

**Knowledge Resources on PPP in Health:**  
**Guidebook on How to Develop a PPP in Pharmacy Services**

#### Guidebook on How to Develop a Public–Private Partnership in Pharmacy

The Asian Development Bank, along with the people and institutions of Asia and the Pacific and the rest of the world, believe in the strength of partnerships and collective action. At the core of this belief is a desire to initiate and develop partnerships that will help governments address health care needs of growing populations, particularly women and children.

Public–private partnerships (PPP) have evolved from this need to relate to one another and work together. Governments recognize that they cannot do the job alone, particularly in the health sector where new disease patterns and the impact of climate change demand innovative solutions, such as PPP in health programs and enterprises.

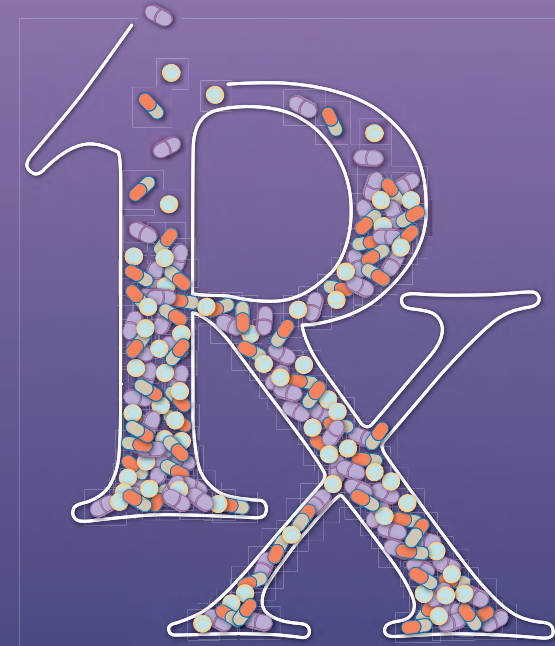
This guidebook offers readers a guide for the development of a PPP in pharmacy services through six simple, customizable steps. It looks at pharmacy services as an important component of a well-rounded health care and hospital systems. Through sustainable PPP in pharmacy services, people will have access to safe, effective, and affordable medicines.

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## Knowledge Series on Public–Private Partnerships in Health



## Guidebook on How to Develop a Public–Private Partnership in Pharmacy

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6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
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**Guidebook on How to Develop a  
Public–Private Partnership in Pharmacy**

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Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4444  
Fax +63 2 636 2444  
www.adb.org

For orders, please contact:  
Department of External Relations  
Fax +63 2 636 2648  
adbpub@adb.org

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Unless otherwise stated, boxes, figures, and tables without explicit sources were prepared by the authors.

# Contents

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Acknowledgments	v
Acronyms and Abbreviations	vi
Glossary	vii
Foreword	xi
Program Overview	xiii
I. Why This Guidebook?	1
II. Reading Guide	3
III. Developing a Public–Private Partnership for Pharmacy Services (Overview)	7
IV. The Steps in Developing a Public–Private Partnership for Pharmacy Services	9
Step 1 Determine needs and review the pharmacy services in the area	11
Step 2 Identify stakeholders and their roles	17
Step 3 Develop a plan for the public–private partnership in pharmacy	23
Step 4 Develop a social marketing plan	27
Step 5 Conduct procurement	33
Step 6 Implement the public–private partnership in pharmacy services (focusing on monitoring and evaluation)	39
References	47
Annexes	
Annex 1 Department of Health Administrative Order No.4 s.2012 (for Public–Private Partnership in Health)	49
Annex 2 A Simplified Tool for Determining Need for a Public–Private Partnership	57
Annex 3 Developing a Business Plan: List of Tasks	63
Annex 4 Notes on Conducting Market Study and/or Research	65
Annex 5 Notes on the Development of a Feasibility Study	69
Annex 6 Directory of Helpful Organizations or Sources of Information	73
Annex 7 Department of Health Administrative Order No. 56 s.1989 (Revised Regulations for the Licensing of Drug Establishments and Outlets)	77
Annex 8 Sample Implementation Plan Outline	95
Annex 9 Notes on Social Marketing	99
Annex 10 Key Activities during the Bidding Process	103
Annex 11 Sample Procurement Document with Template of Terms of Reference for a Public–Private Partnership in Pharmacy Project	109
Annex 12 Other Procurement Documents	153
Annex 13 Sample Public–Private Partnership in Pharmacy Contract (Selected Provisions)	155
Annex 14 Sample Monitoring and Evaluation Form	181

## Boxes

Box 1	List of Documents for Step 1	11
Box 2	Notes on Market Study	15
Box 3	List of Likely Stakeholders in a Public–Private Partnership in Pharmacy Services	18
Box 4	The Public–Private Partnership Code	19
Box 5	The Credit for Better Health Care Project	19
Box 6	Guide Questions for Stakeholder Consultations	22
Box 7	Communicating Public–Private Partnership in Health	28
Box 8	About Message Development	31
Box 9	Functions of the Food and Drug Administration	35
Box 10	The Approved Procurement Plan	36
Box 11	The Purchase Request	37
Box 12	The Bidding Documents	38

## Tables

Table 1	Objectives for the Public–Private Partnership in Pharmacy Services (Sample)	13
Table 2	Matrix of Specific, Measurable, Achievable, Realistic, and Time-Bound (SMART) Solutions Based on Unmet Needs (Sample)	13
Table 3	A Sample Ranking System for Assessing Prospective Partners	14
Table 4	Matrix of Document and Data Requirements for Step 2	21
Table 5	Desired Outputs and Key Activities in Social Marketing	30
Table 6	Sample LogFrame Matrix for a Public–Private Partnership in Pharmacy	41
Table 7	Sample LogFrame for a Public–Private Partnership in Pharmacy (showing relationships)	42
Table 8	A LogFrame for a Public–Private Partnership in Pharmacy (with sample considerations)	43
Table A2.1	Public–Private Partnership Modalities	59
Table A2.2	Extent of Investment for Selected PPP Modalities	62
Table A5.1	Key Areas in Financial Analysis	71
Table A8.1	Public–Private Partnership Project Team Members (Sample)	95
Table A8.2	Implementation Steps (Sample)	96
Table A8.3	Communications and/or Social Marketing Strategy (Sample)	96
Table A8.4	Project Schedule (Sample)	97
Table A8.5	Resources Needed (Sample)	97
Table A8.6	Performance Indicators (Sample)	97
Table A8.7	Permits Needed (Sample)	98
Table A8.8	Levels of Approval of Local Government Unit Project (for Philippine Public–Private Partnership Projects)	98
Table A10.1	Criteria and Weights for Prequalification (Sample)	106
Table A14.1	Prescribing Patterns per Department (Sample)	182
Table A14.2	Prescribing Patterns Per Doctor (Sample)	183
Table A14.3	Inventory, Stocks, and Prices	183

## Figures

Figure 1	Knowledge Products Developed through ADB Technical Assistance for Public–Private Partnerships in Health	xv
Figure 2	Steps in Developing a Public–Private Partnership in Pharmacy Services	5
Figure 3	Logic of Operation and/or Effect Indicators	42
Figure A2.1	A Simplified Tool for Determining Need for a Public–Private Partnership	57

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# Acronyms and Abbreviations

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ADB	Asian Development Bank
ALOS	average length of stay
APP	approved procurement plan
BAC	bids and awards committee
BOR	bed occupancy rate
BOT	build-operate-transfer
COA	Commission on Audit
DBP	Development Bank of the Philippines
DOH	Department of Health
FDA	Food and Drug Administration
GPPB	Government Procurement Policy Board
ITB	invitation to bid
IRR	implementing rules and regulations
LGU	local government unit
M&E	monitoring and evaluation
MDG	Millennium Development Goals
PhilHealth	Philippine Health Insurance Corporation
PBD	Philippine bidding documents
PNF	Philippine National Formulary
PNDF	Philippine National Drug Formulary
PPP	public–private partnership
RA	Republic Act
SMART	smart, measurable, achievable, realistic, and time-bound (goals)
TOR	terms of reference



# Glossary

**Build-Operate-Transfer (BOT).** In the Philippines, the amended BOT law (Republic Act 7718) (July 1990) and its revised implementing rules and regulations (IRR) (2012) provide the legal framework for public–private partnerships (PPPs). The original BOT law specified a set of processes to ensure that the government and the private proponent meet their obligations. However, the risk was with the private sector, and the government entity had assured returns (fixed fee, percentage, or both). The amended BOT law provided a reasonable security package, clarified government support and incentives, liberalized the regulatory framework, provided and allowed private sector proponents to submit solicited and unsolicited proposals for infrastructure projects directly, provided a clear framework for structuring BOT contracts, and clarified the approval process.

There are several variations in the BOT scheme, namely:

- Build and transfer,
- Build-own-and-operate,
- Build-lease-and-transfer,
- Build-transfer-and-operate,
- Contract-add-and-operate,
- Develop-operate-and-transfer,
- Rehabilitate-own-and transfer,
- Rehabilitate-own-and-operate, and
- Other variations as may be approved by the President of the Philippines.

**Franchising** involves a franchisor–franchisee relationship built on standardized contractual arrangements. It requires (i) standardization of products and services; (ii) standardized procurement, packaging, and distribution; (iii) standardized accounting, billing, and payment systems; and (iv) common branding.

**Joint Ventures** involve sharing of profits, losses, and risks and are either corporatized (i.e., a joint venture stock corporation is formed) or covered by an executive joint venture agreement and PPP institutional arrangements. In a joint venture, the government agency contributes physical assets (e.g., building, land, hospital, facilities) and is a minority shareholder, but retains significant control over the use of the property. The government’s share generates income or dividends, and the agency may benefit from better market conditions in the future. Performance standards are established and monitored.

**Modalities and/or Other Modalities.** PPPs in general, and specifically a PPP in pharmacy, may take the form of one of a number of modalities (such as a joint venture, explained above), although the assumptions in this guidebook are based on a straightforward contracting scheme and/or arrangement, meaning a government organization forges a partnership with a private sector entity through a pharmacy services contract. However, in any type or modality of a PPP in health, all parties concerned must exercise due diligence in ensuring their understanding of the clinical and administrative aspects of healthcare. Both the clinical and administrative aspects may be covered by the PPP arrangement or the clinical or administrative aspect only. In both cases, the government entity must ensure that if it opts to enter into a PPP arrangement, it is doing so with a clear

understanding of its roles, the risks involved, the requirements of the arrangement, the extent of control that it is willing to share with its private sector partner, and similar considerations. The best financial arrangement should be clearly identified (e.g., determining whether it is better to issue a straightforward management fee, opt for profit sharing, or adopt a mixture of both schemes).

**Municipal Development Fund.** The Municipal Development Fund is a Philippine special revolving fund that aims to enable local government units (LGUs) to avail of funds and local and international assistance for the implementation of social and economic development projects. The Municipal Development Fund Office, under the Department of Finance, was created through Executive Order No. 41 to assume the administration of the fund. The office, through its various programs, projects, and activities, provides assistance to LGUs in financing development projects, helps establish LGUs' credit worthiness, and promotes fiscal discipline.

**Priority Development Assistance Fund.** The Priority Development Assistance Fund is a funding mechanism in the Philippines released through the members of the House of Representatives. "This makes possible the implementation, in every congressional district, of small-scale but significant projects which cannot be part of large-scale projects of national agencies. These projects, which are generally in the form of infrastructure, health, education, and social aid packages, directly touch the lives of district constituents."<sup>1</sup> While this source of funding is sometimes criticized for several reasons, among them, the seeming lack of transparency in disbursements,<sup>2</sup> local governments should see this as a possible resource for the improvement of health facilities and services.

**Public–Private Partnership.** A public–private partnership (PPP) is a cooperative venture or contractual arrangement between public agencies and private sector partners toward clearly defined public or social needs. It utilizes built-in expertise, experience, and human resources available in the private sector in the provision of services that are normally the responsibility of government. A PPP involves a sharing of resources, risks, and benefits between the public and private providers based on clearly defined terms of agreement. A PPP arrangement includes a financial arrangement that clearly defines how the initiative will be financed and whether financing will be shared or not. It needs a strong management, information, and monitoring system to support the definition of targets and performance evaluation.<sup>3</sup>

**Republic Act (RA) 9184 and its Implementing Rules and Regulations (IRR).** The Government Procurement Reform Act or RA 9184, along with its IRR, are the most important reference documents in government procurement. The law, which took effect on 26 January 2003, provides for the standardization and regulation of the procurement activities of the government. The IRR, which took effect on 8 October 2003, initially covered public procurement, but has been revised in 2008 to include procurement for foreign-assisted projects in agreement with various development partners. The revised IRR of RA 9184 came into being 22 July 2009.

<sup>1</sup> Message from the Speaker of the House of Representatives, Quezon City, Philippine House of Representatives. <http://www.congress.gov.ph>

<sup>2</sup> The current administration has imposed new and stricter measures in the release and utilization of the funds through the National Budget Circular 537 issued in February 2012.

<sup>3</sup> Asian Development Bank (ADB). 2011. Public–Private Partnership in Health. Inception Report. Manila (Technical Assistance 7257-Philippines: PPP in Health).

**Universal health care.** Universal health care is often defined as the state where all people have access to needed promotive, preventive, curative, and rehabilitative health services, of sufficient quality to be effective, and where such access does not cause them to suffer financial hardship when paying for these services.<sup>4</sup> Universal health coverage has become a major goal for health reform in many countries and a priority objective of the World Health Organization. The Universal Health Care Study Group in the Philippines defines universal health care as “the provision to every Filipino of the highest possible quality of healthcare that is accessible, efficient, equitably distributed, adequately funded, fairly financed, and appropriately used by an informed and empowered public.”<sup>5</sup> In tackling PPP under a universal health care framework, “needs” are translated to “demands” so health planners and project implementers are on a common ground. This is particularly important in the feasibility study stage where the viability of PPP projects should be thoroughly scrutinized.

