed pharmaceutical issues. These papers deal with public policies aimed at improving procurement, distribution and use of pharmaceuticals from a generic or normative perspective, but limited effort is devoted to describing the Bank's activities.<sup>1-4</sup> Two studies, one by Falkenberg and Tomson<sup>5</sup> and a financial and policy audit carried out by Sabate et al. (2000),<sup>6</sup> quantify the global pharmaceutical activities of the World Bank.

Falkenberg and Tomson<sup>5</sup> provide the first analysis of World Bank activity in the pharmaceutical sector. One of the aims of their study was to determine the amount of lending committed by the World Bank in different pharmaceutical areas. The analysis refers to committed lending (which captures intentions) and is based on 77 staff appraisal reports from fiscal year (FY) 1989 to FY 1995 that describe the planning phase of national projects. The analysis was performed using a pre-tested questionnaire developed by the authors. The authors underlined some of the limitations of the analysis including the fact that the category called "drugs" also included contraceptives<sup>2</sup> and vaccines. Sometimes medical supplies, chemical reagents, and medical equipment<sup>3</sup> were also included. All these different goods were lumped together in the staff appraisal reports, and it was impossible to separate them; consequently, Bank pharmaceutical lending was overestimated.

According to the same authors, from FY 1989 to FY 1995, 137 HNP projects were approved and 80 of them involved lending for pharmaceuticals. Procurement of drugs represented 10% of the planned total HNP lending. Africa, with total pharmaceutical lending of US\$412 million, was the region that committed the highest percentage of HNP lending (28%) to pharmaceuticals. Europe and Central Asia (ECA) with US\$169 million was the second region in terms of HNP lending devoted to pharmaceuticals (25%). The other four regions committed the following amounts (in absolute and relative terms) of their respective HNP loan budgets to pharmaceuticals: Latin America and the Caribbean region US\$ 245 million (15%), South Asia region US\$336 million (14%), East Asia US\$ 127 million (12%), and Middle East and North Africa region US\$ 22 million (3%). The HNP projects that included pharmaceuticals had the following components: procurement of drugs (90% of projects included this component), procurement of laboratory equipment (43%), hardware (35%), and software (34%). The study also found that 56% of all HNP projects in the Africa region involved drug procurement; and that the Africa region allocated a yearly average of 18% of its total HNP lending to pharmaceuticals during the analyzed period.

Falkenberg and Tomson concluded that lending for procurement of drugs was the main focus of the Bank's activity in the pharmaceutical sector. In their opinion, other drug policy issues, such as legislation and regulation, quality control, drug pricing and financing, information systems, as

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<sup>2</sup> Contraceptives include pharmaceutical products, mechanical contraceptives (condoms and intrauterine devices) and hormonal contraceptives (both pill and injection form).

<sup>3</sup> Medical Equipment includes mechanical, electronic, diagnostic and life support products (as opposed to consumable medical equipment).

well as availability, affordability and rational use of drugs, were largely ignored in Bank lending. However, it should be noted that the analysis was based on staff appraisal reports, which may not fully reflect actual activity.

In May 1998, the World Bank's HNP Sector Board commissioned a discussion paper on World Bank pharmaceutical lending as a first step towards the goal of establishing a "coherent and explicit set of pharmaceutical strategies that are consistent with the HNP sector strategy, regional and country priorities, and the World Bank's broader development goals" (Sabate et al 2000). Some of the conclusions in this discussion paper were included in the financial and policy audit by Sabate et al. of World Bank pharmaceuticals lending.

The objective of the Sabate et al. study was to assess the Bank's committed lending for pharmaceutical activities from FY 1983 to FY 1999. The study reported a total of 116 Bank-financed projects approved in the period specified. To retrieve these loans from the World Bank's Lending Operations Database, the authors performed a key word search.<sup>4</sup> The search retrieved 188 documents, 72 of which were excluded from the study, 64 because they did not include a pharmaceutical component, and 8 because the pharmaceuticals were for use in animal husbandry rather than by humans.

Sabate et al. identified several key limitations of their study. First, the retrieval process of lending documents could not ensure comprehensive identification of all relevant documents. The World Bank's Lending and Operations Database was only able to search the *abstracts* of lending documents, and projects with pharmaceutical components described only in the body of the text were not retrieved. Furthermore, the audit used a mix of reports (i.e. SARs, MRRs and ICRs), and the data retrieved from each type of report might not be strictly comparable due to some heterogeneity in the definitions and recording practices across documents and over time.<sup>5</sup>

Second, the authors reported well-defined pharmaceutical data, distributed only by region and donor. They noted that the absence of detailed post-hoc expenditure reporting for loans and the lack of a standardized cost accounting system in the Bank made it impossible to report a precise actual percentage of lending spent on pharmaceuticals. The authors did determine the minimum percentage of pharmaceutical lending (11.87%) and the amount of all "non-defined" health lending (32.54%). The "non-defined" data were used to define the upper and lower bounds within which the true percentage of pharmaceutical lending probably fell. The true figure was

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<sup>4</sup> The terms used by Sabate et al. for searching were the following: drug or drugs or pharma or pharmaceutical or pharmaceuticals or essential drug list or medicine or medicines or vaccine or contraceptives or condom or condoms.

<sup>5</sup> Staff Appraisal Reports (SARs) and "Project Appraisal Documents" (PADs) accounted for the majority of the documents retrieved (the term "PAD" replaced the term "SAR" during the study years, these documents describe the planned project after its appraisal and prior to its implementation.). There were also some Memorandum and Recommendation Reports (MRRs) and Implementation Completion Reports (ICRs). In the study, the authors refer to all these documents rather loosely as "Project Appraisal Documents" (PADs). The Memorandum of Understanding is a summary document that accompanies the presentation of the PAD to the Bank's Board and the ICR is a report prepared at the completion of the project, detailing the history and strengths/weaknesses of implementation and outcomes. It is worth noting that these reporting formats contain different levels of detail of information, and are written at different stages of the project life.

estimated to fall between 11.87% and 44.41%.<sup>6</sup> The authors mainly reported the lower bound estimate, which explicitly underestimates World Bank's lending for pharmaceuticals. The Bank financed 58% of the total amount committed to pharmaceuticals with the remaining 42% contributed by client governments and other donors. The authors found that the bulk of Bank lending in pharmaceuticals, about 89%, represented procurement of pharmaceuticals (rather than software, hardware or laboratory equipment).

A third limitation resulted from the nature of the lending information contained in the Staff Appraisal Reports (SARs, now referred to as PADs), which contain information on *committed* expenditures and not on *actual* expenditures.

Based on the findings and limitations summarized above, the authors developed three recommendations for the World Bank: 1) to define a set of cost accounting categories, consistent across projects, which reflect the Bank's policy for the pharmaceutical sector; 2) to improve the level of detail in pharmaceutical sector reporting; and 3) to develop mechanisms to ensure consistency in the description of pharmaceutical activities and in the reporting of the amount of funds committed for procurement of pharmaceuticals.

## **PHARMACEUTICAL LENDING BY THE WORLD BANK FOR THE PERIOD FY 1999 TO FY 2002**

In an effort to analyze the main trends in World Bank lending for pharmaceuticals, the present study initially tried to apply the approach used by Sabate et al. Data collection was intended to follow as closely as possible the Sabate et al. methodology, extending data collection from FY 1999, the last year included in their audit, to FY 2002.<sup>7</sup> The main reasons for maintaining the approach of the previous study were: 1) to take advantage of an already developed methodology, instead of developing a new methodology, and 2) to have a long-term set of comparable time-series data.

Conversely, there were also several reasons not to follow that course of action. The Sabate et al. analysis focused on committed lending, not on actual expenditures. While no systematic studies could be identified that compared the degree of concordance between these two parameters, a widespread perception existed that the divergences might be substantial. Moreover, there was not likely to be strict comparability of the new and old data because the definition often allowed for an arbitrary classification of the elements of expenditure.

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<sup>6</sup> The authors did not include in the "non- defined" category cost figures that include more than one type of commodity (e.g. drugs and vaccines), or more than one type of non-commodity (e.g. equipment and technical assistance), or costs that could not be allocated between commodity and non-commodity items (e.g. drugs and equipment). The non-defined health category accounted for US\$8,881 million, representing 32.54% of the total loans in all client countries.

<sup>7</sup> This report was written during FY 2002, so only partial data were available for FY 2002.

Furthermore, there are several differences between the data gathered from the Business Warehouse (BW) database used in the present report and the older World Bank lending operations database used by Sabate et al. The results reported in the present study are likely to be far more comprehensive and accurate than those of the earlier studies, because most of the civil works, goods (i.e. pharmaceuticals), and services actually procured for projects are registered in the BW database.

## **STUDY OBJECTIVE**

The purpose of this study is to describe and to analyze pharmaceutical sector lending activity by the World Bank during the FYs 1999 through 2002. In plain words, it aims to find out how countries that borrowed World Bank funds for pharmaceutical and medical products spent those funds. The concrete objectives are to: (i) estimate pharmaceutical lending by the World Bank for the period fiscal years 1999 to 2002, in absolute figures and as a proportion of total Bank procurement; (ii) describe and analyze the pharmaceutical lending activity by sectors, regions, borrower and supplier countries, and procurement method used; and (iii) formulate recommendations for improving knowledge about Bank lending for pharmaceuticals.

There are several justifications for this study. First, making this information available will enhance the transparency of Bank activities in line with the Bank's general policies. Second, the study will allow an assessment of the coherence of pharmaceutical lending with the declared goals of the HNP sector and the World Bank. Third, the study will contribute to better identification and understanding of areas of potential improvement when defining a World Bank pharmaceutical strategy, as well as in implementation of operational policies. Finally, it will help future up-dates and improvements of this type of information.

The study is not aimed at assessing the impact of the Bank's pharmaceutical lending on health or other ultimate outcomes. This would require careful follow-up and monitoring of the individual projects; however, it might help understand whether the actual lending reflects the stated goals and strategies as well as the adequacy and compliance of procedures with operational policies. For instance, are the Bank's recommendations regarding competitive bidding appropriately followed? Does this have the expected effects?

## **DATA AND METHODS**

The World Bank project database was the source of information on approved lending projects. The Business Warehouse (BW) database is an online integrated data warehouse that contains information on projects, loans, trust funds, budgets, expenses, human resources, as well as co-financing information under the co-financing reports.<sup>8</sup> The BW contains data for all World Bank

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<sup>8</sup> When the team leader of a World Bank project finalizes the Project Appraisal Document (PAD), selected PAD data are transferred to the Project Status Report (PSR) in the World Bank system (SAP). Only projects and contracts stored in system (SAP R/3) can be extracted to the Business Warehouse database. SAP is an acronym for Systems, Applications and Products in Data processing. SAP R/3 is a brand name of Enterprise Resource planning (ERP) computer software. The World Bank uses the third release, or version. This system operates throughout all 130

projects, from IBRD/IDA grants and guarantees, to loan contracts. The database also includes non-lending activities such as economic and sector work and technical assistance.