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<sup>4</sup> Adapted from pronouncements of the World Health Organization.

<sup>5</sup> Universal Health Care Study Group. <http://www.universalhealthcare.ph/history/>



# Foreword



**P**ublic health concerns constantly challenge people and institutions to consider new approaches and interventions.

The Philippines, along with the rest of Asia, looks at partnerships as a step in the right direction. Philippine President Benigno Simeon Aquino III has officially promoted public–private partnerships (PPPs) as one of the key strategies for sustainable development. This comes at the most opportune time as the country doubles its efforts in achieving Millennium Development Goal (MDG) 4, to reduce child mortality by two-thirds, and MDG 5, to reduce maternal mortality by three-quarters.

Why PPPs for health? For one, they capitalize on the essence of genuine partnerships. They motivate both the public and private sectors to work together toward common public health goals, particularly those that impact mothers and their children. Second, PPPs call for a deeper level of transparency and operate in an arena where stakeholders share resources and risks. Third, PPPs motivate partners to produce tangible results and cutting-edge solutions, ensuring better and more efficient public health services, financial viability, and sustainability. Finally, PPPs call for creativity. They explore the untested grounds and consider “out of the box” solutions.

*“...let us show the world that the idea of partnership is alive in this Country, that public-private partnerships, for example, transcend the typical economic relationship and develops bonds that are both successful and trusting.*

*...they (private partners) will play a vital role in our administration’s fulfillment of our social contract with our people.”*

— President Benigno S. Aquino III

To help implementers particularly local government units, the Development Bank of the Philippines, through the Technical Assistance 7257 Philippines: Public-Private Partnerships in Health of the Asian Development Bank (ADB), has developed the Knowledge Management Products Series on Public-Private Partnerships in Health in the Philippines, which includes this guidebook. This guidebook has been crafted from actual experiences as the Development Bank of the Philippines worked with local government units in developing PPP projects in pharmacy services.

Having reliable and efficient pharmacy services is an important cornerstone of public health service delivery. It is not enough that a country has good doctors, nurses, and other medical professionals. A fully integrated health services delivery necessitates a system where drugs are available 24/7, and are safe and affordable. A PPP in pharmacy services ensures that a private sector service provider will not only dispense safe and affordable drugs at all times, but will also offer compassionate care and demonstrate authentic corporate social responsibility.

It is hoped that this guidebook will assist you, our dear readers and implementers, in considering and developing PPP in pharmacy projects, particularly as you work together in ensuring that our people will always have access to affordable and safe drugs.

Enrique T. Ona  
Secretary  
Department of Health  
Republic of the Philippines



# Program Overview

## The Credit for Better Health Care Project

The Asian Development Bank (ADB) approved a loan to the Government of the Philippines, through the Development of the Philippines (DBP), for the Credit for Better Health Care Project to help the country achieve the Millennium Development Goals (MDGs), specifically Goal 4 to reduce child mortality and Goal 5 to improve maternal health. The loan addresses low and inefficient public spending in health care by mobilizing additional off-budget credit for pro-poor investment in a number of ways. First, it works through a government financial intermediary, DBP. It also leverages private participation. Finally, it improves allocations toward investment priorities, including maternal and child health services, communicable disease control, improved access to basic health care, and referral services comprising laboratory and other diagnostic services.<sup>6</sup>

The Credit for Better Health Care Project supports DBP's Sustainable Health Care Investment Project,<sup>7</sup> a credit facility established in 2007 to support the Health Sector Reform Agenda and implementation framework, FOURmula One for Health of the Department of Health (DOH). The project's expected impact is improved overall health status, especially in relation to MDGs, through reduced rates of under-5 child mortality and infant mortality (MDG 4), and a reduced maternal mortality ratio (MDG 5). Its outcome is the increased use of basic health care and referral services by the poor in general, and by women and children in particular. It has four outputs:

- (i) upgraded local government unit (LGU) health services,
- (i) more efficient health delivery systems through public–private partnership (PPP),
- (i) improved access to small-scale private providers, and
- (i) enhanced institutional capacity for health sector lending.

To manage the project, DBP has set up a project management office in its Program Development Department, headed by a project director and staffed by a project manager, an assistant project manager, and two project associates.

## The Asian Development Bank Technical Assistance: Public–Private Partnership in Health

ADB provided DBP with a technical assistance grant for PPP in health services to support sub-borrowers under the Credit for Better Health Care Project, including LGUs and private providers, to enhance modalities for PPPs. These enhanced modalities include innovative strategies to improve efficiency, access, and quality of services; assistance to small-scale health providers with access to credit to support health-related MDGs; and the mobilization of private resources to achieve the MDGs. The technical assistance's impact is improved maternal and child health status by 2015 in the subproject sites, through PPP. Its outcome is tested PPP modalities that have demonstrated potential to increase the use

<sup>6</sup> Ibid.; ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant Credit for Better Health Care Project (Republic of the Philippines)*. Manila.

<sup>7</sup> SHCIP is available to local government units (LGUs) and the private sector through (i) direct retail lending for LGUs and larger private sector sub-borrowers, and (ii) wholesale direct lending to accredited financial intermediaries (microfinance intermediaries, rural and thrift banks) for small private sub-borrowers. SHCIP is financed from DBP's own resources and supplementary funds of development partners (DPs) and supports both capital investments and working capital.

of maternal and child health care and referral services in the PPP subproject sites. The technical assistance will develop and promote PPP modalities in the health sector, will develop incentives and operational strategies for small-scale health providers in rural and underserved areas to obtain accreditation with Philippine Health Insurance Corporation (PhilHealth), and will develop a contracting modality for health services.<sup>8</sup> DBP is the technical assistance executing agency, while DOH and PhilHealth are implementing agencies.

In the Philippines, the emerging PPP in health include:

- (i) outsourcing of clinical or technical (ancillary) services to private enterprises or organizations;
- (i) outsourcing of support services, including laundry, transportation, logistics, security, janitorial, and food and nutrition services;
- (i) contracting out the direct provision of certain health services to a private provider (e.g., tuberculosis treatment, health education); and
- (i) contracting or integrating private insurance schemes to cover specific populations, especially in low-income areas.

Three PPP modalities in health are common in the Philippines: contracting out of services, joint ventures, and franchising. Several models of contracting out to the private sector are available, as in the following:

- (i) collaborating, initiated by private companies or nongovernment organizations, to develop or deliver health services for specific public health maladies and diseases to specific groups (such as the development of vaccine manufacturing, directly observed treatment for tuberculosis, the provision of maternal care, child health services, parasite control, and malaria and HIV/AIDS prevention and treatment);
- (i) contracting to integrate private insurance schemes that can cover specific populations; and

- (i) outsourcing clinical or technical (ancillary) services to private sector enterprises or organizations.

One output of the technical assistance has been the *Philippines' Department of Health Administrative Order for Policy Framework in Public-Private Partnership in Health*, which was approved for implementation on 1 March 2012, along with a corresponding Implementing Rules and Regulations (IRR). The administrative order and its IRR (still in draft form) are in Annex 1.

## Challenges and Opportunities for Public-Private Partnerships in Health

The promotion of PPP in the health sector is faced with a number of challenges, including a poor understanding of the concept of PPP, weak institutional capacity among public sector agencies to engage in PPP, PPPs being initially donor-driven and eventually losing momentum as interest dies down, political affinities and inability to sustain the PPP beyond the term of the LGU chief executive, informal working arrangements between partners which can result in limited support from one or both partners, peace and order issues in some places, limited sustainability of resources, a lack of or weak monitoring, and the prevalence of moral hazards and bad political influences and practices. There are also numerous private parties that can benefit the public sector but hesitate to engage with public partners. As a result, there is an urgent need to strengthen the capacity of public agencies to manage PPP projects, such as drawing up of PPP agreements, mentoring public agencies in the preparation of business plans, and in monitoring and evaluation (M&E) of the enterprise. There are vast opportunities for creating or expanding successful PPP models, but leadership is a key to success.

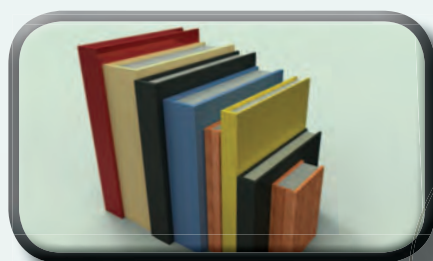
These challenges provide opportunities for the development of PPP enterprises, as well as knowledge management resources that will help institutions continuously capture lessons and insights from implementation. This guidebook is one of the knowledge management resources that has been developed under the technical assistance package.

<sup>8</sup> There had been revisions in the second and third technical assistance outputs since the submission of the project inception report. Output 2 now focuses on providing technical assistance to PhilHealth in developing a global budget scheme and monitoring and evaluation system, while Output 3 focuses on capacity development.



# Figure 1 Knowledge Resources on Public–Private Partnership in Health

## 1. Printed Materials



- 1.1 Frequently Asked Questions
- 1.2 Guidebooks in PPP in Health
  - a. Guidebook on How to Develop a PPP in Pharmacy Services
  - b. Guidebook on How to Develop a PPP in Hospital Management
- 1.3 Resource Books
  - a. Resource Book on PPP in Birthing Homes
  - b. A Resource Book for Capacity Development
  - c. (focus on Social Marketing and Knowledge Management)
- 1.4 Monographs
  - a. Brief on PPP in Health Applications
  - b. Legal and Policy Issues
  - c. Financing Options
  - d. Procurement Process
  - e. Social Marketing and Knowledge Management
- 1.5 Proceedings of the PPP in Health Manila 2012

## 2. Online Portal



PPP in Health Manila 2012 website –  
<http://pppinhealthmanila2012.com>

## 3. Audio-visual presentation titled, "Partnerships for Health"



PPP = public–private partnership.

Source: Developed through Asian Development Bank Technical Assistance Public–Private Partnership in Health (7257 PHI).



# I. Why This Guidebook?

**T**his guidebook is designed to help organizations such as local governments develop PPP in pharmacy services. The lessons and insights shared here are based on actual experiences with the local government of Northern Samar in the Philippines, as it worked with a technical assistance team to develop a model for a PPP in pharmacy. While this guidebook is mostly based on the experiences with a local government in the Philippines, readers from both the public and private sectors and outside the Philippines will find the insights in this guidebook useful and in many instances, applicable.<sup>9</sup>

This guidebook will serve as a roadmap for projects to develop a PPP in pharmacy. However, users have the freedom to develop their own procedures, specific to local conditions and resources. The steps and procedures discussed here are not absolute rules but rather recommendations and “guideposts,” to be enhanced, modified, and customized according to the needs and aspirations of users.

This guidebook is part of a series of knowledge management resources developed for organizations that wish to adopt PPP to address public healthcare needs. It was developed with the hope that it will inspire and encourage more organizations toward the development and implementation of their own PPP programs and enterprises in health.

For further information and support, contact the Credit for Better Health Care Project of DBP or ADB. Finally, this is an evolving document that may be enhanced based on new lessons and experiences. Insights, comments, and suggestions that help in making this document more useful and practical are welcome. Feedback may be sent through [emasaki@adb.org](mailto:emasaki@adb.org).

<sup>9</sup> The authors intended to make this guidebook as universal or generic as possible with a caveat that some assumptions and/or insights may not be legally applicable in or compliant to specific policies of certain countries. Readers are advised to refer to their country regulations and practices in the adoption or application of PPP programs and/or projects.





## II. Reading Guide

**R**eaders are encouraged to read *A Simplified Tool in Determining Need for a Public–Private Partnership* (Annex 2) before proceeding. This simple tool will help readers determine whether establishing a PPP in pharmacy in their local community or provincial hospital<sup>10</sup> is needed and whether it is the best solution for their needs.

Having decided that a PPP in pharmacy services is a viable option, users will find it easy to navigate through this guidebook. The six-step process to develop a PPP in pharmacy is explained in simple terms, supported by on-the-ground experiences of Northern Samar as it developed its PPP in pharmacy model, with support from the ADB technical assistance Public–Private Partnership in Health. Again, the six steps proposed here may be adjusted or modified according to local needs and conditions.

The step-by-step manner in which the procedures are discussed does not mean that steps must be followed in the order in which they are presented. For example, an organization doing Step 1 (reviewing the pharmacy industry in the area and determining needs) may opt to do Step 2 (identifying partners and defining their roles) at the same time. In a real

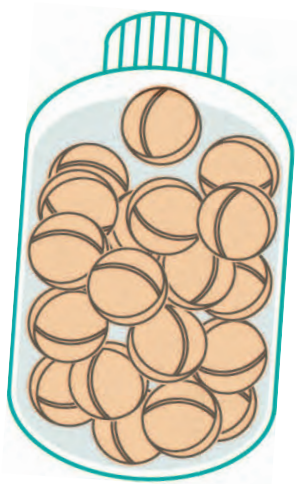
life, it is difficult to separate one step from another, so users are advised not to be limited by the sequencing in this guidebook.

The discussion in each step follows a simple flow. First, a description is given, with objectives and tools. This is followed by key activities and the expected outcome. The discussion in each step looks like this:


- 1.1 About the step
- 1.2 Key activities
- 1.3 Expected outcome



The numbering of these 3 sections indicates the step, too. For example, **1.2 Key Activities** refers to the key activities in **Step 1** and **3.3 Expected outcome** refers to expected outcome in **Step 3**.

<sup>10</sup> The term “provincial hospital” is often used here as this guidebook takes off from a PPP development process with a local government unit (province). Readers in other countries will have different context so a “provincial hospital” may be replaced by terms such as “district hospital” or “community hospital,” as the case may be.

**Important reminders****Elaborations on certain Sections****Best practices**

To help readers navigate through this guidebook, the following markers and symbols are also used:

Those with  are important reminders. It is okay to skip or quickly go through them on the first reading, but they should be read more thoroughly after finishing this guidebook.

Those marked with  are elaborations on certain sections. Text with this  icon may be definitions, recommendations on specific activities that an organization can do to fulfill a particular goal, or suggested courses of action to take when faced with certain challenges.

Good or best practices from organizations that have already developed their PPP in pharmacy projects or enterprises are also shared here. These

stories are in boxes and marked with this symbol.



There are six key steps in the development of a PPP in pharmacy. Each step of the processes is numbered so it is very easy to go back and forth when needed.

It is also easy to figure out where the reader is already in the process of reading this guidebook. He or she can just look at the upper margins of the page. He or she can also flip back to the process illustration (Figure 2).

Most terms are explained within the text of the sections where they are discussed, while more complex terms are explained in the glossary.

It is hoped that this guidebook will inspire and support organizations to develop their own PPP in pharmacy enterprises.

## Figure 2 An Illustration Showing the Six Steps

The illustration below shows a simple way to remember the six steps indicated in this Guidebook. You may flip back to this page as you go through this Guidebook.







### III. Developing a Public–Private Partnership for Pharmacy Services (Overview)

**T**his section gives an overview on the steps involved in the development of a PPP project in pharmacy services. At the risk of sounding repetitive, the readers are advised that the steps outlined here are only meant as guide. Readers can adopt and modify these steps based on local needs and condition.



This section gives a summary of each step. Details on each step are found in the next chapters.

#### **Step 1: Determine needs and review pharmacy services in the area**

As in most development interventions, the first step requires determining and understanding the main issues and problems related to a particular need. In this case, the focal point is the need of a hospital or organization for an efficient pharmacy service in a chosen site. The concerns related to pharmacy services (e.g., perennial unavailability of certain drugs) will form part of the bases of an organization's PPP in pharmacy project.

Having identified the problems, the hospital, organization, or local government will come up with proposals for solutions and will conduct a market study or a full-blown feasibility study. This step involves a review of the market in the area covered by the PPP in pharmacy project. It requires an organization to develop financial models to facilitate its decision-making. Consultations with affected sectors and a review of policies on PPP and pharmacy and drugs may also be conducted in this initial step.



#### **Step 2: Identify stakeholders and their roles**

A crucial step is to identify who the stakeholders are. As soon as the organization knows what it wants to do (i.e., develop a PPP in pharmacy project), it should already have an idea of who its stakeholders are for example, the department or ministry of health, social health insurers, the audit commission, government banks, civil service commissions or agencies, PPP centers or agencies, the provincial or district council, nongovernment organizations, pharmacy operators and staff, local communities. The organization should begin understanding and appreciating the roles of these stakeholders in the process. At this stage, the organization may conduct research and meetings

or consultations with stakeholders and prospective PPP partners. This is also a good time to identify financing options that may be considered.



### Step 3: Develop a plan for the public-private partnership in pharmacy

At the core of the PPP development phase is an implementation plan. In this step, the organization prepares an implementation plan, considering the PPP modality chosen for the desired pharmacy project. The plan should include the personnel involved in undertaking the process, as well as the advisors, the budget, and the timeframe.



### Step 4: Develop a social marketing plan

It is said that any project finds its complete fulfillment if it is properly communicated and understood by most if not all stakeholders. In this step, the organization develops a social marketing plan, which should include a plan for communications, stakeholder engagement, and capacity development (if desired or needed).<sup>11</sup> The social marketing or promotion plan should be based on the organization's aspirations and behavioral change targets.



### Step 5: Conduct procurement

Implementing a PPP project involves procurement. Once the plan for the PPP in pharmacy services is in place, the organization should adequately prepare for the procurement phase. This step includes developing bidding documents, finalizing the terms of reference (TOR), and drafting the contract. This step is crucial in that it is the perfect time to ensure that the bidding documents specify the procedures for bidding, evaluation and award, while the TOR and contract cover provisions on the details of each party's responsibilities, performance standards, monitoring and evaluation (M&E), and pre-termination, among other concerns.



### Step 6: Implement the public-private partnership in pharmacy services (focusing on monitoring and evaluation)

This is where all the steps lead to: the actual implementation of the PPP in pharmacy services. This is when the partnership between the public organization and the private sector becomes operational. It is the main event of the PPP: when the desired targets and deliverables are executed by the contracting parties to achieve the objectives and outcomes of the PPP.

At the core of the contract implementation is an effective monitoring and evaluation system. In this step, the organization must have an M&E framework and parameters, and has set up a team who will undertake M&E activities. Some organizations establish an M&E unit, while others assign specific personnel to do the job. It is important that the PPP contract provides measurable targets and procedures for measuring and reporting.

<sup>11</sup> Capacity development may be a separate concern and considered as another step. However, this is incorporated here (at least in the context of social marketing) to further simplify the discussions. Capacity development is crucial to ensure that a PPP project will be efficiently and effectively managed and ultimately bring lasting results. The whole development process of a PPP project may be considered as a capacity development intervention in itself for it allows project planners and implementers to learn together and develop new or further enhance skills. Additional insights on capacity development are shared in *Resource Book No. 2, Capacity Development for Public-Private Partnership in Health*, which will be made available online.

## IV. The Steps in Developing a Public–Private Partnership for Pharmacy Services

The six steps identified above are discussed in detail in this chapter. Best efforts had been undertaken to simplify the discussions although certain parts require further readings. Readers are advised to consult advisors and other knowledge materials if they want to develop and implement a PPP in pharmacy project. Before proceeding, an illustration of the six steps below provides a better understanding of how each step connects to the next one.

Step 1



Step 2



Step 3



Step 4



Step 5



Step 6







## Step 1: Determine needs and review pharmacy services in the area

### 1.1 About this step

An organization intending to implement a PPP in pharmacy project should first have a clear and comprehensive understanding of the main concerns and problems related to its need for pharmacy services for a chosen site. These concerns will form part of the bases of its PPP in pharmacy project.

For example, if an organization's aim is to guarantee the availability of safe, effective, and affordable medicines around the clock in a hospital or locality, the PPP project should ensure that this problem is addressed. This is one of the key motivations for the implementation of a PPP in pharmacy in Northern Samar, Philippines. In the past, the pharmacy in its provincial hospital would run out of medicines and supplies before the next cycle of procurement. This problem was rooted in the long and tedious procurement process in the public sector. The local government, with the support of a technical assistance team, was able to thoroughly assess the situation, and came to the decision that a PPP in pharmacy services could address the problem.

Going further and learning from the experience of Northern Samar, an organization or local government hoping to set up a PPP in pharmacy should also determine the scope of its project—for example, whether it should begin with just one pharmacy for a single hospital or establish PPP pharmacies in all of its public hospitals or healthcare facilities (e.g., in the

whole province or district). In the case of Northern Samar, it opted to begin through a single-facility project only.

#### Box 1. List of Documents for Step 1

**The local government of Northern Samar, Philippines, prepared and used the following documents in this step:**

- (i) work plan – a roadmap toward preparing the business plan\*;
- (ii) request for information – a data checklist for the preparation of the business plan;
- (iii) pharmacy outsourcing business plan – the completed business plan
- (iv) estimation of capital – a guide to computing minimum capital, bond amounts, etc.;
- (v) suggested cost–benefit approach – a suggested guide to quantifying the financial benefit of pharmacy outsourcing from the Provincial Government of Northern Samar's point of view (excluding economic benefits)
- (vi) weighted average cost of capital – to estimate the minimum required return on equity of companies engaged in medical services

\*The likely tasks required in the development of a business plan are discussed in Annex 3.



## The crafting of proposed solutions should focus first on achieving effectiveness, and then efficiency afterwards.



The final decision can be reached only through a diligent study. It is, therefore, very important for any organization to understand the market before establishing such a PPP enterprise. In the case of an organization or local government hoping to establish a PPP in pharmacy, it is crucial to completely understand the pharmacy services in the locality and the requirements of the public healthcare system.

### What are the tools and requirements in this phase?

This step requires a good database on existing pharmacies in the area or province, maps, historical data on pharmacy sales, laws and regulations on pharmacy (including local ordinances, if any), and other useful information on the pharmaceutical industry in the locality.

## 1.2 Key Activities

The organization should expect to undertake the following activities in this phase:

- (i) identify pharmacy-related issues and concerns;
- (ii) craft proposed solutions;
- (iii) conduct a market research or study;
- (iv) review the market in the community or the area that will be covered (may be more specific to the hospital or entity that will host the pharmacy);
- (v) develop financial models to facilitate decision-making;

- (vi) consult with affected sectors; and
- (vii) review policies on PPP and pharmacy or drugs (must be done in this phase although a more comprehensive review must be done again during the development of a contract)

The organization can identify the problems of the pharmacy through a deliberate fact-finding mission, or through a review of records (e.g., number of pharmacy related complaints received, amount of money spent for the purchase of medicines on emergency and/or urgent requirements, amount of medicines and supplies purchased by in-patients outside the public hospital, etc). In this process, it is essential that the problems be segregated into either an effectiveness issue or an efficiency issue. Effectiveness issues are the essential problems (e.g., running out of stock, medicines expiring, counterfeit medicines, etc.), while efficiency issues are the organizational issues involved in the achievement of effectiveness (e.g., poor inventory, slow replenishment, inaccurate database, etc.).

The crafting of proposed solutions should focus first on achieving effectiveness, and then achieving efficiency.

Therefore, the organization should first be cognizant of its objectives for effectiveness and for efficiency in its pharmacy services. Developing a matrix can help (see Table 1).

Once the effectiveness and efficiency objectives have been identified, the organization can then

**Table 1 Objectives for the Public-Private Partnership in Pharmacy Services (Sample)**

Effectiveness Objectives	Efficiency Objectives
24/7 availability of medicines	Copy of a national drug formulary (in the Philippines, the Philippine National Formulary) <sup>a</sup> in pharmacy at all times
Availability of safe, unexpired, and genuine (not counterfeit) medicines	Barcode labeling of all medicines
	Waiting time less than 30 minutes
	Fast procurement from trusted suppliers

<sup>a</sup> The Philippine National Formulary is the national essential medicines list. The formulary is used as basis for the reimbursement of medicines by the Philippine Health Insurance Corporation (PhilHealth), the procurement of medicines in the government sector, and serves as a guide for rational selection and use of therapeutic agents by Filipino medical practitioners. Inclusion of medicines in the formulary is guided by the following: relevance to prevalent diseases in the Philippines; efficacy and safety (benefit-harm assessment), cost (cost-benefit assessment), quality; and appropriateness to the capability of health workers at different levels of health care. Countries will have their own national lists or formularies. (Source: Philippines' Department of Health)

rephrase the problems as “unmet effectiveness needs” or “unmet efficiency needs.” Once this rephrasing is done, it would then be easy for the organization to identify solutions that are specific, measurable, achievable, realistic, and time-bound (SMART).

An example of unmet effectiveness or efficiency needs and the identification of SMART solutions are shown in Table 2.

This matrix is shared here to emphasize how an organization may understand the problems and come

**Table 2 Matrix of Specific, Measurable, Achievable, Realistic, and Time-Bound Solutions Based on Unmet Needs (Sample)**

Unmet Effectiveness Needs	SMART Solutions to be carried out by PPP partner
80% of patients have to get antibiotics from outside pharmacies.	The new public-private partnership (PPP) pharmacy setup must carry certain approved antibiotics at all times.
30% of medicines are substandard.	Only Food and Drug Administration-approved suppliers will be allowed to enter public bidding.
Unmet Efficiency Needs	
No copy of PNDF <sup>a</sup> in pharmacy at all times.	The new PPP pharmacy setup must have at least 5 copies of the PNDF.
25% of all barcodes are erroneous.	Monitoring and troubleshooting of barcodes to be continuously done through computer program by the PPP partner.
Cuing time is 1 hour.	Cuing time should be less than 5minutes at all times.

PNDF = Philippine National Drug Formulary; SMART = specific, measurable, achievable, realistic, and time-bound.

<sup>a</sup> The Philippine National Formulary is the national essential medicines list. The formulary is used as basis for the reimbursement of medicines by the Philippine Health Insurance Corporation (PhilHealth), the procurement of medicines in the government sector, and serves as a guide for rational selection and use of therapeutic agents by Filipino medical practitioners. Inclusion of medicines in the formulary is guided by the following: relevance to prevalent diseases in the Philippines; efficacy and safety (benefit-harm assessment), cost (cost-benefit assessment), quality; and appropriateness to the capability of health workers at different levels of health care. Countries will have their own national lists or formularies. (Source: Philippines' Department of Health)

to the right solutions. Table 3 should be revisited in Step 5 (conduct procurement).

One of the activities that must be undertaken in this step is a market study to help the organization determine if there is a strong need for such an enterprise and if it is viable. For example, it is not enough that a local government wants to establish a PPP in pharmacy project based solely on a perceived lack of a steady supply of medicines.<sup>12</sup> An organization should also establish a strong understanding of the pharmacy services in the locality, the needs of its people, and its capacity to implement a PPP in pharmacy project. Notes on the conduct of a market study are shared in Box 2.