The accuracy of the BW information stems from the fact that the BW collects data from actual contracts awarded. Of particular interest to this study was the database's ability to generate detailed listings of expenditures sorted by different dimensions of procurement contracts such as description of the contracts, pharmaceutical suppliers and supplier countries, procurement category (i.e. civil works, consulting services, and other goods and services), and the amounts of the contract, among other variables. The procurement information collected by the BW is available to Bank staff to generate reports and perform information analyses, but it is not intended to serve research purposes of a given sector; hence, the difficulties we faced. (See Annex for a detailed description of different World Bank sources of lending information.)

The data search included all Bank projects coded as being in the HNP sector, for all Bank regions, irrespective of the project status -active, closed, dropped, and pipeline<sup>9</sup>- approved during the period FY 1999 to FY 2002 (data as of 12/03/2001). The Bank has two types of lending instruments: investment and adjustment. The study focused only on investment lending, in which the uses of the funds are planned in considerable detail.<sup>10</sup> The keywords used in this study for searching WB projects were: pharmaceutical(s), drug(s), vaccine(s), contraceptives, and condom(s).

The results and analysis presented in this report are based on data from procurement *contracts* for pharmaceuticals and medical products (PMP) included in the BW database. The data for the procurement category of goods, and specifically PMP, were extracted from health sector components of all sector projects from FY 1999 to FY 2002.<sup>11</sup> The *sectors* with PMP components included in this report cover primary education, agriculture (i.e. procurement of veterinary drugs), social protection, private sector development, water supply and sanitation, and health, nutrition, and population. The *procurement categories* specified in the WB database are goods, civil works, consultant services, and services. Each procurement category includes different types of goods. According to the BW database, PMP includes: "medical supplies,

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country offices and headquarters on a global satellite network. If the PAD is not finalized and the user accesses the PSR, the data from the PAD will not be reflected in the PSR.

<sup>9</sup> According to the BW dictionary, Portfolio status is the status of the project within the portfolio. The values are active (A) or inactive (I). Snapshots include all projects that are active plus all projects that became inactive during the snapshot fiscal year. The values for the project status are projects in the pipeline (P), projects approved by the board (A) and dropped projects (D).

<sup>10</sup> IBRD is the International Bank for Reconstruction and Development, the part of the World Bank group that provides loan funds. IDA, or the International Development Agency, provides concessional loans, called "credits". Project Agreements are categorized as IBRD, IDA, BLEND, GRANT and OTHER. These categories refer to the type of financing associated with the loans, credits or grants of a project. IBRD, IDA and GRANT are assigned for projects that only have one type of financier (IBRD, IDA or WBTF, trust funds). BLEND is assigned for combinations of IBRD and IDA. OTHER is assigned to all other blends, (Source: BW Dictionary)

<sup>11</sup> The FY runs from July 1<sup>st</sup> to June 30, and is named according to the calendar year in which the FY ends. For example, a project approved on November 20, 2001 will be included in fiscal year 2002.

medicines, antibiotics, vitamins, contraceptives, vaccines, etc.<sup>12</sup>” Medical equipment means: “X-Rays, MRI, NMR, instruments, surgical equipment, medical instruments, hospital equipment, health center equipment, furniture, ambulances, medical mobile facilities, etc.” In this report, the PMP is used for the analysis of Bank pharmaceutical activity because it is the most disaggregated information available.

## LIMITATIONS OF THE INFORMATION

The main limitation of the study derives from the quality of the information. Each of the sources of information on World Bank lending (i.e. PADs, loan agreements, and the BW database) is likely to yield different results. The BW database used in the study has the following limitations:

First, it should be noted that the amount of lending on pharmaceuticals planned at the time of project approval and the actual expenditure on contracts are likely to differ. As noted in Table 1, there is a variable time lag between project approval and approval of contracts within the project. Many approved projects do not generate contracts until a few years after project approval. For most active projects, only some of the contracts that will be funded during the full period of project implementation have been awarded and hence recorded in the BW database at the time of data retrieval (snapshot day).<sup>13</sup> This does not necessarily imply some type of bias, but it may result in a lack of concordance between lending trends derived from PADS and the BW data. The shorter the time window selected, the larger the likely divergences would be because in a given year, relatively few new projects might have been approved, but there might be a high volume of contracts granted from projects approved in prior years.

Second, BW is an open database. The BW database is updated every week, re-extracting all the data and deleting the old information. In other words, the data are replaced with the most current information.<sup>14</sup> This means that the newest available data are loaded each week in such a way that any changes to any project (e.g. any contract under that project) will be reflected in the latest report. Therefore, data or figures for a given period are likely to change according to the snapshot date. In this study, we used two snapshot dates<sup>15</sup> that are explicitly indicated in the tables. The reason was the need to obtain data on additional variables.

A major limitation of the BW database for the purposes of the present analysis is that it only records the total monetary value of each contract, which usually includes not one but several

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<sup>12</sup> There is no specification or explanation of “etc”.

<sup>13</sup> The snapshot day is the “as of date” when the data were retrieved. Portfolio snapshots are updated weekly except during the months of June and December when the snapshot is kept for the month. Snapshots taken during the month contain data through that date. The complete month is made available on the third business day after the end of the month. The June 30 snapshot covers the full Fiscal Year. (Source: BW Dictionary)

<sup>14</sup> Personal communication, Wendy Fleit, World Bank.

<sup>15</sup> We became aware of this BW characteristic when we extracted additional data on a subsequent day, and compared the data to the earlier snapshot covering the same period.

categories of goods. Unfortunately, it is not possible to separate out goods into specific items (e.g. pharmaceuticals, vaccines, contraceptives, etc.).

Moreover, no information is available in the BW about the type, quantity, or unit price of each good. Information on unit prices would be essential in order to analyze issues such as the effect of the procurement method used by the borrower on the price of pharmaceuticals, or the differences in the prices paid by different countries or to different suppliers for the same drug.<sup>16</sup> This information might be available upon request to the procurement units, but is normally not stored in an easily retrievable manner. The World Bank's borrower countries must file and keep for a certain period of time the original copies of the procurement contracts and the evaluations of the bidding processes. In order to access price information, it might be necessary to make a request to the borrower country for a copy of the contract or document.<sup>17</sup>

Finally, procurement arrangements only get put into the BW database if the amount exceeds the prior review threshold set for the corresponding category and procurement arrangement. Thus, contracts below the defined prior review thresholds are not documented in this report. Information on contracts that are not subject to prior review should be filed in the offices of the implementing agency and should be available for post review and audit.

## RESULTS<sup>18</sup>

The search strategy retrieved 65 approved lending projects (IBRD/IDA) and 5 Grants in the HNP sector, and 363 individual contracts in the procurement category of PMP for the period FY 1999 to 2002 (Table 1). Of the 65 total HNP approved projects, 43 contained at least one of the keywords used to retrieve the information. Only one (ID P058526) of the 65 HNP lending projects approved was closed. Contracts included in the database after the snapshot day were not considered in this study.

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<sup>16</sup> PADs and Loan Agreements (alternative sources of information) also tend to specify the total amount of contracts, not the unit price of items to be purchased.

<sup>17</sup> In general, in order to obtain specific information on a project, it is often necessary to contact the task manager of that project (personal communication, Amara Gummerdngam, World Bank).

<sup>18</sup> It should be noted that the results included for FY 02 are not comparable with the results for other FYs included in this study because this report was written during FY 02 and data were not available for the whole 12 months.

**Table 1: World Bank Lending Activity from FY 1999 to FY 2002**

<b>Lending Projects</b>	<b>HNP*</b>	<b>Other Sectors</b>	<b>World Bank</b>
Total Number of Approved Projects	65	618	683
Committed Lending Amount (In US\$ millions)	3,298	35,008	38,306
<b>Procurement of PMP**</b>			
Total Number of PMP contracts	363	17	380
Total Amount of PMP contracts (In US\$ millions)	372	29	401

\*HNP: Health Nutrition and Population. \*\*PMP: Pharmaceuticals and Medical Products.

Source: Business Warehouse Database, (data as of 12/03/2001), retrieved on March 10, 2003.

Tables 2 and 3 show the number of projects and the total amount lent by FY and type of agreement (IBRD/IDA/Grant) in all sectors and in HNP, respectively. The amount lent and the number of approved projects for all sectors decreased from FY 1999 to FY 2000. The amount lent rose in FY 2001. A similar pattern occurred in the case of the HNP sector. The IBRD share of funding for all sectors is larger than the share of IDA, except for FY 2002. However, the opposite is true in the case of HNP. The total lending amount in HNP for the period specified amounted to US\$ 3,298 million for the 65 approved projects, representing 8.6% of all World Bank projects financed that were approved from FY 1999 to FY 2002 (Figures 1 and 2).

**Table 2: All Sectors, Approved Lending Projects, FY 1999 to FY 2002**

<b>Lending Amount (In US\$ millions)</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
IBRD	8,201.2	6,492.6	6,550.0	825.6
IDA	5,422.8	3,676.0	4,938.0	2,200.5
Total	13,624.0	10,168.6	11,488.0	3,026.1

<b>Number of Projects</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
IBRD	104	83	76	22
IDA	123	117	119	39
Total	227	200	195	61

Lending Instrument Type: Investment

Project Status: Active, Closed, Dropped or Pipeline.

Source: Business Warehouse Database, (Data as of 12/03/2001).

**Table 3: HNP Approved Lending Projects; FY 1999 To FY 2002**

<b>Lending Amount (US\$ Dollars)</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
IBRD	514,300,000	407,600,000	483,600,000	17,000,000
IDA	592,500,000	579,400,000	564,200,000	139,600,000
Total	1,106,800,000	987,000,000	1,047,800,000	156,600,000

<b>Number of Projects</b>	<b>FY 1999</b>	<b>FY 2000</b>	<b>FY 2001</b>	<b>FY 2002</b>
IBRD	11	9	5	1
IDA	9	11	16	3
Total	20	20	21	4

\*HNP: Health Nutrition and Population.