Market study is done for different purposes and possible data collection methods are dependent on the particular purpose of and the type of information needed for the planned enterprise. (More details on market study are in Annex 4. Additional notes on the development of a feasibility study are in Annex 5.)

## Reasons for the Market Study

Why conduct market research or a market study? An organization planning to establish a PPP in pharmacy enterprise may refer to this list to evaluate their need for a market study. An organization would undertake a market study for the following primary reasons:<sup>13</sup>

### (i) To identify opportunities to serve various groups of customers

An organization may want to verify and understand the unmet needs of a certain group (or market) of customers. What do they say that they want? What do they say that they need? Some useful data collection methods might be, for example, conducting focus group discussions, interviewing customers and investors, reading publications and other key library sources, and listening to what clients say and observing what they do. Later on, an organization might even do a pilot run, or test the market, to verify if the enterprise will be viable.

**Table 3 A Sample Ranking System for Assessing Prospective Partners**

	Points (effectiveness = 3, efficiency = 1)
<b>Unique propositions of the proposed PPP in pharmacy partners</b>	
<b>Effectiveness solutions</b>	
The new PPP pharmacy setup must carry certain approved antibiotics at all times.	3
Only FDA-approved suppliers will be allowed to enter public bidding.	3
<b>Efficiency solutions</b>	
The new PPP pharmacy setup must have at least five copies of the PNDF.a	1
Monitoring and troubleshooting of barcodes should be continuously done through computer program by the PPP partner.	1
Cuing time should be less than 5minutes at all times.	1
<b>TOTAL</b>	<b>8</b>

FDA = Food and Drug Administration; PNDF = Philippine National Drug Formulary; PPP = public-private partnership.

Source: Hilton Lam, based on the authors' experiences with Philippine local governments through the Asian Development Bank Technical Assistance on Public-Private Partnership in Health.

<sup>12</sup> The phrase "steady supply" should be appreciated in the context of public hospitals where the pharmacies cannot sell or offer medicines around the clock. This is often the case in many public hospitals in the Philippines and becomes a motivating factor for local governments to consider PPP in pharmacy.

<sup>13</sup> Significant portions of this section were sourced out from articles by A.B. Blankenship, C. McNamara, J.C. Levinson, E.J. McCarthy, and W.D. Perreault. Small Business Victoria. For further readings, visit <http://edwardlowe.org/index.elf?page=sserc&function=story&storyid=6357>



## Box 2 Notes on Market Study



Knowing the market's needs, and how these needs are being serviced, provides an organization with information essential to develop its PPP in pharmacy project and marketing plan. PPP experts caution organizations against spending a significant amount of money in launching a "new" enterprise that may have a limited market because of low demand, stiff competition (e.g., too many pharmacies in the area), and supply issues. The organization must assess its situation and determine if there is indeed a market and a significant need for a PPP in pharmacy enterprise in the chosen locality.

Although the quality of the drugs to be sold is critical, the selling of the best medicines in the market will not necessarily lead to brisk sales or better services. The private sector partner is motivated by profits, so an organization should

consider viability, when considering a PPP option and drawing up a plan.

Conducting a market analysis will help an organization:

- (i) prepare itself when entering a PPP venture,
- (ii) launch the new PPP application, and
- (iii) start and co-manage a PPP in pharmacy enterprise.

At the completion of this step, the organization should be able to:

- (i) explain the concepts of a market study and/or analysis,
- (ii) determine if there is a need for the PPP enterprise,
- (iii) identify the market,
- (iv) analyze the current market, and
- (v) gain insights on the PPP project's competitive advantage.

PPP = public-private partnership

Source: Based on the authors' experiences with Philippine local governments through the Asian Development Bank Technical Assistance on Public-Private Partnership in Health and articles by C. McNamara, J.C. Levinson, E.J. McCarthy, and W.D. Perreault.

### (ii) To examine the size of the market (how many people have the unmet need?)

An organization may want to identify various subgroups, or market segments, in a market, along with each of their unique features and preferences. Useful data collection methods might be, for example, reading about demographic and societal trends. The organization may even observe each group for a while to notice what they do, where they go, and what they discuss. It may be worthwhile to interview members of each group.

### (iii) To determine the best methods to meet the needs of target markets

The organization may want to ask the following questions: "How can we develop a PPP in pharmacy with the features and benefits that will meet that need? How can we ensure that we have the capacity to continue to meet the demand?" Focus group discussions can be useful here. The organization can ask participants about their preferences, needs, and

how those needs might be met. Participants can also be asked about what would they need to be able to use the PPP pharmacy's services and how much are they willing to pay.

### (iv) To know and analyze the competition

An organization hoping to establish a PPP in pharmacy enterprise may also examine their proposed products, services, marketing techniques, pricing, location, etc. vis-à-vis their competitors. One of the best ways to understand one's competitors is to use their services. An organization can assess their location and sales history.

### (v) To affirm that the enterprise will effectively meet customers' needs

An organization may also want to consider what M&E system to use. M&E often includes the use of several various data collection methods, such as observing clients, interviewing them, administering questionnaires with them, and developing

case studies. (More details on M&E are discussed in Step 6.)

After the market study, the organization should develop financial models to facilitate its decision making. These models should form part of the feasibility study. Again, some notes on the development of a feasibility study are in Annex 5.

The organization should consult stakeholders so that the PPP in pharmacy services will be better understood and then patronized. More discussions on the need for consultations are found in the next step.

Reviewing policies on PPP and pharmacy and/or drugs must also be done in this phase, although a more comprehensive review must be conducted again during the development of a contract.

### 1.3. Expected Outcome

This step leads to a clear understanding of the pharmacy industry in the locality. Such an understanding will help an organization decide if it needs a PPP in pharmacy, and whether it can implement such an enterprise.

Through the activities in this step, the organization can determine the appropriate and most viable coverage of the PPP in pharmacy enterprise. For example, a local government may want to be cautious first and implement a PPP in pharmacy project for its provincial hospital only. Such an approach offers a practical way of “learning the ropes” while lowering risks. Determining the coverage and even the type of modality to be applied, of course, will rely on the results of the market and/or feasibility study, the political will of the local leaders, and the interest of the private sector.



## 2.1 About this step

The organization or local government that would like to improve health services, particularly pharmacy services, will do well to consider the stakeholders in any PPP undertaking. This step allows the organization to understand the people and institutions that can help it with enterprise development, licensing and legal requirements, financing options, and social marketing. Box 3 shows the likely stakeholders in a PPP in pharmacy project, based on the Philippine context.

For instance, an organization that manages a hospital knows that a hospital pharmacy needs to be licensed by a regulatory body such as a *food and drug administration* entity so the ministry or department of health is inevitably a major stakeholder. The responsibility for the pharmacy license may depend on the form of PPP that the organization wants. Does the organization want to retain the license and partner with a private entity for the management? Will the pharmacy be managed through a lease contract with the private provider taking responsibility for the license and all other requirements? These are just some of the questions that should be considered.

Local government components are vital stakeholders. In the Philippine context, the *sangguniang panlalawigan* (provincial council) is one such a partner. The council not only legitimates any PPP initiative but also provides budget support. One initial step that some governors in the Philippines undertook was to convince the council to enact a PPP code that applies to all sectors. (See Box 4 for further notes on PPP code.) Another group is the Bid and Awards Committee (BAC), which handles all matters pertaining to procurement. However, PPP initiatives are a fairly new phenomenon in local governments, so members of the BAC may wish to familiarize themselves with specific provisions of the governing PPP law or the procurement law that may apply to its PPP in pharmacy.

### Box 3 List of Likely Stakeholders in a Public–Private Partnership in Pharmacy Services

#### Who are the stakeholders?



Stakeholders are organizations and individuals that may be significantly affected by the public-private partnership (PPP). At this stage, it is critical that the organization carefully identifies the most important stakeholders. For example, if the purpose of the PPP is to ensure the availability of drugs 24 hours a day, 7 days a week, major stakeholders will be pharmacy operators, pharmaceutical companies, and a social health insurer rather than the academe. For the sake of discussion, these stakeholders can be categorized into several groups. Below is a list of likely stakeholders, based on Philippine context.

#### Local Government

- (i) Civil servants
- (ii) Elected officials

#### National Government Agencies

- (i) Department of Health
- (ii) Philippine Health Insurance Corporation
- (iii) Department of Interior and Local Government
- (iv) Commission on Audit
- (v) Civil Service Commission
- (vi) Department of Social Welfare and Development
- (vii) PPP Center

#### Funding organization facilities and sources

- (i) Development Bank of the Philippines
- (ii) Countryside Development Fund
- (iii) Sources of official development aid, e.g., Asian Development Bank, Japan International Cooperation Agency, United States Agency for International Development, and World Bank

#### Private sector (corporate)

- (i) Pharmacy owners and operators
- (ii) Advisors
- (iii) Suppliers

#### Academe

#### Civil Society

- (i) Associations (e.g., Philippine Pharmacists Association, Drugstores Association of the Philippines, etc.)
- (ii) Nongovernment organizations and foundations

#### Media

#### Patients

- (i) Paying
- (ii) Nonpaying and indigents

Personnel concerns invariably crop up when PPP initiatives are discussed. A civil service organization can provide assistance regarding these concerns, including options for the current pharmacy personnel employed by the public entity. Acceptance and ownership of the PPP initiative depends on allaying fears—real or imagined—of public sector personnel.

Social health insurance providers are major stakeholders. It is in the interest of the private sector to see some profit. In provinces where a large segment of the population is considered indigent, the social health

insurance reimbursements will provide guarantee for the payment of the drugs and medicines provided to patients.

A public auditing entity may not be officially involved in the initial steps of the development of the PPP in pharmacy services. However, it may be beneficial for the organization to ensure the participation of such an entity, even in an advisory capacity. In the example of the Philippines, while the Commission on Audit (COA) still has no specific guideline on PPP, it can still provide valuable insights on the experiences of several government hospitals with

## Box 4 The Public–Private Partnership Code

### The Importance of a Public–Private Partnership Code



While national laws such as the Philippines' Build–Operate–Transfer Law and Local Government Code provide strong policy bases for public-private partnership (PPP) projects, local governments hoping to develop PPP projects in health may consider passing a local PPP code. A code provides a basis for the:

- (i) adoption of PPP as a mode of development for local government unit;
- (ii) creation of a regulatory authority for PPP projects;

- (iii) crafting of operative principles that will guide PPP projects of the province;
- (iv) legal framework and authority for entering into PPP contracts;
- (v) creation of a PPP selection committee, which may be tasked with the selection of private partners for specific PPP projects and monitoring and evaluation upon implementation of the PPP project.

Further discussions on the legal framework for PPP in health are found in an unpublished monograph, *Reflections on the Legal Framework of PPP in Health*, which is part of the *Knowledge Series on Public–Private Partnerships in Health*. A PDF copy may be requested through the Asian Development Bank.

Source: Based on the authors' experiences with Philippine local governments through the Asian Development Bank Technical Assistance on Public–Private Partnership in Health and meetings with Alberto Agra (College of Law, Ateneo de Manila University).

## Box 5 The Credit for Better Health Care Project

The Credit for Better Health Care Project credit facility was established by the Development Bank of the Philippines (DBP) in 2007 to support the Department of Health's health sector reform agenda and implementation framework – Formula One for Health. The health sector reform program and the project support the government to attain the millennium development goals for maternal and child health as well as to improve access to affordable quality care, especially of the poor in underserved areas.

DBP aims to re-lend to subprojects that will

- (i) improve the quality of health services to attain health facility accreditation by the Philippine Health Insurance Corporation
- (ii) address gaps in access to basic health services (for communicable disease control, woman and child health care, clinical care, ancillary services, and generic drugs); and

- (iii) improve efficiency in health service financing and delivery through outsourcing, improving management systems, and other innovative strategies.

For local government, the maximum loan amount is 90% of the total project cost, with a loan term of up to 10 years (including a 6-month to 2-year grace period in repayment of the principal amount). The loan can be secured by any or a combination of the following: deed of assignment of a specified portion of a local government's internal revenue allotment, real estate and/or chattel mortgage, government guarantees, hold outs on deposits, and the assignment of project income, purchase orders, and other collateral acceptable to DBP.

For more details on the project, please visit <http://www.dbp.ph/devbanking.php?cat=129>.

Source: Credit for Better Health Care Project of the Development Bank of the Philippines.

ongoing PPP contracts. COA is aware that there may be social and economic benefits to a PPP for health, and believes that an organization should ensure that the government is not disadvantaged in the PPP in pharmacy services. For example, if the arrangement is a lease, the rent should be comparable to the prevailing commercial rates in the area. These insights should be helpful in any PPP enterprise, so readers from other countries should refer to their national and local auditing agencies for advice and support.

Government financial institutions like the Development Bank of the Philippines have funds dedicated to the health sector. (A brief description of the Credit for Better Health Care Project is found in Box 5). Local governments in the Philippines have an advantage when dealing with government banks because unlike in private banks, collaterals are not required. The internal revenue allotments of local governments are guaranteed sources of loan payments. Government banks can also provide advice to interested partners. Each country will have its own financing facilities. PPP project developers are encouraged to look at the financing landscape diligently to avoid costly mistakes.

The Philippine government, through the National Economic and Development Authority, has established the PPP Center, an office dedicated to the pursuit and promotion of PPP. A PPP proponent has to undergo government-mandated procedures

depending on the form and cost of the PPP project. In the Philippine context, the cost of the contract or PPP project is a factor that determines whether a PPP initiative is a regional or national concern. The PPP Center also provides technical assistance to government entities intending to pursue PPP projects.