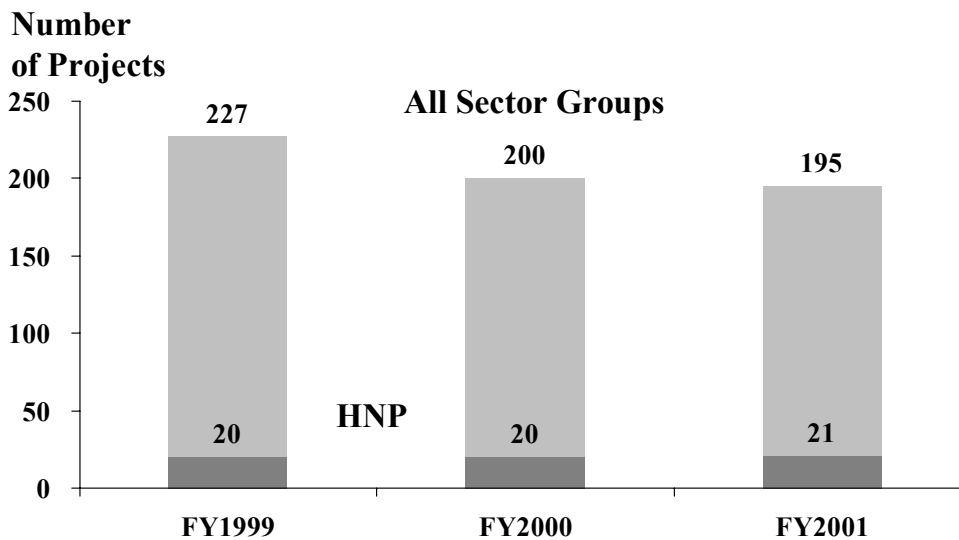
Lending Instrument Type: Investment

IBRD: International Bank for Reconstruction and Development

IDA: International Development Agency

Source: Business Warehouse Database, (Data as of 12/03/2001).

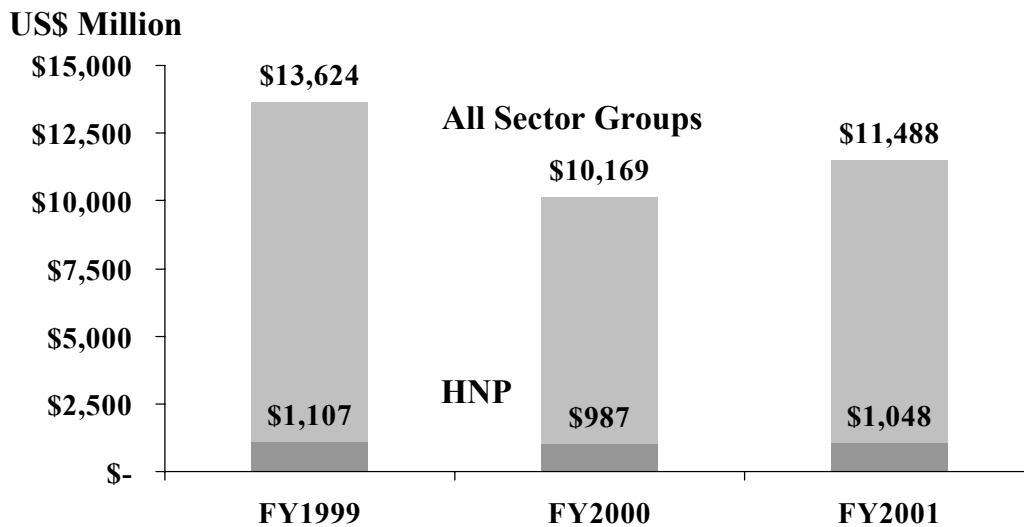
**Figure 1: World Bank Approved Lending Projects  
HNP and All Sectors, FY 1999-FY 2001**



HNP: Health, Nutrition and Population

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

**Figure 2: World Bank Approved Lending Projects  
HNP and All Sectors, FY 1999-FY 2001**



HNP: Health, Nutrition and Population

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

Table 4 (on the following page) summarizes the main results of the PMP contracts by borrower country. From a total of 48 borrower countries, 82% of the total number of PMP contracts were signed in 20 borrower countries; these contracts represent 90% of the total procurement of PMP for that period.

### **Results By Sector Group.**

HNP is the main lending sector for pharmaceuticals; however, pharmaceutical lending is not restricted to HNP. The number of contracts for procurement of PMP and the total amount of these contracts are specified by sector in Table 5. The total amount of procurement of PMP in all sectors for fiscal years 1999-2002 was US\$ 401 million. As expected, HNP was the sector that assigned the largest amount for financing pharmaceuticals and medical products. The HNP sector financed 363 out of 380 PMP procurement contracts. Overall, the HNP sector financed US\$372 million out of US\$401 million in PMP procurement contracts (Figures 3 and 4). Education, agriculture, social protection, private sector development and water supply and sanitation are other sectors with a small component of PMP.

**Table 4: PMP Contracts by Borrower Country, All Sectors; FY99-FY02**

Country	Number of Contracts	Lending Amount (US\$ Dollars)					
		Total	Average	Std.Dev.	Median	Minimum	Maximum
Bangladesh	14	85,950,088	6,139,292	7,483,843	2,793,905	8,563	19,100,000
Benin	3	597,220	199,073	74,838	180,493	135,276	281,451
Bolivia	2	3,037,158	1,518,579	125,750	1,818,579	1,429,660	1,607,498
Bosnia-Herzegovina	1	88,308	88,308		88,308	88,308	88,308
Brazil	2	7,338,177	3,669,089	3,296,972	3,669,089	1,337,777	6,000,400
Burkina Faso	4	1,216,122	304,031	191,828	322,064	52,657	519,337
Burundi	11	2,216,371	201,488	128,302	142,788	70,700	475,839
Cameroon	1	310,843	310,843		310,843	310,843	310,843
Chad	3	1,029,987	343,329	376,208	155,403	98,109	776,475
China	9	7,614,396	846,044	698,619	518,734	288,758	2,463,183
Comoros	1	354,702	354,702		354,702	354,702	354,702
Dominican Republic	12	35,629,313	2,969,109	10,020,904	66,692	5,222	34,788,733
Egypt, Arab Republic	4	5,543,263	1,385,816	969,464	1,336,699	422,683	2,447,183
Eritrea	3	1,353,481	451,160	303,335	362,500	202,034	788,947
Ghana	6	5,309,894	884,982	1,030,916	503,312	271,440	2,935,435
Guinea-Bissau	3	697,427	232,476	262,810	105,832	56,967	534,628
Haiti	5	3,788,303	575,661	679,097	686,000	111,910	1,893,841
India	89	114,218,760	1,283,357	4,487,341	388,509	6,429	32,295,520
Indonesia	1	4,017,805	4,017,805		4,017,805	4,017,805	4,017,805
Iran, Islamic Republic	2	1,218,193	609,097	632,290	609,097	162,000	1,056,193
Kazakhstan	1	382,808	382,808		382,808	382,808	382,808
Kenya	12	4,746,896	395,575	341,652	270,852	55,122	1,203,000
Kyrgyz Republic	16	1,566,005	97,875	69,582	79,500	13,500	250,000
Lao PDR	3	458,522	152,841	49,974	180,987	95,141	182,394
Macedonia Republic	5	1,083,914	216,783	145,170	224,971	26,001	394,503
Madagascar	1	335,712	335,712		335,712	335,712	335,712
Malawi	10	2,322,910	232,291	197,771	188,640	9,050	672,139
México	10	6,840,071	684,007	426,835	668,300	87,264	1,558,064
Morocco	18	14,197,121	788,729	824,999	530,344	14,790	2,492,200
Mozambique	17	8,596,401	505,671	585,028	306,154	69,240	2,575,983
Nicaragua	2	254,467	127,234	165,725	127,234	10,048	244,419
Niger	17	4,291,999	252,471	222,927	195,671	28,629	989,827
Pakistan	17	39,258,658	2,309,333	2,822,440	1,784,772	14,948	11,665,630
Papua New Guinea	4	1,106,825	276,706	221,596	254,913	40,000	557,000
Paraguay	1	184,590	184,590		184,590	184,590	184,590
Philippines	5	4,195,190	839,038	471,266	793,726	209,075	1,491,795
Rwanda	6	1,312,032	218,672	69,709	207,135	152,623	317,907
Sierra Leone	2	495,179	247,590	179,241	247,590	120,847	374,332
Sri Lanka	3	936,341	312,114	10,665	309,228	303,188	323,925
Tanzania	6	1,750,455	291,743	222,883	251,138	48,180	594,000
Turkey	4	1,375,990	343,998	288,541	294,102	48,705	739,082
Turkmenistán	1	81,399	81,399		81,399	81,399	81,399
Uganda	19	13,068,096	687,795	571,970	476,989	124,650	2,167,200
Uzbekistán	8	1,425,152	178,144	292,626	86,844	23,100	898,856
Venezuela	1	166,919	166,919		166,919	166,919	166,919
Vietnam	3	2,883,322	961,107	574,939	1,013,600	361,722	1,508,000
Zambia	11	5,268,724	478,975	487,397	276,906	132,000	1,751,820
Zimbabwe	1	471,800	471,800		471,800	471,800	471,800
Total	380	400,587,309	1,054,177			66,692	4,017,805

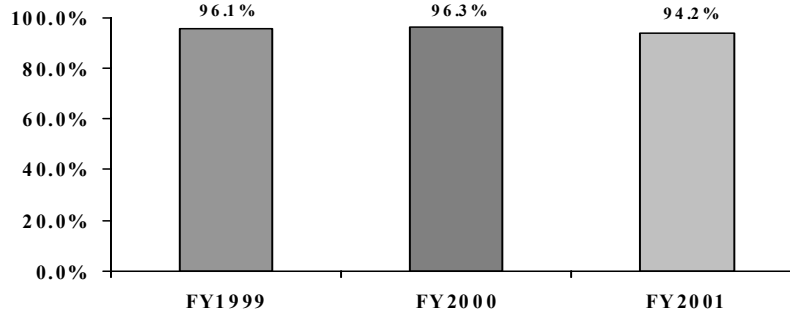
Source: Business Warehouse Database, (Data as of 12/03/2001).

**Table 5: Procurement of PMP by Sector Group; FY1999 - FY2002**

Sectors	Number of PMP Contracts	PMP Lending Amount (US\$)	% of Total Lending
Education	11	27,253,700.0	6.8
Agriculture	1	120,800.0	0
Social Protection	2	504,300.0	0.1
Private Sector Development	2	315,400.0	0.1
Water Supply & Sanitation	1	81,400.0	0
Health Nutrition and Population	363	372,311,600.0	92.9
All Sector Groups	380	400,587,200.0	99.9

Source: Business Warehouse Database, (Data as of 12/03/2001).