The Drugstore Association of the Philippines, an organization of private independent drugstore owners, can also provide technical assistance to PPP proponents such as local governments. (A directory of helpful organizations or sources of information is in Annex 6. Meanwhile, a copy of Department of Health Administrative Order No. 56 s. 1989: Revised Regulations for the Licensing of Drug Establishments and Outlets is in Annex 7.)

### **What are the tools and requirements in this phase?**

Stakeholder consultation requires a good planning phase that includes the development of an agenda. The agenda must focus on the particular concern of an office or institution. It will be worthwhile if the organization can hold a meeting of all stakeholders for transparency and to determine as many eventualities and effects of a PPP in pharmacy as possible. Documentation of meetings is crucial. Pertinent materials and data must be available during discussions. The list in Table 4, while not exhaustive, gives an idea of the essential documents and data that will help PPP in pharmacy project developers.

**PPP project developers are encouraged to look at the financing landscape diligently to avoid costly mistakes.**



**Table 4 Matrix of Document and Data Requirements for Step 2**

Source	Documents	Data
Local government	Pertinent local laws and regulations, local government development plans, directory of all stakeholders, and financial statements of the public pharmacies	Demographics of the province, present and projected; mapping of pharmacy facilities in the area (both public and private); inpatient and outpatient records; prescription patterns of doctors; disease patterns; list of drugs and/or medicines being provided and their prices
National government agencies	Pertinent national laws and regulations, e.g., Republic Acts, administrative orders, circulars, local ordinances, etc.	Disease patterns (to cross-reference or validate local data)
Funding organization facilities and sources	Requirements of funding facilities and/or agencies	Menu and features of funding mechanisms
Private sector (corporate)	Sample terms of reference and/or contracts, financial statements of private sector pharmacies	List of drugs and/or medicines being provided and their prices
Academe and/or Civil Society	Policy papers, research work	
Media	News and/or feature articles, press statements	
Patients		Feedback on pharmacy services, feedback on PhilHealth membership, etc.

PhilHealth = Philippine Health Insurance Corporation

## 2.2 Key Activities

This phase requires a thorough appreciation of the key stakeholders and their roles, and may include the following activities:

- (i) identifying stakeholders;
- (ii) developing the agenda for consultation meetings;
- (iii) conducting consultation meetings;
- (iv) documenting discussions; and
- (v) reviewing and analyzing notes and findings from the consultations.

Having identified the stakeholders, the organization can list questions, concerns, and issues, and develop the agenda. (See Box 6 for sample guide questions). The consultation meetings provide a perfect way to identify and get to know the PPP in pharmacy's stakeholders. The consultations can be done through either group discussions or one-on-one interaction.

The organization needs to prioritize the stakeholders it should work with, starting with the most critical. For example, it is not advisable to meet with potential bidders if local leaders have not completely

### Box 6 Guide Questions for Stakeholder Consultations

Some questions to raise during stakeholder consultations:

#### **Why is there a need to improve pharmacy services?**

The answer must be validated by data, such as list of available medicines at the current time, the name of medicines often prescribed, and the availability and cost of drugs (e.g., the availability of prescribed drugs, number of incidences when medicines run out of stock, etc.).

#### **Will the PPP improve services but raise prices of services?**

There may be a trade-off between cost and efficiency, with the private sector perceived as able

to provide more efficient services but in some instances, at a higher price. The role of the social health insurer is crucial.



#### **How will the local government deal with possible displacement of public servants?**

Definitely, under a public-private partnership arrangement, public pharmacists may no longer be accommodated or hired by the private sector partner. In this case, the organization should consider options for the workers who will be ultimately affected.

understood the need for a PPP in pharmacy yet. The following are just some of the questions that may be raised by the organization prior or during public consultations.

## 2.3 Expected Outcome

A public-private partnership is not a simple undertaking and entails working with people and organizations with different backgrounds, interests, and perspectives. It is often said that dealing with people is, in itself, a very complex task. By successfully

going through this step, an organization hoping to pursue a PPP in pharmacy is able to develop closer ties with stakeholders and a deeper appreciation of their roles.

This step gives the organization good opportunities to interact with stakeholders. Such interaction allows the organization easy access to a wealth of knowledge, insights, technical advice, and even, if necessary, financial support. These resources are very useful in all the phases of PPP development and implementation.





### 3.1 About this step

While the earlier steps allowed the organization to discuss some of the most critical areas in PPP development, this phase is the “entry point” for the formalization or institutionalization of the PPP project.

Here, the organization develops an implementation plan for the PPP in pharmacy project. A detailed implementation plan will include a personnel component, a budget, resource mobilization, and strategies. Policy initiatives, particularly in the local level, may also be done in this phase (if these have not been done yet or need further work).

The PPP proponents should consider the project’s impact on existing personnel and develop a transition strategy. Affected personnel must be adequately consulted to lessen and manage their fears, if any. The organization should, therefore, develop a plan for the personnel who may be affected by the PPP arrangement. For example, they can be asked later on (e.g., prior to implementation) to transfer to other departments in the local government unit

or local public hospitals, offered an attractive early retirement package, or allowed the opportunity to be hired by the private partner. However, as in any form of organizational development process that involves staff movement, the necessary assessment of staff performance, aptitude, and career goals should be undertaken. A PPP can lead to efficiency and improvement in service delivery but it should not be undertaken at the expense of human resources. The discussion in Step 4 (development of a social marketing and promotion plan) addresses the human component in the development of any PPP and provides insights on dealing with different perceptions on PPP in health interventions.

Monitoring and evaluation could be an ideal role for some affected personnel, so the proponent can also consider setting up a PPP M&E committee, where these personnel will be able to find fulfillment as well as continue public service. (Further discussions on M&E are in Step 6.) The organization should have the corresponding budget to cover the benefits of those who will avail themselves of the retirement option as well as other contingencies.

## What are the tools and requirements in this phase?

This step focuses on planning, human resources, and to some extent, resource mobilization (although this should have been widely discussed in Steps 1 and 2). This phase normally requires:

- (i) personnel records, including performance evaluation reports,
- (ii) interview guidelines (in case the organization wants to conduct one-on-one interview of personnel who will be affected),
- (iii) laws and/or policies on civil servants, and
- (iv) planning tools.

## 3.2 Key Activities

This step may involve:

- (i) setting up a PPP committee or formalizing it (if this was not done in Steps 1 or 2 yet),
- (ii) planning meetings,
- (iii) assessing staff and/or personnel,
- (iv) developing capacity (if necessary), and
- (v) developing criteria for private sector partner.

It is understood that a PPP committee will have already been set up, ideally, from the first day of the assessment of a potential PPP project. The Northern Samar local government, for example, had formed a PPP core team in the initial phase and later formally established a PPP selection committee and a communications group, which they called the Provincial Advocacy and Communications Team.

A PPP committee requires a head or team leader. Members can include the provincial health officer, chief of hospital, provincial information officer, and other personnel who will be helpful in the planning stage. The PPP committee can be formalized through a local ordinance or resolution. Once the PPP in pharmacy is already in place, this PPP committee can eventually be responsible for contract administration, monitoring, and evaluation. The PPP committee can also support the work of (or assign a member to) the Bid and Awards Committee.

The PPP committee, once established, can:

- (i) prepare feasibility studies and/or business plans;
- (ii) prepare tender documents; determine performance standards and economic parameters;
- (iii) draft PPP contracts;
- (iv) publish bid invitations, schedules, and procedures\*;
- (v) define prequalifying requirements\*;
- (vi) conduct pre-selection conferences;
- (vii) conduct selection processes\*;
- (viii) evaluate legal, financial, and technical aspects of proposals; and
- (ix) prepare acceptance, recommendations, and the award of contracts\*.

Tasks with (\*) may be done in coordination with, or to support, the BAC. Alternatively, a special BAC may be created solely for PPP procurement. Eventually, it can be dissolved or some members invited to a permanent PPP committee. This permanent and institutionalized committee is crucial and must be staffed with organic personnel (those with permanent or tenured positions) to ensure efficiency, sustainability, and replication.

Planning meetings are the most important activities in this stage, as the organization's plans (with specific strategies and action points) are mostly drawn up and discussed here. The plan should cover all aspects of the development and implementation (particularly all the steps mentioned in this guidebook). The organization, when considering a PPP, should also consider activities to develop its capacity, which will also require funding. In the Philippines, local government personnel that were assisted while this guidebook was being developed took workshops on social marketing and knowledge management and worked with a team of consultants and advisors. The day-to-day work became a capacity development process in itself, since there was a constant sharing of knowledge and experiences.

The organization should also discuss criteria or standards for its prospective private partner. Key considerations are the private partner's track record,

its specialization, the number of years it has held this specialization, and its good financial standing. These criteria are discussed further in Step 5.

It is of primary importance to make a firm plan for the future of the public servants who will be affected. Earlier discussions mentioned options to offer employees other positions in the government or to ask them to resign and reapply with the private pharmacy services provider, given the right qualifications. An ideal role for the personnel who may be affected is on M&E, so the proponent can also consider setting up a PPP monitoring and evaluation committee, where these personnel will be able to find fulfillment as well as continue public service. (Further discussions on M&E are in Step 6).

The winning private sector bidder is expected to improve pharmacy services by ensuring availability of

competitively priced and quality medicines. While the private partner may have the financial capability to co-manage a PPP, it can also avail of bank loans for its working capital requirement, inventory build-up, and receivable financing, particularly for the medicines sold to indigents, which should eventually be paid by the public entity. The government can then claim reimbursements from the social health insurance provider.

### 3.3 Expected Outcome

This step should lead to a well developed and comprehensive implementation plan. At this stage, the organization will be ready to proceed to the next phase: the development of a social marketing or promotion plan for the PPP in pharmacy enterprise. (Annex 8 shows a sample outline of an implementation plan.)





## 4.1 About this step

The success of any program or business venture relies heavily on building and maintaining good relationships with stakeholders (discussed in Step 2). Step 4 entails the development of a social marketing plan. In this step, an organization convinces stakeholders to support innovative interventions, such as the establishment of a PPP in pharmacy enterprise, to help achieve public health goals. To ensure successful implementation, the organization needs to rally people behind its plans.

This step will allow the organization to position the PPP enterprise, not as the product itself, but as an effective way to achieve better healthcare for the people. The positioning of the social marketing component of the PPP in pharmacy requires a practical approach focused on the end product—the provision of better and more efficient pharmacy services to the general community. Insights in Box 7 are helpful starting points in the development of a social marketing plan.

## What are the tools and requirements in this phase?

The physical and tangible changes that will be brought by a PPP in health (i.e., highly efficient pharmacies where safe, effective, and affordable drugs are available around the clock) will be the primary promotional indicators. A simple but persistent campaign would be developed and implemented by local teams to inform the public about the improved services.

Communication and promotion tools may include a face-to-face information drive led by local executives and public endorsers such as religious leaders, local officials, business leaders, media supporters, teachers, and other professionals and influential people in the community. Communication tools include printed materials, such as leaflets, comics, and billboards; media campaign through guesting in radio and TV programs; and the use of radio and TV plugs.<sup>14</sup>

<sup>14</sup> For a sample video presentation on a PPP in pharmacy, please visit <http://www.youtube.com/watch?v=hmpku0xtK4s&feature=share>.

## Box 7 Communicating a Public–Private Partnership in Health

### What do we want to communicate?

While an organization must communicate the concept of a public-private partnership (PPP) in health to internal groups, participating government agencies, prospective private sector partners, local government implementers, and experts agree that for the general public, who will benefit from the PPP in health, it is most important to communicate about improved health services.

The long-term goal of behavior change—the changing of the mindset of the general public (desired by program managers)—is therefore seen to be at the end of a spectrum of outcomes of the social marketing component. The success of any PPP enterprise should be measured by how effectively it has changed the behaviors of its intended beneficiaries (e.g., people patronizing the PPP hospital because they prefer its services and value its impact to their lives). This is the ideal situation, where the general community patronizes the health services provided through PPPs in whatever form and modality they have (e.g., even if they result in slightly higher costs).

In the context of the Philippines, the costs of health services, perceived by the masses, particularly



indigents, as “free,” are actually being subsidized by the national government through a social health insurance system and other local and national programs. This should be communicated to the masses in understandable terms to disabuse them of the notion that health services for the poor are forms of “dole-out” programs.

In this context, proponents of PPPs in health, who tend to be the catalysts and designers of the program, should be presented as champions of better and more efficient health services rather than as reformists of the current system through a partnership with the private sector.

PPPs in health should be seen as the means for better and more efficient health services, and not as ends in themselves.

This approach tends to limit the incorrect perception of the general public that PPP is “privatization” and would lead to higher costs of services. It also deflects the notion that the government is abrogating its responsibilities to provide health services to the community and handing these responsibilities over to the private sector.

The support of local media will be critical in the information drive. Efforts should be made by the local PPP team, organized by the local government executive, to identify media personalities who can endorse the PPP in pharmacy.

An orientation kit (printed and audiovisual materials) may be developed for the orientation of participating agencies of the government and for prospective private sector partners and local government units joining the program.

**In order to develop a social marketing plan, the organization should first determine the “publics” that it will be working and interacting with.**



## 4.2 Key Activities

The social marketing plan should include an audience analysis, message development, stakeholder engagement, and capacity development (especially as these relate to social marketing). The development of a social marketing plan begins with an audience analysis: determining and analyzing the “publics” with whom the organization will be working and interacting.

The “publics” in the social marketing program have two levels. Foremost would be the internal groups in participating agencies of government and international bodies providing financial and policy support. These may include, among others, international organizations such as ADB and the United Nations Economic Commission for Europe. National government agencies and prospective private sector partners such as pharmacy owners, suppliers of drugs and medicines, and pharmacy owners’ associations also fall in this level.

The “ground” level public would include the political groups and/or individuals in the local government (e.g., mayors, officers, staff, and community leaders

and/or councils); stakeholders such as nongovernment organizations, women’s group, business sector representatives, schools, media practitioners, and the youth; the patients or clientele of the health units; and the general public.

Table 5 shows examples of desired outputs for each public and proposed social marketing activities (based on a Philippine context). Insights on message development are shared in Box 8.

## 4.3 Expected Outcome

This step leads to a social marketing plan, anchored on behavioral change aspirations. It is crucial that people do not merely appreciate the concept of PPP or partnerships but also commit to long-term behavioral change. Such a change in behavior can be demonstrated by patronizing pharmacy services through PPP schemes, in whatever forms and modalities they take and even if they sometimes lead to slightly higher costs. It will help project owners and managers if stakeholders will appreciate PPP in health as the means for better and more efficient health services rather than the goal in itself. (Further notes on social marketing are in Annex 9).

**Table 5 Desired Outputs and Key Activities in Social Marketing**

Intended Audience	Content and Messages	Key Activities	Desired Output
<b>Inception or Introductory Stage</b>			
ADB, DBP, DOH, PhilHealth, PPP Center; other institutional partners such as Commission on Audit and Civil Service Commission; prospective local government units and private sector partners	Description of public-private partnership (PPP) in health, benefits of PPP in health modalities, responsibility areas of partner agencies, terms of reference, monitoring and evaluation framework	Orientation	Clear understanding of PPP in health, acceptance of the program and its modalities, agreement on terms of reference, advocacy activities
PPP in health technical teams of local government units	Social marketing, communication planning, public speaking, knowledge management, message development	Training	Clear understanding of PPP in health, skills to do social marketing and information campaign, development of key messages
DOH PPP in health team	PPP in health modalities, social marketing, communication planning, public speaking, knowledge management, message development, monitoring and evaluation framework	Training	General knowledge of PPP in health, core competence to provide technical assistance to LGUs and the private sector partners
<b>Implementation Stage</b>			
PPP in health technical teams of local governments	Information campaign	Face-to-face communication; radio and television guesting; radio and TV plugs, billboards, leaflets, comics	General knowledge of PPP in health, core competence to conduct the information campaign, information materials appropriate to the local level
DOH PPP in health team	Monitoring of PPP in health implementation	Evaluation reports	Core competence to evaluate activities of the PPP in health LGUs and/or partners

ADB = Asian Development Bank; DBP = Development Bank of the Philippines; DOH = Department of Health; LGU = local government unit; PhilHealth = Philippine Health Insurance Corporation.

## Box 8 About Message Development

### The need for message development



So what are key messages? It can be described as:

- The takeaway, master narrative, elevator pitch; essence of what you want to communicate.
- What is needed to engage people.
- Bite-sized summations that articulate: what you do, what you stand for, how you are different and what value you bring to stakeholders.

Is developing key messages really worth the effort? Definitely. Communications cannot always be controlled; key messages can. They help you:

- Prioritize and crystallize information.
- Ensure consistency, continuity and accuracy.
- Measure and track success.
- Stay focused when speaking with media or stakeholders.

Moreover, organizations using key messages are quoted more, misquoted less, and develop better relationships with the media.

However, there are three suggested before anyone can gather the troops to brainstorm:

- Start by revisiting company goals and objectives to ensure key messages align with overall business strategy.
- Identify brand vocabulary, considering words and phrases you want associated with your brand and their SEO implications.
- Conduct a competitive analysis to avoid creating key messages in a vacuum or too close to competitors. You can review competitive websites, collateral, ads and publicity placements to chart others' key messages, value propositions, proof points and brand vocabulary.

Wondering what are the attributes of key messages? They should be:

- Concise: Optimally three key messages on one page; each statement only one to three sentences in length or under 30 seconds when spoken.
- Strategic: Define, differentiate and address benefits/value proposition.
- Relevant: Balance what you need to communicate with what your audience needs to know.
- Compelling: Meaningful information designed to stimulate action.
- Simple: Easy-to-understand language; avoid jargon and acronyms.
- Memorable: Easy to recall and repeat; avoid run-on sentences.
- Real: Active rather than passive voice; no advertising slogans.
- Tailored: Effectively communicates with different target audiences, adapting language and depth of information.

Bearing all this in mind, it is time to engage internal stakeholders and marketing/communications experts in a facilitated discussion that answers probing questions. On a flip chart, collect explanations, words and phrases to fashion into sentences and, ultimately, package into key messages.

The following are recommended five-step process:

1. Identify your messaging needs, considering if they are evergreen or need to support a specific offering, issue, situation or combination of topics.
2. Verify your target audiences.
3. Determine if one-size communication fits all.
  - o Prepare key messages that are more strategic than "three most important things" and:
    - Describe an organization, product, service, program or point of view.

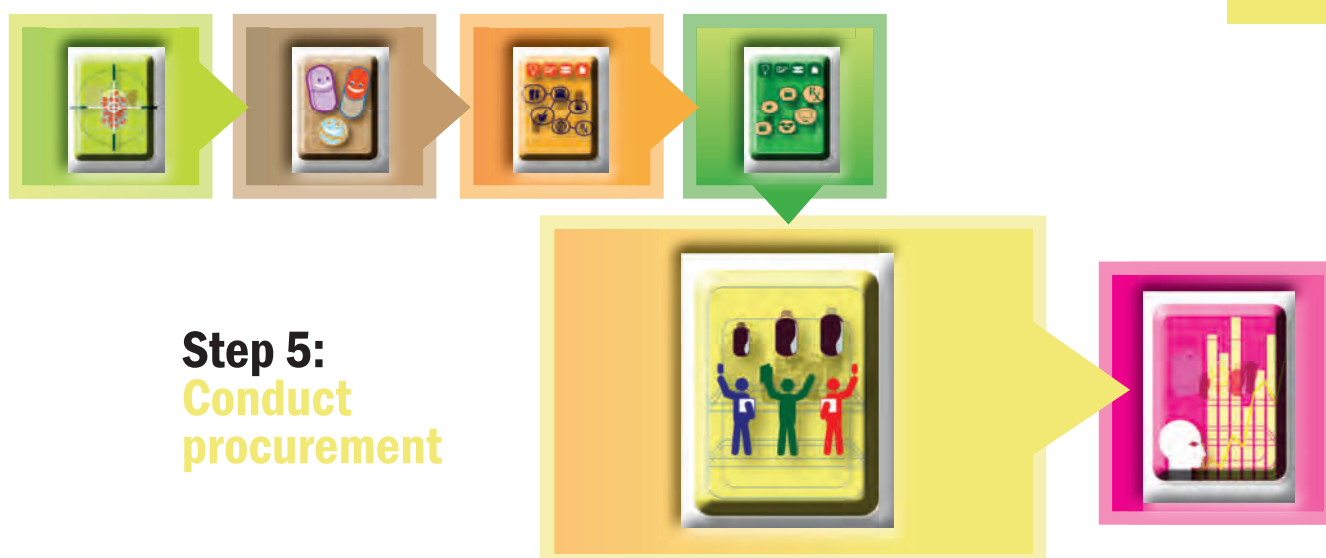
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- o Differentiate it and showcase strategic leadership.
  - Focus on benefits, highlighting your value proposition and stating the WIFM (What's In It For Me) for target audience members.
  - Prove your points with supporting information to substantiate, distinguish and add credibility. Facts, figures and statistics, quoting authorities, stories and visuals can be effective.
- 4. Think again and put key messages through a litmus test, asking:
  - Do they complement your business plans and brand strategy?
  - Can you “own” them or can they be applied to competitors?
  - When read out loud, do they sound conversational? Ring true?
  - Can you simplify the language or make statements more concise?
  - Do they motivate stakeholders to act?
- 5. Finally, test them to ensure they resonate with internal and external audiences.

Source: Debbie Wetherhead, Key Message Development: Building a Foundation for Effective Communications December 2nd 2011, accessed at <http://comprehension.prsa.org/?p=4426>.



## 5.1 About this step

This step involves procurement activities after the organization has confirmed the viability of outsourcing pharmacy services, defined the responsibilities of its private sector partner, interacted with stakeholders, and set its own tasks in relation to the proposed PPP in pharmacy enterprise. Activities start from the preparation of bidding documents up to contracting. The PPP partner's performance evaluation is discussed in Step 6.

At the end of Step 5, an organization or a local government hoping to establish a PPP in pharmacy services will be able to:

- (i) identify the mode of procurement to be utilized,
- (ii) customize a bidding document based on the features of the proposed PPP,
- (iii) undertake a bid evaluation and recommend a contract award,
- (iv) troubleshoot cases related to bidders' submissions or bidding outcomes, and
- (v) implement the awarded contract.

During the procurement stage, some organizations seek the advice of specialists in PPP, procurement,

health management, and lawyers. In the case of Northern Samar, Philippines, the organization availed of a team of experts who were part of an ADB technical assistance package to support the Philippine government and local governments in developing PPP in health projects.

### What are the tools and requirements in this phase?

The materials below were used in Northern Samar, in the Philippines, as its local government developed its first PPP in pharmacy. Readers from other countries may match these references with their own policies, guidelines, and manuals.

- (i) Handbook on Philippine Government Procurement;
- (ii) Procurement Manuals for the Local Government Units;
- (iii) Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184;
- (iv) COA's Guide in the Audit of Procurement;
- (v) National Economic and Development Authority's Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities;
- (vi) ADB's Procurement Guidelines;

- (vii) ADB's Public–Private Partnership Handbook; and
- (viii) Relevant laws and ordinances

On the operations level in the Philippines, there should exist in the local government unit a BAC, created under RA 9184, with an adequately staffed Secretariat, performing the functions enumerated in the same RA. In addition, to support the BAC and its Secretariat during procurement activities (such as a pre-procurement conference, a pre-bid conference, and a bid evaluation) representatives of users should be included on the team of resource and technical persons. In case the organization is not equipped with the skills necessary to prepare the TOR, the bidding documents, the bid evaluation report, the contract, and other materials required for procurement, technical advisors could help facilitate the process. Some of the required materials are described below.

## 5.2 Key Activities

The following key activities comprise the complete procurement procedures:

- (i) preparation of the bidding documents and contract;
- (ii) holding of the pre-procurement conference;
- (iii) publication or posting of the invitation to bid;
- (iv) issuance of bidding documents;
- (v) conduct of the pre-bid conference;
- (vi) issuance of bid bulletins, where necessary;
- (vii) submission of bids by interested bidders;
- (viii) opening of bids;
- (ix) conduct of bid evaluation and post-qualification;
- (x) preparation of the bid evaluation report;
- (xi) preparation and approval of the BAC resolution to award;
- (xii) issuance of the notice of award and the draft contract;
- (xiii) winning bidder's submission of performance security;
- (xiv) approval of the signed contract; and
- (xv) issuance of notice to proceed to the winning bidder

Details on these key activities are in Annex 10.

The organization or local government, at this stage, should already have set up a team working with the BAC to ensure that the TOR for the PPP in pharmacy enterprise covers all aspects of the operations and management of the PPP in pharmacy services. This team is expected to conduct desktop research, workshops and/or "writeshops," meetings, and consultations with the law departments and/or sections of various government agencies. In the Philippine context, these government agencies consisted of the PPP Center, DOH, PhilHealth, COA, Civil Service Commission, DOJ, and the Department of Interior and Local Government. The team is also expected to consult the equivalent of the Food and Drug Administration (FDA) regarding latest policy issuances. (Step 2 discussed the importance of knowing and engaging the stakeholders. For the Philippine context, the role and functions of the FDA are shared in Box 9.)

The organization should be able to develop the following documents in this step:

- (i) TOR for the proposed pharmacy services;
- (ii) approved procurement plan (APP);
- (iii) purchase request specific to the package for bid; and
- (iv) contract for the proposed PPP in pharmacy services

However, bear in mind that the first three listed documents are required prior to procurement; they should be developed before the procurement stage. They are included in the list for the purpose of discussion and to simplify the description of the tasks. As mentioned in the reading guide at the start of this guidebook, the steps cannot really be strictly separated from one another.

This step also requires a review of laws and regulations (local and national) governing PPP, health, pharmacy, health insurance, and auditing. In the Philippine context, the following are some of the policies and laws that must be reviewed:



## Box 9 Functions of the Food and Drug Administration

In the Philippines, the legal division of the Food and Drug Administration has the following functions:



- (i) provides legal advice in the enforcement of food and drug laws and regulation;
- (ii) conducts administrative proceedings and quasi-judicial hearings on cases related to food and drug laws and regulations;
- (iii) prepares recommendations, resolutions and other administrative issuances pertaining to regulation of processed foods, drugs, and other related products;
- (iv) conducts investigation of consumer complaints on products regulated by the Bureau; and
- (v) monitors product advertisements and promotions to check compliance with existing guidelines on medical and nutritional claims.