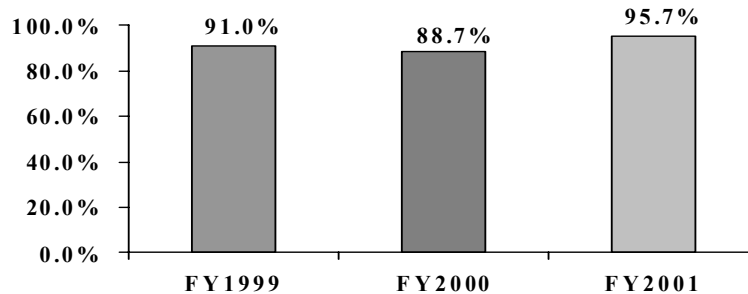
**Figure 3: World Bank Procurement of PMP, Number of Contracts in HNP as % of All Sectors, FY 1999 - FY 2001**



HNP: Health, Nutrition and Population      PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

**Figure 4: World Bank Procurement of PMP, HNP PMP as % of All Sector PMP, FY 1999 – FY 2001**



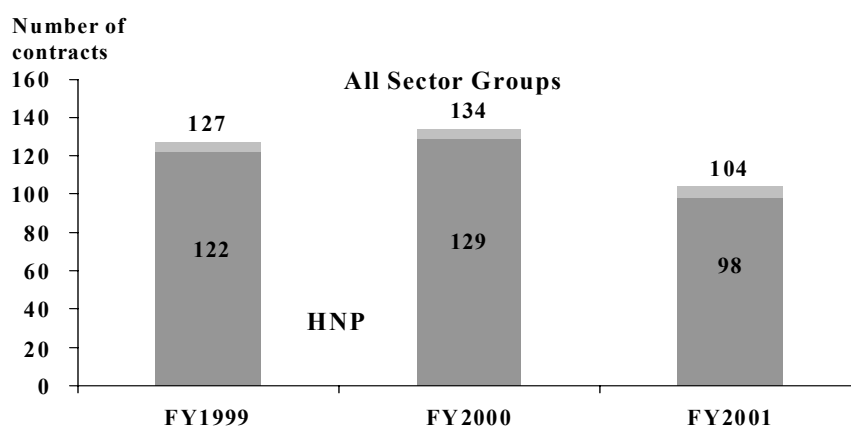
HNP: Health, Nutrition and Population      PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

## Results by Regions

By regions, South Asia Region (SAR) was the largest borrower both in terms of HNP procurement activity and for all sector procurement during the entire period considered in the analysis (Figures 5-8). With regard to the HNP sector, SAR accounted for more than 50% of the PMP purchases for FY 1999 with a small reduction in FY 2000. The amount of PMP procurement increased up to 83 percent of total HNP procurement in FY 2001. India, Bangladesh and Pakistan were the main borrowers for purchasing PMP. The second region in terms of the amount spent as a percentage of all PMP contracts was Latin America and the Caribbean (LCR) followed by Africa (AFR), Middle East and North Africa (MNA), East Asia and Pacific (EAP), and finally, Europe and Central Asia (ECA) (Tables 6 and 7).

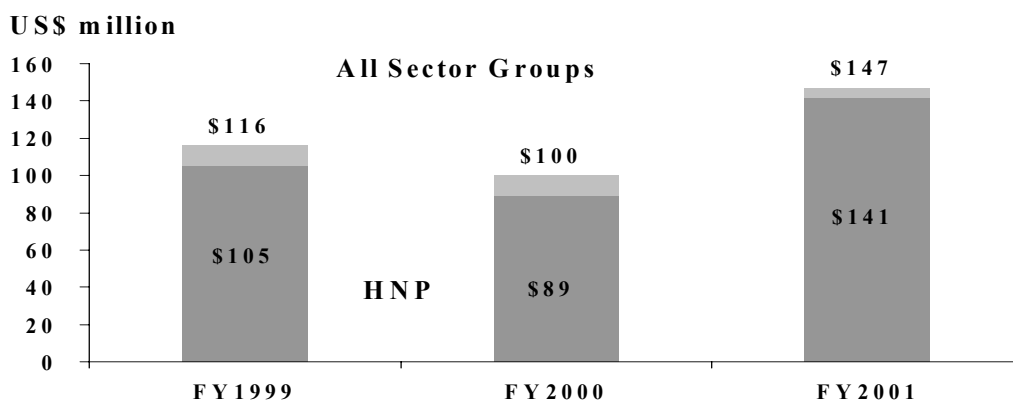
**Figure 5: World Bank Procurement of PMP, All Sectors and HNP, FY 1999 - FY 2001**



HNP: Health, Nutrition and Population PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

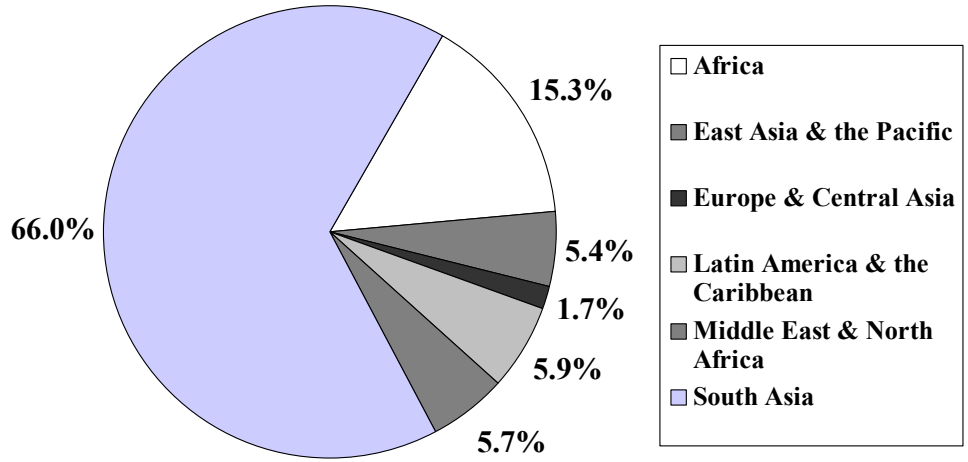
**Figure 6: World Bank Procurement of PMP, All Sectors and HNP, FY 1999 - FY 2001**



HNP: Health, Nutrition and Population PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

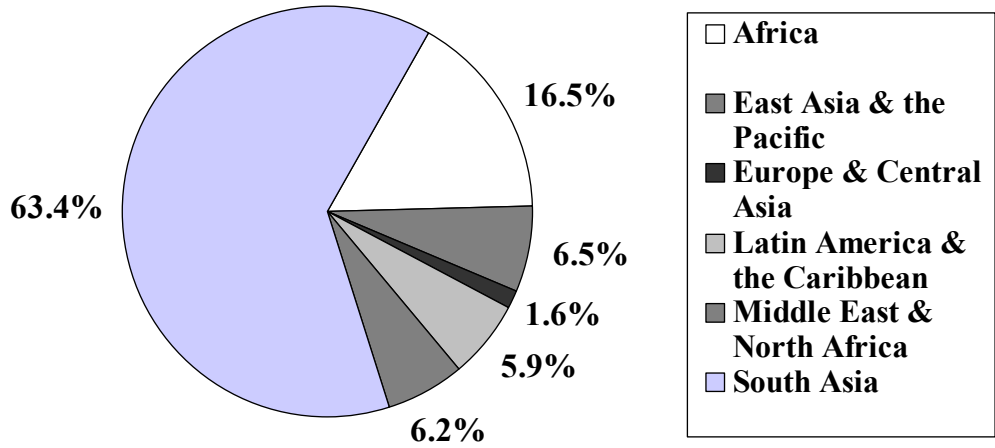
**Figure 7: World Bank Procurement of PMP, Percent Distribution of Values By Region, All Sectors, FY 1999 – FY 2001**



PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

**Figure 8: World Bank Procurement of PMP, Percent Distribution of Values By Region, HNP Sector, FY 1999 – FY 2001**



HNP: Health, Nutrition and Population PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

**Table 6: Procurement of PMP, HNP Sector, FY 1999 – FY 2002**

Region	Number of Contracts				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	65	42	28		135
LCR	13	7	4	11	35
ECA	16	1	15		32
EAP	8	10	4	3	25
MNA	4	18	2		24
SAR	16	51	45		112
All Regions	122	129	98	14	363

Region	Contract Amount, US\$ Dollars				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	21,675,845	19,398,443	14,429,634		55,503,922
LCR	9,572,124	10,374,326	1,796,037	35,496,511	57,238,998
ECA	1,566,005	321,478	3,336,456		5,223,939
EAP	4,276,405	13,503,956	2,037,177	458,522	20,276,060
MNA	6,551,832	11,733,348	2,673,397		20,958,577
SAR	62,253,033	33,806,613	117,050,481		213,110,127
All Regions	105,895,244	89,138,164	141,323,182	35,955,033	372,311,623

Region	Contract Amount of Each Region as a Percentage of Total Amount				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	20.5%	21.8%	10.2%		14.9%
LCR	9.0%	11.6%	1.3%	98.7%	15.4%
ECA	1.5%	0.4%	2.4%		1.4%
EAP	4.0%	15.1%	1.4%	1.3%	5.4%
MNA	6.2%	13.2%	1.9%		5.6%
SAR	58.8%	37.9%	82.8%		57.2%
All Regions	100.0%	100.0%	100.0%	100.0%	100.0%

\*HNP: Health Nutrition and Population.

**Table 7: Procurement of PMP, All Sectors, FY 1999 - FY 2002**

Region	Number of Contracts				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	66	42	29		137
EAP	8	10	4	3	25
ECA	16	2	17	1	36
LCR	13	7	4	11	35
MNA	4	18	2		24
SAR	20	55	48		123
All Regions	127	134	104	15	380

Region	Contract Amount, US\$ Dollars				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	21,796,692	19,398,443	14,551,116		55,746,251
EAP	4,276,405	13,503,956	2,037,177	458,522	20,276,060
ECA	1,566,005	704,286	3,651,886	81,399	6,003,576
LCR	9,572,124	10,374,326	1,796,037	35,496,511	57,238,998
MNA	6,551,832	11,733,348	2,673,397		20,958,577
SAR	72,582,307	44,826,881	122,954,659		240,363,847
All Regions	116,345,365.0	100,541,240.0	147,664,272.0	36,036,432.0	400,587,309

Region	Contract Amount of Each Region as a Percentage of Total Amount				
	FY 1999	FY 2000	FY 2001	FY 2002	Total
AFR	18.7%	19.3%	9.9%		13.9%
LCR	3.7%	13.4%	1.4%	1.3%	5.1%
ECA	1.3%	0.7%	2.5%		1.5%
EAP	8.2%	10.3%	1.2%	98.5%	14.3%
MNA	5.6%	11.7%	1.8%		5.2%
SAR	62.4%	44.6%	83.3%		60.0%
All Regions	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Business Warehouse Database, (Data as of 12/03/2001).

### Results by Borrower and Supplier Country

Another important piece of information on the Bank's pharmaceutical lending activity is the assessment of the relationship between the borrower and the supplier country. This information is summarized in Table 8 by procurement method and country. There are some aspects worth mentioning. PMP supplied by suppliers from the same country that received the Bank loan accounted for 28.5% of the total value. International Competitive Bidding (ICB)<sup>19</sup> was the procurement method for 90% of the contracts with the same supplier and borrower country. In the cases of Bosnia-Herzegovina, Cameroon, China, Indonesia, Macedonia and Nicaragua, all PMP purchased were supplied by a national supplier irrespective of the procurement method used. From a total of 50 Bank borrower countries, 22 accounted for 99% of the total PMP purchased from FY 1999 to FY 2002.<sup>20</sup> Table 9 summarizes the main countries receiving Bank lending for PMP and the suppliers. International organizations such as UNICEF and the Pan American Health Organization were the main suppliers, jointly accounting for 44.8% of the total supply.

<sup>19</sup> International Competitive Bidding (ICB) is the recommended method when procurements are relatively large in value. The bidding documents generally include: invitation to bid, instructions to bidders, form of bid, form of contract, conditions of contract, specifications and drawings, list of goods or bill of quantities, delivery time or schedule of completion.

<sup>20</sup> Table 9 lists these twenty-two main borrower countries. The other borrower countries (28 countries not included) represent, in each case, less than 0.5 percent of the total procurement amount of PMP. These results are not in contradiction with the first paragraph of the Results; the difference is due to the different snapshot days.

**Table 8: Procurement of PMP, All Sectors, FY 1999 -FY2002  
Same Borrower and Supplier Country By Procurement Method\***

Amount by Procurement Method (US\$ Dollars)										
Country	ICB	NCB	DIR	NSH	0ISH	LJB	Total Same Borrower & Supplier	Total Amount Purchased by Borrower Country	Same Borrower & Supplier as % Total Amount	
Bangladesh	8,286,158			31,731			8,317,889.0	85,950,088	9.7%	
Benin	180,493						180,493.0	597,220	30.2%	
Bosnia-Herzegovina	312,106				88,308		88,308.0	88,308	100.0%	
Burkina Faso	1,208,737	121,482	571,994				884,100.0	1,216,122	72.7%	
Burundi	310,843						1,330,219.0	2,216,371	60.0%	
Cameroon	7,325,638						310,843.0	310,843	100.0%	
Chad	4,823,263	155,403					155,403.0	1,029,987	15.1%	
China	271,440	288,758	132,802				7,614,396.0	7,614,396	100.0%	
Dominican Republic	45,520,717						132,802.0	35,629,313	0.4%	
Egypt, Arab Rep.	4,017,805						4,823,263.0	5,543,263	87.0%	
Ghana	3,602,896						271,440.0	5,309,894	5.1%	
Haiti	78,900					686,000	1,197,912.0	3,788,303	31.6%	
India	1,083,914	5,516,156	511,912				51,036,873.0	114,218,760	44.7%	
Indonesia	5,282,007						4,017,805.0	4,017,805	100.0%	
Kenya	7,600,272						3,602,896.0	4,746,896	75.9%	
Kyrgyz Republic	898,827						78,900.0	1,566,005	5.0%	
Macedonia Rep.	2,494,596						1,083,914.0	1,083,914	100.0%	
Mexico	594,000						5,282,007.0	6,840,071	77.2%	
Morocco	505,660	2,004,369					9,604,641.0	14,197,121	67.7%	
Nicaragua	898,827					254,467	254,467.0	254,467	100.0%	
Niger	2,494,596	339,308					898,827.0	4,291,999	20.9%	
Pakistan	594,000						339,308.0	39,258,658	0.9%	
Philippines	505,660	120,847					2,494,596.0	4,195,190	59.5%	
Sierra Leone	94,398,272.0						120,847.0	495,179	24.4%	
Tanzania	8,546,323.0						594,000.0	1,750,455	33.9%	
Zambia	88,308.0						505,660.0	5,268,724	9.6%	
Total	94,398,272.0	8,546,323.0	1,216,708.0	31,731.0	88,308.0	940,467.0	105,221,809.0	351,479,352.0	29.9%	

\*United Nation and Pan American Health Organization were Not Included as Supplier.

Source: Business Warehouse Database, (Data as of 12/17/2001).

**Table 9: Procurement of PMP, All Sectors, Top 22 Borrower Countries, FY 1999 - FY2002**  
**Page 1 of 5**

Borrower Country	Supplier Country										
	Bangladesh	Belgium	Brazil	Burundi	Canada	China	Denmark	Egypt			
Bangladesh	8,367,649										
Bolivia											
Brazil											
Burundi		71,592		1,542,125							
China						7,614,396					
Egypt, Arab Rep.						720,000		4,823,263			
Eritrea											
Ghana							686,624				
Haiti											
India											
Indonesia											
Kenya											
Malawi							373,320				
Mexico			1,558,064								
Morocco											
Mozambique						1,304,369	718,770				
Niger					105,464		549,569				
Pakistan											
Philippines											
Uganda						3,175,200					
Vietnam											
Zambia							884,347				
Total Supplier (US\$ Dollars)	8,367,649	71,592	1,558,064	1,542,125	105,464	12,813,965	3,212,630	4,823,263			
% Same Supplier & Borrower	100.0%	N/A	0.0%	100.0%	N/A	59.4%	N/A	100.0%			

**Table 9: Procurement of PMP, All Sectors, Top 22 Borrower Countries, FY 1999 – FY 2002**  
**Page 2 of 5**

Borrower Country	Supplier Country										
	Finland	France	Gambia	Georgia	Germany	Ghana	Haiti	India			
Bangladesh	1,648,810										
Bolivia											
Brazil											
Burundi		142,788			70,700						
China											
Egypt, Arab Rep.											
Eritrea											
Ghana		820,000			596,395	271,440					
Haiti							1,197,912				
India	1,700,520										51,036,875
Indonesia											
Kenya											
Malawi			9,050		347,355						176,344
Mexico											
Morocco											
Mozambique		124,999			2,575,983						1,214,644
Niger		846,564		62,748	315,958						
Pakistan											
Philippines											
Uganda		1,248,235			1,098,730						1,562,789
Vietnam											2,521,600
Zambia											742,879
Total Supplier (US\$ Dollars)	3,349,330	3,182,586	9,050	62,748	5,005,121	271,440	1,197,912	57,255,131			
% Same Supplier & Borrower	N/A	N/A	0.0%	N/A	N/A	100.0%	100.0%	89.1%			

**Table 9: Procurement of PMP, All Sectors, Top 22 Borrower Countries, FY 1999 – FY 2002**  
**Page 3 of 5**

Borrower Country	Supplier Country										
	Indonesia	Italy	Kenya	Korea, Republic	Luxembourg	Mauritius	Mexico	Morocco			
Bangladesh					22,852,500						
Bolivia											
Brazil											
Burundi											
China											
Egypt, Arab Rep.											
Eritrea			204,056								
Ghana											
Haiti											
India				697,559							
Indonesia	4,017,805										
Kenya			3,602,896								
Malawi					433,674						
Mexico							9,869,284				
Morocco								9,604,638			
Mozambique											
Niger											
Pakistan											
Philippines		672,654									
Uganda			2,317,168								
Vietnam											
Zambia						204,240					
Total Supplier (US\$ Dollars)	4,017,805	672,654	6,124,120	697,559	22,852,500	637,914	9,869,284	9,604,638			
% Same Supplier & Borrower	100.0%	N/A	58.8%	N/A	N/A	N/A	100.0%	100.0%			

**Table 9: Procurement of PMP, All Sectors, Top 22 Borrower Countries, FY 1999 – FY 2002**  
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Borrower Country	Supplier Country										
	Netherlands	Niger	Pakistan	Philippines	Portugal	South Africa	Tanzania	Thailand			
Bangladesh	3,939,000										
Bolivia											
Brazil											
Burundi	601,072										
China											
Egypt, Arab Rep.											
Eritrea	3,563,026							362,500			
Ghana											
Haiti											
India											
Indonesia											
Kenya						1,050,000					
Malawi	672,139										
Mexico											
Morocco											
Mozambique	2,765,358				151,726	495,284					
Niger	878,363	898,827									
Pakistan			339,308								
Philippines				2,494,596							
Uganda											
Vietnam	361,722										
Zambia	769,858					132,000	277,920				
Total Supplier (US\$ Dollars)	13,550,538	898,827	339,308	2,494,596	151,726	1,677,284	277,920	362,500			
% Same Supplier & Borrower	N/A	100.0%	100.0%	100.0%	N/A	N/A	N/A	N/A			

**Table 9: Procurement of PMP, All Sectors, Top 22 Borrower Countries, FY 1999 – FY 2002**  
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Borrower Country	Supplier Country										
	Togo	Uganda	United Kingdom	United States	Zambia	International Organizations	Total Borrower	% of Total Borrower**	% of PMP Purchased ***		
Bangladesh						53,601,889	90,409,848	24.8%	9.26		
Bolivia						3,037,158	3,037,158	0.8%			
Brazil		8,520,438		840,000			9,360,438	2.6%			
Burundi							2,428,277	0.7%	63.51		
China							7,614,396	2.1%	100		
Egypt, Arab Rep.							5,543,263	1.5%	87.01		
Eritrea							4,129,582	1.1%			
Ghana				2,935,435			5,309,894	1.5%	5.11		
Haiti				696,550		1,893,841	3,788,303	1.0%	31.62		
India						60,783,808	114,218,762	31.3%	44.68		
Indonesia							4,017,805	1.1%	100		
Kenya			94,000				4,746,896	1.3%	75.9		
Malawi			200,935				2,322,910	0.6%			
Mexico							11,427,348	3.1%	86.37		
Morocco						4,592,480	14,197,118	3.9%	67.65		
Mozambique			1,572,567				10,923,700	3.0%			
Niger	120,240					514,265	4,291,998	1.2%	20.94		
Pakistan				1,351,298		37,568,052	39,258,658	10.8%	0.86		
Philippines						1,027,940	4,195,190	1.1%	59.46		
Uganda		2,467,867	3,218,954			447,020	15,535,963	4.3%	15.88		
Vietnam							2,883,322	0.8%			
Zambia			1,751,820		505,660		5,268,724	1.4%	9.6		
Total Supplier (US\$ Dollars)	120,240	2,467,867	15,358,714	5,823,283	505,660	163,466,453	364,909,553	100.0%			
% Same Supplier & Borrower	N/A	100.0%	N/A	N/A	100.0%	N/A					

\* Total Procurement of PMP by Borrower Country from FY99 to FY02

\*\* % of the total procurement of PMP by the main borrower countries (US \$364,909,553).

\*\*\* % of PMP purchased by the same borrower and supplier country as a percentage of the total procurement by the borrower country  
 Source: Business Warehouse Database, (Data as of 2/04/2002)

The Indian pharmaceutical industry was the main PMP supplier for the 22 main World Bank borrower countries, providing 15.7% and 14.3% of all PMP purchased by the main (22) and by all (50) WB borrowing countries, respectively. In spite of this apparently strong exporting capacity, Indian pharmaceutical products went mainly for domestic consumption, accounting for 89.1% of the country's total PMP. Domestic manufacturers in other countries also supply a large percentage of total PMP procurement: Burundi (63.5%), Egypt (87%), Mexico (86.3%), Morocco (67.7%), Philippines (59.5%), and Kenya (75.9%).

It can be concluded that a large share of the Bank's lending for pharmaceuticals and medical products during the period FY 1999 to FY 2002 financed the domestic pharmaceutical industry of the borrower countries.