Source: Food and Drug Administration page of the Department of Health website (Philippines) <http://www.doh.gov.ph/bfad/orgchart.html>

- (i) Revised Regulations for the Licensing of Drug Establishments and Outlets (Administrative Order 56 s. 1989)
- (ii) Generics Act of 1988 (RA 6675)
- (iii) Cheaper Medicine Act (RA 9502), amending RA 8293 (Intellectual Property Code), RA 6675, and RA 5921
- (iv) Act Strengthening and Renaming BFAD [Bureau of Food and Drugs] to Food and Drug Administration (RA 9711)
- (v) Pharmacy Act (RA 5921)
- (vi) Revised Implementing Guidelines for the Philippine National Formulary System

(Department of Health Administrative Order 0023 s. 2012)

- (vii) Special Law on Counterfeit Drugs (RA 8203)
- (viii) Drug Education Law (RA 7624)
- (ix) BOT Law or RA 7718
- (x) Procurement Law of RA 9184
- (xi) Local Government Code or RA 7160
- (xii) PhilHealth Law or 7875 (amended by RA 9241)
- (xiii) Magna Carta of Public Health Workers (RA 7305)
- (xiv) Rural Health Unit Act (RA 1082)
- (xv) Philippine Medical Act (RA 2382)
- (xvi) Hospital Licensure Act (RA 4226)

Aside from the policies in the list above, the local government should also be familiar with its country's drug formulary. In the Philippines, the Philippine National Formulary (PNF) is an integral component of the Philippine Medicines Policy, which aims to make quality essential drugs available, accessible, efficacious, safe, and affordable.<sup>15</sup>

The Philippine National Drug Formulary (PNDF) (Volume I)<sup>16</sup> is the essential medicines list for the Philippines, prepared by the National Formulary Committee in consultation with experts and specialists from organized professional medical societies, medical academe, and the pharmaceutical industry. It lists the essential medicines registered with the FDA.<sup>17</sup>

## 5.3 Expected Outcome

At the end of this stage, the LGU should have successfully conducted the procurement process, signed a contract between the pharmacy operator and the public entity, issued the notice to proceed to the winning bidder, and prepared for the monitoring of the contractor's performance. More discussions on M&E are in Step 6. (Note that M&E results serve as references of the BAC in the preparation of a roster of good performing suppliers).

<sup>15</sup> Philippines Department of Health (DOH). <http://www.doh.gov.ph/>

<sup>16</sup> The Philippine National Drug Formulary (PNDF) 2008 edition is currently being reviewed and updated. The new PNF system, as per DOH AO 0023 s. 2012, will integrate the three (3) PNF volumes into a "PNF Manual."

<sup>17</sup> Philippines DOH. For further reading on the Philippine National Formulary, visit [http://uhmis2.doh.gov.ph/doh\\_ncpam/](http://uhmis2.doh.gov.ph/doh_ncpam/).

The organization should be able to develop the following documents in this step:

- (i) TOR for the proposed PPP in pharmacy;
- (ii) approved procurement plan (APP);
- (iii) purchase request specific to the package for bid;
- (iv) bidding documents for the organization or local government as developed by the Government Procurement Policy Board (GPPB); and a
- (vi) contract for the proposed PPP in pharmacy services.

Some of the outputs are described below.

### Terms of Reference

A TOR enables the procurement team to initiate its activities. Without a TOR, the BAC Secretariat would be unable to prepare the invitation for bids and the appropriate bidding document. The TOR describes the specifications of the end-user, as in the case of the procurement of goods or the procurement of (civil) works. The TOR helps the prospective bidders decide whether they will bid or not, and if so, up to what price ceilings. The TOR should be prepared thoroughly, to make it easy for the bidder to fully understand what the purchaser needs. In addition to the standard background and rationale, the TOR should indicate the following:

- (i) detailed specifications of the required services;
  - (ii) qualifications and experience of those expected to perform the services;
  - (iii) financial capacity of the firm or individuals expected to perform the services;
  - (iv) target schedule for completion of the required services;
  - (v) expected outputs, documents, or reports, if any; and
- payment terms, where applicable.

(A sample procurement document with template of terms of reference for a PPP in pharmacy project is in Annex 11).

### Approved Procurement Plan

In the Philippines, the APP is a document the BAC would require before acting on any bidding package. No procurement could be undertaken unless it is provided for in the APP. The BAC Secretariat prepares the APP based on the procurement management plans of units or offices within the local government. The APP is treated as a procurement planning document linked to the agency's budget plan and is updated once the local government's budget appropriation ordinance becomes final. Ideally, the APP should contain the same information as the procurement management plans of the units or offices of the local government. This includes:

- (i) information on whether the activity will be contracted out or implemented by administration;
- (ii) the magnitude of the contract;
- (iii) the procurement method to be adopted;
- (iv) the schedule for procurement activities; and
- (v) the estimated budget for the bid package.

### Box 10 The Approved Procurement Plan

#### Updating the Approved Procurement Plan



In the case of Northern Samar, in the Philippines, the original approved procurement plan (APP) specified the procurement of required pharmaceutical and non-pharmaceutical products for the provincial and district hospitals. This may be used to support the procurement task to be initiated by the local government's procurement office, but it is best to update the APP to reflect the local government's decision to forego bidding for pharmaceutical and non-pharmaceutical products for the provincial hospital, and instead invite bids for the lease, operation, and management of the provincial hospital's pharmacy.

### Box 11 The Purchase Request

#### Purchase Request for Operations and Management



The purchase request could be written to specify an entity's (e.g., province's) need for the lease, operation, and management of its provincial hospital's pharmacy, instead of writing the usual description for purchasing a specified list of products. In such a case, the province need not be tied to using the phrase "procurement" or "purchase" when preparing a purchase request for the lease, operation, and management services.

#### Purchase Request

This is a standard government procurement document to support undertaking the procurement activities from the preparation of bidding documents, inviting bids for the required services, and the eventual bid evaluation and contract award. As in the case of the APP, the BAC would not

normally act on the proposed bid package without an approved purchase request.

#### The Bidding Documents

The GPPB has developed a set of Philippine bidding documents (PBD) for the following requirements of local governments using the competitive bidding process:

- (i) procurement of consulting services;
- (ii) procurement of goods; and
- (iii) procurement of infrastructure services

The latest edition of these documents is the 4th edition, prepared in December 2010 for mandatory use of all government agencies in the Philippines in accordance with RA 9184. Having no PBD for lease, operation, and management services, local governments therefore have the flexibility to develop a bidding document for the purpose, using as reference existing PBDs of the GPPB. The closest reference is the PBD for procurement of consulting services, carefully taking note of the conditions described in the TOR. Where applicable, the provisions in the PBD could be lifted, and customization could be done where needed. (Further details on the bidding documents are found in Annex 12).

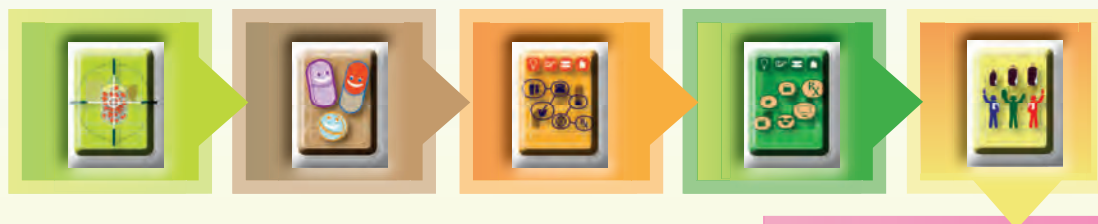
## Box 12 The Bidding Documents

### Customizing the Bidding Documents

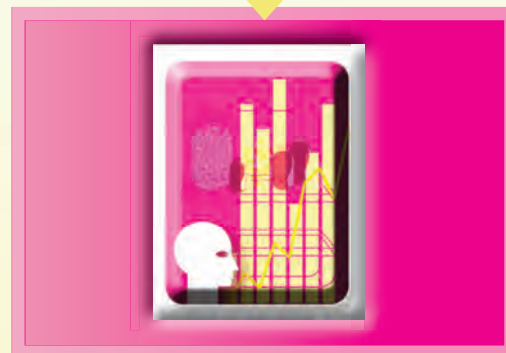


In the case of Northern Samar, in the Philippines, the following provisions in the terms of reference (TOR) signaled how the bidding document for the lease, operation, and management of the provincial hospital's pharmacy could be customized:

- (i) The local government requires a qualified group of individuals or a firm to provide a specified list of pharmaceutical and non-pharmaceutical products;
- (ii) The qualified group of individuals or firm is required to undertake the operation and management of the provincial hospital's pharmacy 24 hours a day, 7 days a week;
- (iii) The qualified group of individuals or firm is not required to submit a technical proposal as to how it intends to operate and manage the provincial hospital's pharmacy;
- (iv) The qualified group of individuals or firm is responsible for the selection and hiring of the necessary personnel to operate the hospital pharmacy;
- (v) The local government shall not compensate the operator's services for the management and operation of the hospital pharmacy;
- (vi) The local government exacts from the pharmacy operator a monthly rental fee for the use of the hospital pharmacy;
- (vii) The bidder must submit a price proposal for the local government's share in the revenue derived from the pharmacy's net sales; and
- (viii) The bid is evaluated based on the bidder's track record, financial capability, and revenue share to be proposed to the local government.



## Step 6: Implementation of the public–private partnership in pharmacy (focusing on monitoring and evaluation)



### 6.1 About this step

The partnership between the public entity and the private sector becomes operational after the procurement and contract-awarding phase. The PPP in pharmacy contract should provide measurable targets and procedures for measuring and reporting. (A sample PPP in pharmacy contract is shared in Annex 13).<sup>18</sup>

A successfully negotiated contract requires comprehensive contract administration. The organization must develop an effective M&E framework and parameters, and set up a contract administration team comprising personnel who will conduct M&E activities. Some organizations establish a contract-monitoring unit, while others assign specific personnel to do the job of M&E.

The contract provides one of the bases for M&E. An ADB publication, *Public–Private Partnership Handbook*, mentions three general forms for monitoring PPP initiatives. These include the use of a contract-monitoring unit, usually a unit formed within a government unit if a separate regulator is not present. The unit has to develop a procedures manual for verifying performance against the contract and for responding to any contract deviations. A method for ascertaining the basis for payments, making payment, and reporting on and accounting for payments made is also necessary. If a government regulator is available, he or she should perform the same functions against existing sector regulations. A third option is to contract independent auditors.

Since PPPs are relatively new in many countries, none of the above options have been fully exploited. This

<sup>18</sup> With selected provisions only due to space limitations.

guidebook can help a local government monitor and evaluate PPP arrangements, although users are encouraged to refer to other documents.

There have actually been examples of individual hospitals contracting out their pharmacy services and diagnostic services such as x-rays and other special services. However, whether the arrangement with the private sector fulfilled their stated objectives have not been thoroughly documented nor their benefits assessed. In the Philippine context, initial COA findings in some of the projects have shown that some provisions of the contract were considered disadvantageous to the government, based on financial benefits.

However, the difficulty in evaluating PPP can be rooted in the lack of a clear M&E system that considers both financial and socioeconomic benefits. The COA cannot be blamed for concluding that PPPs are “disadvantageous” in the absence of clear auditing policies and guidelines specific to PPPs.

However, for the purpose of ensuring the success of any PPP, the organization or local government should still develop its own M&E system, as it works with the institutions such as the health ministry or department and the government auditing agency.

What are the tools and requirements in this phase?

An important requirement is the availability of baseline data with which future results may be compared. An organization will have a difficult time determining if its PPP in pharmacy is successful or being implemented well if the results of the M&E cannot be sufficiently compared (based on clear data) with the situation prior to implementation.

The contract administration and M&E team should examine the TOR and contract for pharmacy services and develop a monitoring tool. This tool should take into consideration the logical framework of the project, which performs the following roles:

- (i) summarizing the project in the form of 4x4 matrix;
- (ii) outlining the project plan toward objectives and within a specific timeframe; and
- (iii) acting as a management tool to plan, implement, and monitor and evaluate the project.

Table 6 illustrates such a log frame.



**Table 6 Sample LogFrame Matrix for a Public-Private Partnership in Pharmacy**

1st column	2nd column	3rd column	4th column
<b>Project Summary</b>	<b>Indicators</b> Measurement of the performance of the project objectives and outputs  <b>Effect Indicator:</b> A quantitative measure for effects generated by the project.	<b>Means of Verification</b> Sources of data for verifying indicators	<b>Assumptions</b> Conditions important for project success, but not controllable by the project.
<b>Overall Goal</b> Longer-term development goal  Necessity of the project (Impact of the project)			
<b>Project Purpose</b> Direct effects of the project (positive changes for the target group and/or area)			
<b>Outputs</b> Goods and services created by the project			
<b>Activities -Actions</b> required for achieving "Outputs"	<b>Inputs</b> Physical, financial and human resources to carry out project activities		
			<b>Pre-Conditions</b> Conditions to start the project

Source: ADB. 2007. Guidelines for Preparing a Design and Monitoring Framework. Manila.

The relationship between the columns is illustrated in Table 7.