### Pharmaceuticals as a Proportion of the World Bank Procurement Activity

In order to estimate the relative importance of PMP as a proportion of the Bank's total procurement activity, the study quantified the amount of PMP procurement as a percentage of all goods and as a percentage of all procurement categories (i.e. civil works, consultant services, goods, and services). The results are summarized by region in Tables 10 and 11. For all sectors, PMP represents 4.3% of the total amount spent on all kind of goods (e.g. agriculture, medical, and industrial or construction equipments among others). When all procurement categories in all sectors are considered, the weight of PMP decreases considerably, representing only 1.4% of total procurement activity. When only HNP activity is considered, the relevance of PMP increases (see Tables 12 and 13 for detailed data). PMP represented 18% of the amount spent on all procurement categories in HNP projects during the study period. This percentage increases to 36% when total purchases of goods are considered.

The SAR region had the highest percentage of expenditures devoted to PMP during the period of analysis, with PMP accounting for 38% of total expenditures in all procurement categories and 72% of total procurement of goods. In the ECA, MNA, and EAP regions, the PMP procurement figures were lower in absolute terms. However, they are more important in AFR (18%) and EAP (15%) as a proportion of total procurement activity. This percentage was even higher in relation to the procurements of goods - in AFR (36.5%) and MNA (47.7%).

**Table 10: PMP Procurement as % of Procured Goods, All Sectors, FY 1999 – FY 2002**

Region	Total Amount of Procurement of Goods (US\$ Dollars)	Total Amount of Procurement of PMP (US\$ Dollars)	Total PMP Procurement as % of Goods Procurement
AFR	1,039,063,200	56,835,600	5.5%
EAP	2,982,628,500	20,276,100	0.7%
ECA	1,616,226,400	6,105,700	0.4%
LCR	811,495,500	24,106,000	3.0%
MNA	340,893,000	20,958,600	6.2%
SAR	1,885,156,400	240,363,900	12.8%
All regions	8,675,463,000	368,645,900	4.3%

Source: Business Warehouse Database, (Data as of 12/17/2001).

**Table 11: Procurement of PMP as a Percentage of All Procurement Categories, All Sectors, FY 1999 – FY 2002**

<b>Region</b>	<b>Total Amount of Procurement of Goods (US\$ Dollars)</b>	<b>Total Amount of Procurement of PMP (US\$ Dollars)</b>	<b>PMP Procurement as % of All Procurement Categories</b>
AFR	4,118,723,900	56,835,600	1.4%
EAP	7,711,400,600	20,276,100	0.3%
ECA	4,189,437,500	6,105,700	0.2%
LCR	4,691,171,900	24,106,000	0.5%
MNA	1,407,407,100	20,958,600	1.5%
SAR	4,298,724,800	240,363,900	5.6%
All Regions	26,416,865,800.0	368,645,900	1.4%

Source: Business Warehouse Database, (Data as of 12/17/2001).

**Table 12: Procurement of PMP as a Percentage of All Procurement Categories HNP\*, FY 1999 – FY 2002**

<b>Region</b>	<b>Total Amount of All procurement categories (US\$ Dollars)</b>	<b>Total Amount of Procurement of PMP (US\$ Dollars)</b>	<b>Total Amount of PMP Procurement as % of All Procurement Categories</b>
AFR	308,797,400	56,593,200	18.3%
EAP	135,646,900	20,276,100	15.0%
ECA	256,339,700	5,326,000	2.1%
LCR	443,333,600	24,106,000	5.4%
MNA	213,059,500	20,958,600	9.8%
SAR	561,619,700	213,110,100	38.0%
All regions	1,918,796,800	340,370,000	17.7%

\*HNP: Health Nutrition and Population.

Source: Business Warehouse Database, (Data as of 12/17/2001).

**Table 13: Procurement of PMP as a Percentage of Procured Goods, HNP, FY 1999 – FY 2002**

Region	Total Amount of Goods (US\$ Dollars)			
	FY 1999	FY 2000	FY 2001	FY 2002
AFR	41,440,800	58,015,400	42,992,200	12,672,100
EAP	24,941,799	56,253,700	20,372,900	7,331,000
ECA	66,078,236	34,024,400	89,179,600	7,124,500
LCR	41,796,485	48,120,200	51,517,400	5,627,600
MNA	13,998,303	22,577,200	7,364,400	
SAR	77,915,309	66,520,200	149,128,900	2,293,400
All regions	266,170,932	285,511,100	360,555,400	35,048,600

Region	Total Amount of PMP (US\$ Dollars)			
	FY 1999	FY 2000	FY 2001	FY 2002
AFR	21,675,800	19,398,400	14,429,600	1,089,300
EAP	4,276,400	13,504,000	2,037,200	458,500
ECA	1,566,000	321,500	3,438,600	
LCR	9,572,100	10,374,300	1,796,000	2,363,500
MNA	6,551,832	11,733,300	2,673,400	
SAR	62,253,000	33,806,600	117,050,500	
All regions	105,895,132	89,138,100	141,425,300	3,911,300

Region	Total Amount of PMP as a percentage of Procured Goods			
	FY 1999	FY 2000	FY 2001	FY 2002
AFR	52%	33%	34%	9%
EAP	17%	24%	10%	6%
ECA	2%	1%	4%	
LCR	23%	22%	4%	42%
MNA	47%	52%	36%	
SAR	80%	51%	79%	
All regions	40%	31%	39%	11%

Source: Business Warehouse Database, (Data as of 12/17/2001).

### Results By Procurement Method

According to the World Bank's procurement guidelines, it is one of the Bank's roles to review the procurement process and ensure that it is performed in accordance with the procedures established in the guidelines.<sup>8</sup> The procurement guidelines offer the following methods:

- 1) International competitive bidding (ICB) is generally required for all individual procurements valued at US\$200,000 or more. This value is different from region to

region and even within regions there are differences among countries “although exceptions can be made in appropriate circumstances.”

- 2) National competitive bidding<sup>21</sup> (NCB) is applicable in those cases where there is not enough foreign competition;
- 3) Limited international bidding<sup>22</sup> (LIB), which is essentially an ICB conducted by invitation to the suppliers or contractors to participate, is to be applied when there is only a limited number of potential suppliers;
- 4) International shopping<sup>23</sup> (ISH) generally implies soliciting at least three bids from at least two different countries and is usually restricted for procuring small volumes of goods;
- 5) National shopping (NSH) from local suppliers;
- 6) Direct contracting<sup>24</sup> (DIR) that can be applied when goods can be obtained just from one supplier; and
- 7) Procurement from United Nations’ sources or other agencies, applicable for a total amount of procurement up to US\$5 million for UN agencies and US\$ 250,000 for NGOs.

In each particular case, the procurement method and the category of goods are agreed upon by the Bank and the borrower, and are specified in the loan agreement.

Table 14 contains details of the number of contracts and the amounts spent by procurement method and borrower country. ICB was the most common method used for PMP contracts representing 70.3% of the total number of contracts. Direct purchasing and national competitive bidding were the methods used in 15% and 8.1% of the contracts, respectively. Limited international bidding was the method used in 3.7% of the total number of contracts. Finally, international shopping was used in 0.5% of the contracts (Figure 9).

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<sup>21</sup> National Competitive Bidding (NCB) is the competitive bidding procedure normally used for public procurement in the country of the borrower. NCB may be the preferred method of procurement where foreign bidders are not expected to be interested because: (1) the contract values are small, (2) works are scattered geographically or spread over time, (3) works are labor intensive or (4) the goods or works are available locally at prices below the international market.

<sup>22</sup> Limited International Bidding (LIB) is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement when (1) the contract values are small or (2) there is only a limited number of suppliers, or (3) other exceptional reasons may justify departure from full ICB procedures.

<sup>23</sup> Shopping (International (ISH) or National (NSH)) is a procurement method based on comparing price quotations obtained from several suppliers, usually not less than three, and is an appropriate method for procuring readily available off the shelf goods or standard specification commodities that have a small value. International shopping shall solicit quotations from at least three suppliers in two different countries. National shopping may be used where the desired goods are ordinarily available from more than one source in the country of the borrower at competitive prices.

<sup>24</sup> Direct Contracting (DIR) without competition may be an appropriate procurement method when (1) an existing contract for goods or works may be extended for additional goods or works of a similar nature, (2) standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original supplier, (3) the required equipment is proprietary and obtainable only from one source, (4) the contractor responsible for a process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee, (5) in exceptional cases such as in response to natural disasters.

**Table 14: Contracts of PMP Under Bank-Financed Projects\*  
by Borrower Country and Procurement Method, FY 1999 – FY 2002**

<b>Borrower Country</b>	<b>Amount by Procurement Method (US\$ Dollars )</b>						<b>TOTAL</b>
	<b>DIR</b>	<b>ICB</b>	<b>ISH</b>	<b>LIB</b>	<b>NCB</b>	<b>NSH</b>	
Bangladesh	23,900,600	26,728,658	29,701,289	5,587,810		31,731	85,890,088
Benin	135,276	461,944					597,220
Bolivia	3,037,158						3,037,158
Bosnia-Herzegovina			88,308				88,308
Brazil	1,337,777	6,000,400					7,338,177
Burkina Faso	904,016	312,106					1,216,122
Burundi		2,094,889			121,482		2,216,371
Cameroon		310,843					310,843
Chad		874,583			155,403		1,029,986
China		7,325,638			288,758		7,614,396
Comoros		354,702					354,702
Dominican Rep.	35,629,312						35,629,312
Egypt, Arab Rep.		4,823,263	720,000				5,543,263
Eritrea		788,947		564,534			1,353,481
Ghana	3,255,435	2,054,459					5,309,894
Guinea-Bissau		697,427					697,427
Haiti	3,102,303			686,000			3,788,303.0
India	60,783,808	47,918,797			5,516,158		114,218,763
Indonesia		4,017,805					4,017,805
Iran Islamic Rep.		1,218,193					1,218,193
Kazakhstan			382,808				382,808
Kenya		4,746,896					4,746,896
Kyrgyz Republic		1,178,765		387,240			1,566,005
Lao PDR		458,522					458,522
Macedonia Republic		1,083,914					1,083,914
Madagascar	335,712						335,712
Malawi		2,322,910					2,322,910
México		6,840,071					6,840,071
Morocco	4,592,480	7,600,269			2,004,369		14,197,118
Mozambique	124,999	7,431,011	1,040,391				8,596,40
Nicaragua				254,467			254,467
Niger	514,265	3,660,875		116,858			4,291,998

Pakistan	38,919,350				339,308		39,258,658
Papua New Guinea		1,106,825					1,106,825
Paraguay		184,590					184,590
Philippines	1,027,940	2,494,596		672,654			4,195,190
Rwanda		1,312,032					1,312,032
Sierra Leone	374,332				120,847		495,179
Sri Lanka	936,341						936,341
Tanzania		1,750,455					1,750,455
Turkey	1,060,560	315,431					1,375,991
Turkmenistan		81,399					81,399
Uganda	447,020	11,796,079	242,698	582,300			13,068,097
Uzbekistán	898,856	526,296					1,425,152
Venezuela	166,919						166,919
Vietnam	361,722	2,521,600					2,883,322
Zambia		5,268,724					5,268,724
Zimbabwe		471,800					471,800
<b>Total</b>	<b>181,846,181</b>	<b>163,135,714</b>	<b>32,175,494</b>	<b>8,851,863</b>	<b>8,546,325</b>	<b>31,731</b>	<b>400,587,308</b>

\* Procurement of PMP in All Sector Groups from FY 1999 to FY 2002

Source: Business Warehouse Database, (Data as of 12/03/2001).

**Table 15: Contracts of PMP Under Bank-Financed Projects\*  
by Borrower Country and Procurement Method, FY 1999 - FY2002**

<b>Borrower Country</b>	<b>% of Total Lending by Country</b>					
	<b>DIR</b>	<b>ICB</b>	<b>ISH</b>	<b>LIB</b>	<b>NCB</b>	<b>NSH</b>
Bangladesh	27.8%	31.1%	34.6%	6.5%		
Benin	22.7%	77.3%				
Bolivia	100.0%					
Bosnia-Herzegovina			100.0%			
Brazil	18.2%	81.8%				
Burkina Faso	74.3%	25.7%				
Burundi		94.5%			5.5%	
Cameroon		100.0%				
Chad		84.9%			15.1%	
China		96.2%			3.8%	
Comoros		100.0%				
Dominican Rep.	100.0%					
Egypt, Arab Rep.		87.0%	13.0%			
Eritrea		58.3%		41.7%		
Ghana	61.3%	38.7%				

Guinea-Bissau		100.0%				
Haiti	81.9%			18.1%		
India	53.2%	42.0%			4.8%	
Indonesia		100.0%				
Iran Islamic Rep.		100.0%				
Kazakhstan			100.0%			
Kenya		100.0%				
Kyrgyz Republic		75.3%		24.7%		
Lao PDR		100.0%				
Macedonia Republic		100.0%				
Madagascar	100.0%					
Malawi		100.0%				
México		100.0%				
Morocco	32.4%	53.5%			14.1%	
Mozambique	1.5%	86.4%	12.1%			
Nicaragua				100.0%		
Niger	12.0%	85.3%		2.7%		
Pakistan	99.1%					
Papua New Guinea		100.0%				
Paraguay		100.0%				
Philippines	24.5%	59.5%		16.0%		
Rwanda		100.0%				
Sierra Leone	75.6%				24.4%	
Sri Lanka	100.0%					
Tanzania		100.0%				
Turkey	77.1%	22.9%				
Turkmenistan		100.0%				
Uganda	3.4%	90.3%	1.9%	4.5%		
Uzbekistán	63.1%	36.9%				
Venezuela	100.0%					
Vietnam	12.6%	87.5%				
Zambia		100.0%				
Zimbabwe		100.0%				
Total	45.4%	42.2%	8.0%	2.2%	2.1%	0.0%

Procurement of PMP in All Sector Groups from FY 1999 to FY 2002

Source: Business Warehouse Database, (Data as of 12/03/2001).

**Table 16: Contracts of PMP Under Bank-Financed Projects\*  
by Borrower Country and Procurement Method, FY 1999 – FY 2002**

<b>Borrower Country</b>	<b>Number of Contracts by Procurement Method</b>						<b>TOTAL</b>
	<b>DIR</b>	<b>ICB</b>	<b>ISH</b>	<b>LIB</b>	<b>NCB</b>	<b>NSH</b>	
Bangladesh	2	6	2	2		2	14
Benin	1	2					3
Bolivia	2						2
Bosnia-Herzegovina			1				1
Brazil	1	1					2
Burkina Faso	3	1					4
Burundi		10			1		11
Cameroon		1					1
Chad		2			1		3
China		8			1		9
Comoros		1					1
Dominican Rep.	12						12
Egypt, Arab Rep.		3	1				4
Eritrea		1		2			3
Ghana	2	4					6
Guinea-Bissau		3					3
Haiti	4			1			5
India	2	67			20		89
Indonesia		1					1
Iran Islamic Rep.		2					2
Kazakhstan			1				1
Kenya		12					12
Kyrgyz Republic		13		3			16
Lao PDR		3					3
Macedonia Republic		5					5
Madagascar	1						1
Malawi		10					10
México		10					10
Morocco	2	14			2		18
Mozambique	1	13	3				17
Nicaragua				2			2
Niger	1	15		1			17
Pakistan	12				5		17

Papua New Guinea		4					4
Paraguay		1					1
Philippines	1	3		1			5
Rwanda		6					6
Sierra Leone	1				1		2
Sri Lanka	3						3
Tanzania		6					6
Turkey	2	2					4
Turkmenistan		1					1
Uganda	1	15	1	2			19
Uzbekistán	1	7					8
Venezuela	1						1
Vietnam	1	2					3
Zambia		11					11
Zimbabwe		1					1
Total	57	267	9	14	31	2	380

\* Procurement of PMP in All Sector Groups from FY 1999 to FY 2002  
*Source:* Business Warehouse Database, (Data as of 12/03/2001).

**Table 17: Contracts of PMP Under Bank-Financed Projects\*  
by Borrower Country and Procurement Method, FY 1999 – FY 2002**

Borrower Country	% of Total Number of Contracts by Country					
	DIR	ICB	ISH	LIB	NCB	NSH
Bangladesh	14.3%	42.9%	14.3%	14.3%		14.3%
Benin	33.3%	66.7%				
Bolivia	100.0%					
Bosnia-Herzegovina			100.0%			
Brazil	50.0%	50.0%				
Burkina Faso	75.0%	25.0%				
Burundi		90.9%			9.1%	
Cameroon		100.0%				
Chad		66.7%			33.3%	
China		88.9%			11.1%	
Comoros		100.0%				
Dominican Rep.	100.0%					
Egypt, Arab Rep.		75.0%	25.0%			
Eritrea		33.3%		66.7%		
Ghana	33.3%	66.7%				
Guinea-Bissau		100.0%				
Haiti	80.0%			20.0%		
India	2.2%	75.3%			22.5%	
Indonesia		100.0%				

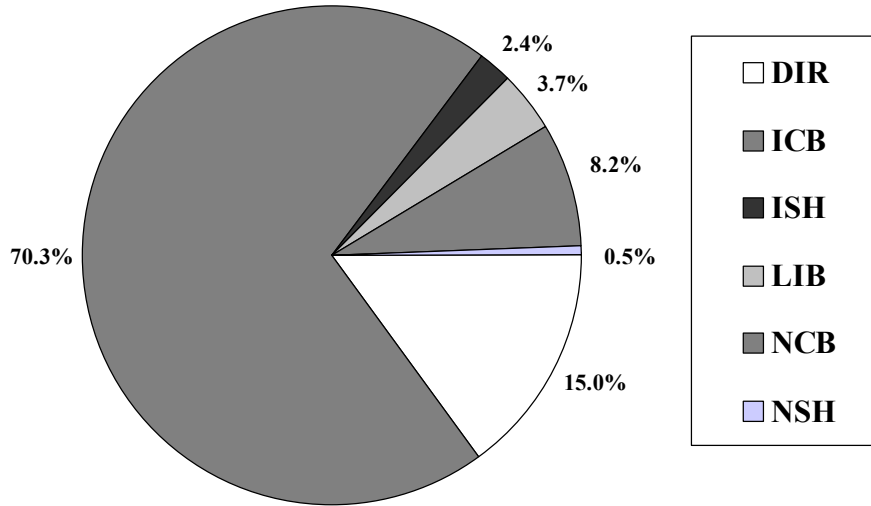
Iran Islamic Rep.		100.0%				
Kazakhstan			100.0%			
Kenya		100.0%				
Kyrgyz Republic		81.3%		18.8%		
Lao PDR		100.0%				
Macedonia Republic		100.0%				
Madagascar	100.0%					
Malawi		100.0%				
México		100.0%				
Morocco	11.1%	77.8%			11.1%	
Mozambique	5.9%	76.5%	17.6%			
Nicaragua				100.0%		
Niger	5.9%	88.2%		5.9%		
Pakistan	70.6%				29.4%	
Papua New Guinea		100.0%				
Paraguay		100.0%				
Philippines	20.0%	60.0%		20.0%		
Rwanda		100.0%				
Sierra Leone	50.0%				50.0%	
Sri Lanka	100.0%					
Tanzania		100.0%				
Turkey	50.0%	50.0%				
Turkmenistan		100.0%				
Uganda	5.3%	78.9%	5.3%	10.5%		
Uzbekistán	12.5%	87.5%				
Venezuela	100.0%					
Vietnam	33.3%	66.7%				
Zambia		100.0%				
Zimbabwe		100.0%				
Total	15.0%	70.3%	2.4%	3.7%	8.2%	0.5%

\* Procurement of PMP in All Sector Groups from FY 1999 to FY 2002

Source: Business Warehouse Database, (Data as of 12/03/2001).

The results show no direct relationship between the procurement method followed by the borrower country and the amount of the PMP contracts. The PMP procured through direct contracting accounted for US\$ 181,8 million, representing 45.4% of the total PMP amount, while PMP purchased by ICB accounted for US\$ 169,1 million, representing 42.2% of the total PMP amount (Figure 10). Some countries such as India, Pakistan, Bangladesh, Ghana, and Sierra Leone bought PMP mainly through direct purchasing from the supplier.

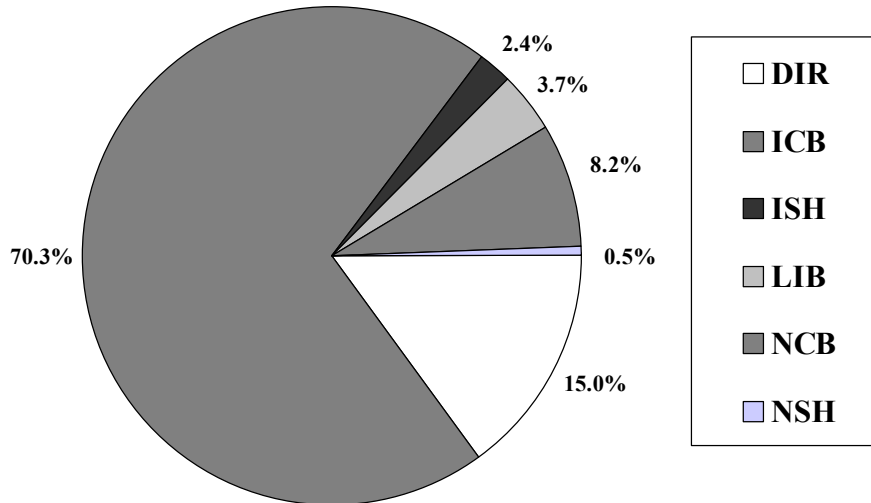
**Figure 9: World Bank Procurement of PMP, Percent Distribution of Number of Contracts by Procurement Method, All Borrower Countries, All Sectors, FY 1999 – FY 2002**



PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

**Figure 10: World Bank Procurement of PMP, Percent Distribution of values by Procurement Method, All Borrower Countries, All Sectors, FY 1999 – FY 2002**



PMP: Pharmaceuticals and medical products

Source: World Bank Business Warehouse Database. Accessed on 12/03/2001

## DISCUSSION

Given that lending is the main World Bank activity in promoting its development goals, the limited information currently available on how borrowers spend funds is quite surprising. In our study, for instance, it has not been possible to disaggregate PMP into pharmaceuticals and other components. It would also be difficult to quantify the amount of lending devoted to other pharmaceutical activities. The available data do not allow the Bank to describe procurement lending in pharmaceuticals in detail nor to evaluate the more immediate effects of the Bank's procurement policies in terms of quantities of drugs and other specific PMP made available to the countries as a consequence of the loans.

The lack of precise information on the more basic indicators of the Bank's lending activities raises some questions on the present focus on measuring the impact of Bank activities in terms of final outcomes, on assessing the effectiveness and efficiency of the Bank's interventions, and limits the usefulness of the data in providing evidence for any recommendations aimed at improving the procurement process.

The Bank's procurement processes for pharmaceuticals are often perceived as unnecessarily complicated due to strict procedural and bureaucratic requirements. However, it is nevertheless accepted that such requirements are necessary in order to ensure effective and transparent procurement. The World Bank procurement guidelines recommend the use of international competitive bidding for procurement. But in specific cases, for example, when the amount of the purchase is small, the goods or works are urgently needed, or there are only a few suppliers, alternative methods of procurement may be used. And ultimately, the most appropriate method in specific situations is agreed by the country in consultation with the Bank's procurement staff assigned to the project. It would be highly desirable to analyze the performance of different procurement methods in order to draw conclusions about their relative merits and to assess the likely effects of making these processes more flexible. However, without specific information about the procurement process, such as the number of bid received by procurement method, or the final price of the items purchased, it is not possible to build the required knowledge based on evidence. It is difficult to conclude whether present procurement procedures are necessary or efficient. Nor is not possible to assess whether the requirements that the Bank often imposes on countries in relation to using competitive purchasing methods, especially ICB, actually increase competition and obtain low prices while achieving adequate quality standards. Moreover, information on quantities and prices of goods purchased would be useful for transparency and accountability purposes.

## RECOMMENDATIONS

Some of Sabate et al.'s recommendations that were never implemented still remain valid, specifically:

- To define a set of cost accounting categories, consistent across projects, that reflect the Bank's policy for the pharmaceutical sector;

- To improve the level of detail in pharmaceutical sector reporting; and
- To develop mechanisms to ensure consistency in the description of pharmaceutical activities, and in the reporting of the amount of funds committed for pharmaceuticals in projects.

Other recommendations derived from the present study are:

- In order to be useful for the evaluation of activities, the BW contract information should be classified according to purposes or functions, and not only according to the nature of the purchased goods.
- The quantity and the unit price of the goods purchased within each contract should be readily available, or at least properly recorded and filed in such a way that the information can later be retrieved and used for monitoring, analysis, and assessment purposes beyond the legal requirements of transparency and accountability. The same applies to contracts and tender evaluation reports.
- The Bank should collaborate with other institutions and organizations in standardizing concepts and terms in order to facilitate the aggregation of information across institutions.
- Quantitative information on the Bank's pharmaceuticals activities ideally should be complemented with regular qualitative assessments of these activities.
- Reporting activities rely heavily on staff working in the regional units of the Bank. The HNP group in the Human Development hub should: a) advise on the process of data collection, b) help develop standard tools for data collection and analysis, and c) use the information in order to obtain evidence on the Bank's activities that can help decision making at both the country and central levels.

New data collection requirements will increase the Bank's data management cost. However, this additional cost is likely to be justified by the increased transparency attained, especially by the use of the information in assessing and improving the Bank's performance.

The conclusions and recommendations made for pharmaceuticals are likely to apply to other goods and services. It would be probably more efficient, due to economies of scale, to collect and to analyze simultaneously and regularly the relevant information on all relevant categories of goods and services purchased with the Bank's loans rather than doing it occasionally for individual categories.



## **ANNEX: BANK LENDING IN PHARMACEUTICALS THROUGH DIFFERENT SOURCES OF INFORMATION**

The purpose of this annex is to describe in detail the experience gained in this study on the characteristics, advantages, and limitations of the various sources of data available for analyzing Bank lending. This information will allow the reader to judge the validity of the data, and the results presented will hopefully pave the way for future data collection and analyses.

### **IDENTIFYING WORLD BANK LENDING PROJECTS**

In order to assess the reliability of the work we were going to undertake, we started by collecting data on PADs already included in the audit by essentially following methodology used by Sabate et al. (2000). The Internal Documents Unit at the World Bank did two keyword searches of all documents related to projects in the HNP sector. This search used the IRAMS system, which is a search of a bibliographic database of all World Bank projects.<sup>10</sup> The first search keyword was “pharmaceuticals,” which retrieved 38 projects for FY 1999 – FY 2001. A second search using all the terms used by the Sabate audit retrieved 25 projects for FY 1999 – FY 2001. We cross-referenced the results of the two searches and found 43 HNP projects with any of the keywords from a total of 65 HNP projects for the time period.

We retrieved PADs for each of the 43 projects and all other HNP projects from the same time period. In a manual review of each PAD, it was found that several projects that included funding for pharmaceuticals were *not* retrieved in the search. This raised the concern that the use of the search-term method would lead us to overlook projects with pharmaceutical components. On the other hand, we encountered some of the same challenges as Sabate et al. (2000) did, including lack of detailed cost data (i.e. medical products and other goods were lumped together with motor vehicles, information, education and communication materials, technical assistance, and other operating costs). Other problems posed by the information from the PADs in relation to the purpose of our study are summarized below.

All PADs include the estimated project costs by category and by component. Several categories have been specified in the PAD guidelines for use in classifying components - physical, policy, institution building, credit, debit, financial mechanism, and project management. However, these are not the categories normally included in the description of the projects. Most of the identified projects specify common categories such as goods, civil works, consultant services, and training (in many cases these last two categories are in the same group), different type of costs (recurrent, administration, or operating), and other categories such as health subprojects and contingencies.

Moreover, the estimated distribution of the project cost by component has many different items depending on the project objectives. According to the PAD guidelines, a project component is a cluster of activities and staff are required to enumerate and describe each component of the project followed by a list of their subcomponents. But only in large or complex projects is it necessary to specify the costs of these subcomponents. That is why the PAD includes the project description, but the costs specified are just the total amount by component. In other words, normally each component includes different things to be supported, but the PAD does not note

the estimated cost of each one. For example, one of the objectives of a project could be improved coverage and quality of health services through the implementation of a mother and child health services package and an expanded program of immunization. However, the PAD may not state the estimated cost of the immunization program. In summary, in most of the projects, it was not possible to identify the cost of a single resource such as pharmaceuticals, condoms, vaccines, etc. The information that can be gathered from the PAD is just the estimated project cost of global categories of resources.

The sources of financing are classified as: a) international (IBRD, IDA, and others), b) local (government and others), and c) non-defined. The PAD specifies the components that will be financed by the Bank, while co-financing project arrangements by component can be calculated as the difference. But, if this information is not detailed by subcomponent, as occurs in most PADs, it might not be possible to determine Bank financing of subcomponents (e.g. drugs). A detailed project description by source of financing would be required, for example, in order to accurately compute the share of pharmaceuticals as a percentage of total Bank lending or as a proportion of a single project.

Finally, it was often unclear how to assess, based on the information provided in the project description of the PAD, the precise goals of the project relating to pharmaceuticals. For example, the PAD might not explicitly state the goal of improving financial access to drugs, although this may constitute an obvious effect of the activities outlined in the project. The PAD includes a section on key policy and institutional reforms supported by the project, but it was often unclear how the activities related to the goals.

## **THE WORLD BANK LEGAL AGREEMENT DATABASE**

Due to the limitations already explained, we thought that it would be useful for the sake of validating the data to link the information included in the PADs with the loan/credit agreement of each project. As a legal document, we expected to find in the credit agreements all the specific information for each project. We also considered it more appropriate to perform the analysis on real expenditures instead of expected or committed expenditures on pharmaceuticals. For that propose, we decided to explore the information included in the Bank's legal agreements (credits, loans, or guarantees) database. This database contains the full text of legal agreements for projects signed since July 1, 1987. The database can be searched by country, loan, credit or guarantee number, or by project title among other options.

Briefly, there are some specific data in these agreements that could improve knowledge about the Bank's funding in general, and on pharmaceuticals in particular. Firstly, the legal agreement database includes the category of items to be financed out of the proceeds of the legal agreement, the amount of the loan, credit or guarantee to each category, and the percentage of expenditures to be made on goods (e.g. drugs) or services required for the project in each category. Secondly, the legal agreement contains in those projects with a component of pharmaceuticals, the definition of drugs. In most of the agreements reviewed, drugs means medicines, vaccines, and contraceptives, and some of them include also consumables (without a definition of consumables).

Relevant information included in the legal agreement database relates to the indirect costs of the drugs. In a few projects, there might be some costs, such as transportation, related to procurement of drugs, vaccines, or contraceptives. Even though these costs were not included in the category of goods, it would be possible to identify them from the description of the agreement and the information specified in the procurement procedure.

The procurement of goods and services under WB projects must be carried out in accordance with the procedures set out in the loan or credit agreement. However, each project may have additional specific addenda to the agreement between the Bank and the Borrower on implementing the procurement. The loan agreement may include the criteria for packaging the contracts, the method of procurement, thresholds within which those methods apply and the rules for prior and ex-post review of specifications, bid documents, and contract award decisions. In some legal agreements the thresholds defined by procurement method may be different from those specified in the PAD, and can be reviewed after the legal agreement and incorporated as an addendum. With regard to the thresholds defined either in the PAD or in the legal agreement, the relevant ones, at least for purposes of our analysis, are those specified in the legal agreement and its subsequent amendments. As explained in the report, the BW database does not include these thresholds, and as a consequence, in order to analyze the relationship between the procurement method and the threshold by method, it would be necessary to identify each project agreement and any amendments and collect this information manually. The guiding principle is that high thresholds are set for the more competitive methods and lower thresholds for the less competitive methods, depending on factors such as the perceived country risk, the capacity of the agency, and the state of local manufacturing (i.e. national competitive bidding will not make sense if there is no manufacturing of good quality drugs in the country).

Another important difference among the three sources of information used in this report is the definition of the FY (PADs, Loan Agreements, and BW). The PAD is classified as falling in the FY, which begins on July 1 and ends on June 30, in which the board approves the project, while the fiscal year in the legal agreement means the borrower's fiscal year. Each borrower may have a different fiscal year period (some run from January 1 to December 31, some from April 1 to March 30, etc.). The BW database uses the Bank fiscal year.

In summary, the information included in the legal agreement is more specific and quite relevant for the analysis of the Bank's funding strategy. However, because it would be necessary to read each one of the legal agreements and create a file with this information, to include the legal agreement database as a source of information may require considerable resources (human and financial) and time.

Once we became aware of the BW database, we decided to use it as a source of information for the reasons explained in the methodology section of this study.



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