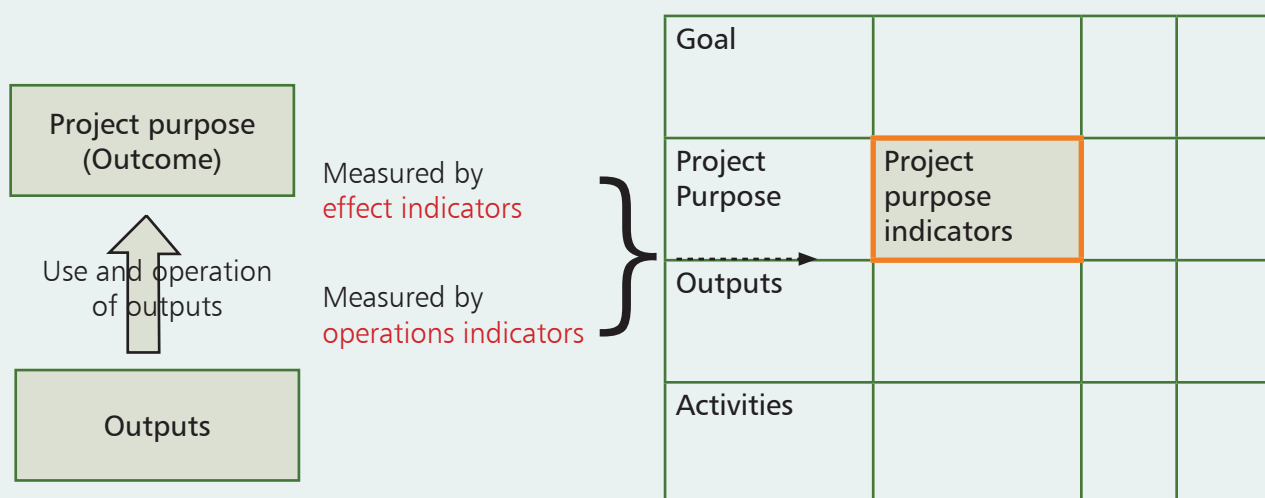
**Table 7 Sample LogFrame for a Public-Private Partnership in Pharmacy (showing relationships)**

Project Summary	Indicators	Means of Verification	Assumptions
Overall Goal THEN			
Project Purpose IF THEN			AND IF
Outputs IF THEN			AND IF
Activities THEN	Inputs		AND IF IF Pre-Conditions

Source: ADB. 2007. Guidelines for Preparing a Design and Monitoring Framework. Manila.

Performance indicators for project purpose or outcome include both operation and effect indicators. An operation indicator is a quantitative measure for the operational status of the project outputs, while an effect indicator is a quantitative measure for effects generated by the project. Figure 3 illustrates this:

**Figure 3 Logic of Operation or Effect Indicators**



Source: ADB. 2007. Guidelines for Preparing a Design and Monitoring Framework. Manila.

When the logical framework is applied to the PPP in pharmacy services, the following should be considered:

- (i) overall goal: improved maternal mortality rate;
- (ii) project purpose: improved access to drugs, medicines, and medical supplies in the hospital pharmacy;
- (iii) project output: pharmacy services in the hospital delivered by a private entity; and
- (iv) activities:
  - make available a hospital formulary;
  - contract licensed private pharmacy services;

- make drugs, medicines, supplies available 24 hours a day, 7 days a week; and
- monitor pharmacy operations, including prescribing patterns, sales, expiration dates of stocks

The results can be summarized in a matrix (see Table 8).

The data can be collected through a printed report, or the province or LGU may convert it to an electronic form. A sample M&E form is in Annex 14.

**Table 8 A LogFrame for a Public-Private Partnership in Pharmacy (with sample indicators)**

Project Summary PPP – Hospital Pharmacy Services Outsourced			
	Indicators	Means of Verification	Assumptions
<b>Overall Goal</b> Improved maternal mortality rates	Maternal mortality rate	Provincial or local health office records	Births in the hospital contribute to a major portion of births.
<b>Project Purpose</b> Improve availability of drugs, medicines, and medical supplies 24/7	Number of prescriptions and/or requests filled outside the hospital as percentage of total prescriptions and/or requests	Census from patients' charts	Doctors will prescribe and/or request drugs, medicines, supplies in the hospital formulary.
<b>Outputs Functioning</b> Outsourced pharmacy services	(i) contract signed (ii) adequate personnel (iii) adequate stocks <ul style="list-style-type: none"> <li>• pharmacy operations</li> <li>• prescribing patterns</li> <li>• sales</li> <li>• expiration dates of stocks</li> </ul>	(i) document copy (ii) reports (iii) visual inspection (iv) prescriptions (hard or e-copy) (v) billing documents	Doctors will prescribe and/or request drugs, medicines, supplies in the hospital formulary.

*continued on next page*

Table 8 *continued*

Project Summary PPP – Hospital Pharmacy Services Outsourced			
Activities	Indicators	Means of Verification	Assumptions
(i) draft hospital formulary (ii) begin contract-ing process for licensed private pharmacy services (iii) form local government PPP committee	<b>Inputs</b> (i) appointed hospital liaison with local social health insurance offices (ii) functioning therapeutic committee (iii) provincial governor with funds to reimburse pharmacy expenses (iv) adequate area for pharmacy		(i) no adverse economic events (ii) DOH and/or MOH, social health insurance provider, COA approval of set-up
			<b>Pre-Conditions</b> Local ordinance (e.g., Sanggunian Panlalawigan resolution)

24/7 = 24 hours a day, 7 days a week; COA = Commission on Audit; DOH = Department of Health; MOH = Ministry of Health; PPP = public–private partnership.

The reports can be analyzed by the team, with particular focus on the following aspects of a pharmaceutical PPP:

- (i) Is the pharmacy complying with all requirements of the contract (laws, licensing requirements, and provision of services)?; and
- (ii) Is the hospital or local government living up to its commitments in the contract?

From the prescribing patterns, the hospital management person and pharmacist of the M&E team can determine if the doctors are prescribing medicines not available in the pharmacy, or if the pharmacy is not able to provide the medicines the doctors prescribe. It will be useful for the hospital to require duplicate prescriptions, the original to be kept by the pharmacy to monitor the prescribing patterns of the medical doctors. In case the prescribed drug is not available, the pharmacy keeps the duplicate for monitoring. The team can make a tally of what the medical doctors prescribe and coordinate with the therapeutic committee if the medical doctors prescribe non-formulary drugs frequently.

## 6.2 Key Activities

The key activities in Step 6 are:

- (i) to establish a contract administration or M&E unit;
- (ii) to develop and conduct M&E system;
- (iii) to implement the contract; and
- (iv) to evaluate the performance of the contractor.

The implementing organization (e.g., local government) should form a contract administration and monitoring and evaluation team that includes a mix of hospital management, finance, and provincial pharmacy personnel. The M&E team should conduct meetings, develop an M&E reporting system, and strictly monitor contract implementation.

The finance personnel in the M&E team can focus attention on financial matters, such as stock inventories, sales, pricing, and payment concerns, among others. The team can evaluate whether both the pharmacy service provider and provincial government

are performing regarding the provisions in the contract.

### C. Expected Outcome

The M&E framework and parameters will provide information on how the PPP in pharmacy initiative is performing, based on performance indicators agreed upon by the parties involved.

Contract implementation is a joint responsibility of the contracting parties. Both the public entity (e.g., local government) and the winning bidder are expected to perform their contractual obligations without delay to achieve the objectives of the project called for bids.

If monitoring and evaluation is performed regularly and seriously, any shortcomings of the PPP can be caught early. Remember that the purpose of the PPP is the access to and availability of appropriate medicines for the people, especially the poor, in government or PPP hospitals. The overall performance rating of

the PPP in pharmacy provider should eventually help the BAC in the development of its roster of good and eligible contractors and providers of pharmacy services.

The M&E instrument should be designed to ascertain whether the pharmacy operator's contractual obligations have been met, taking note of contract provisions as the monitoring criteria. The M&E team should give feedback to the BAC Secretariat so the latter can keep records, not only of good performing pharmacy operators, but also of those that need improvement in performance. This information will be useful for future procurement of similar services for the whole area (e.g., province), particularly if the organization decides to limit the coverage of the pharmacy services to one unit or hospital only.

More importantly, an effective M&E system will help the government ensure that it is providing safe, effective, and affordable medicines—a vital component of universal health care.





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## **Annex 1**

# **Department of Health Administrative Order No. 4 s. 2012 (for Public–Private Partnership in Health)**





Republic of the Philippines  
Department of Health  
**OFFICE OF THE SECRETARY**

MAR 01 2012

**ADMINISTRATIVE ORDER**  
No.2012- 0004

**SUBJECT: Policy Framework for Public-Private Partnerships in Health**

**I. BACKGROUND AND RATIONALE**

In pursuit of the objectives of Universal Health Care or “Kalusugang Pangkalahatan (KP)”, as defined in Administrative Order No. 2010-0036 (The Aquino Health Agenda: Achieving Universal Health Care for All Filipinos), the Department has committed to engage in more Public-Private Partnerships (PPPs) specifically to enable physical improvements in government health facilities. PPPs have also been looked upon by no less than the President of the Republic as a key national development instrument, the furtherance of which is therefore a priority of all government agencies, including the Department of Health.

The private sector is deemed to have intrinsically better capabilities in some areas, such as more timely financing, operational efficiency, highly-responsive services, and even dominant market presence. If optimally harnessed, more cooperative undertakings with the private sector may help significantly address some of the constraints and inefficiencies inherent in public-only provision of health services.

The Philippine government has long recognized the advantage of adopting PPPs in public sector undertakings, especially for large-scale priority infrastructure developments. The mechanisms for the latter had been laid out in the Republic Act 7718, otherwise known as the Amended BOT Law. While the latter account for several possible variants of PPPs, the included listing is still not exhaustive. Separate guidelines for Joint Ventures, another PPP modality, have been drawn up by the National Economic and Development Authority (NEDA).

The local PPP experiences in the health sector have thus far been varied. While many such endeavors have been documented, most of these have been found to be non-contractual in nature (with consequent minimal accountabilities and performance references), and many have been unsustainable. It also remains to be determined if existing and upcoming PPPs in health substantially address the fundamental UHC goal of enhanced access to health care for the country’s poor. All these assume greater significance in the light of the reported United Nation’s consideration of the Philippines as the Center of Excellence for PPPs in Health.

It is apparent from the foregoing that while the national policy on PPPs has been set, much remains to be clearly delineated and effectively adapted for health services. This Administrative Order has therefore been crafted in order to better define the applicability and prioritization of the relevant policies, streamline their implementation, and enable the continuing evaluation of PPPs in the health sector.



## II. SCOPE AND COVERAGE

This issuance shall apply to the entire health sector, from both the public and private sectors, the DOH bureaus, national centers, hospitals, and attached agencies especially Philippine Health Insurance Corporation (PhilHealth), which are involved in the support for and provision of health services.

## III. GOAL AND OBJECTIVES

### A. Goal

The establishment of Public Private Partnerships is to be encouraged and sustained in the areas of health care where these most contribute to the achievement of "*Kalusugan Pangkalahatan*", and thereby ensure equitable access and better outcomes for disadvantaged Filipinos.

### B. Objectives

The DOH aims to:

1. prioritize PPPs that meet national and local government objectives of addressing adequately the health service needs of the poor ;
2. promote and provide a focused approach that harmonizes the existing PPP-applicable legal and administrative mandates as well as internal strategies and procedures;
3. foster a culture that engenders transparency, fairness, and robust competition;
4. develop and integrate in the overall PPP efforts, incentives, which are aligned with both departmental goals and expected health outcomes; and
5. continually assess the collective experiences on PPPs in the health sector so as to be able to adapt public policies and approaches to new developments and needs to sustain accessibility to quality healthcare.

## IV. DEFINITION OF TERMS

1. **Health sector** – refers to health systems, including all institutions, organizations, enterprises and entities, involved in actions that protect, promote or advance the health status of individuals or populations; conceptually includes all aspects of society that influence health status but operationally focuses on those entities specifically organized to provide or govern the provision of health services and goods.
2. **Public sector** – refers to health providers (individual practitioners, health centres, hospitals, organizational units, agencies) within the rules and regulations of the government and all providers under the administration and control of the DOH, other national agencies (DepED, DOLE, DND, etc) or local governments (provincial, city or municipal governments).
3. **Private sector** – refers to health providers and facilities (individual practitioners, clinics, hospitals, facilities, drug outlets) licensed and regulated under existing laws but otherwise operating outside the ownership or management of the government;



includes the drug and pharmaceutical industry, non-government organizations, as well as proprietary enterprises providing health services as part of their activities.

4. **Public-Private Partnership (PPP)** – a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meet clearly defined public needs through the appropriate allocation of resources, risks and rewards.
5. **“Kalusugan Pangkalahatan” (KP)** – a focused approach to health reform implementation, ensuring that all Filipinos especially the poor receive the benefits of health reform; intended to ensure that the poor are given financial risk protection through enrolment in PhilHealth and that they are able to access affordable and quality health care and services in times of need.

## V. GENERAL GUIDELINES

Cognizant of the still under-tapped potential offered by PPPs in expanding the provision, particularly in capital-intensive areas, of health services, the DOH will adhere to the following guiding principles to both facilitate and regulate these engagements:

- A. **Consistency of Priorities:** PPPs in the health sector which are in line with key national, DOH, and even LGU developmental priorities will be favoured, in terms of the administrative, technical and operational support that may be provided by the DOH.
- B. **Synergized Strategies:** All the relevant KP-related strategies, the implementation of which will cultivate an environment which is supportive of PPPs, are to be given more emphasis by the DOH.
- C. **Comparative Advantage:** The DOH will actively promote the adoption of PPPs in health in areas where these are deemed to be the most meritorious option for the implementation of specific health programs or services.
- D. **Sector Coordination:** The DOH will coordinate with the other concerned national government offices and agencies, LGUs and private institutions and organizations so as to expedite the processing and functioning of priority PPPs in health.
- E. **Fair Competition:** To ensure a level playing field, as well as to be aligned with the nationally-defined strategy, contractual PPPs, entered into following a competitive bidding process, will be preferentially encouraged.
- F. **Transparent Processes:** An informational and procedural clearing system will be established, which will be made accessible to all health-related PPP stakeholders.
- G. **Conditional Incentives:** Technical, material, or financial incentives are to be developed and provided which are in concordance with both KP objectives and strategies as well as actual PPP performance vis-a-vis intended population health outcomes.



- H. **Continuing Appraisal:** The DOH shall establish a repository of Health PPP performance and experiences, and utilize the data so collated to effectively fine-tune the relevant policies and procedures.

## VI. SPECIFIC GUIDELINES

- A. The determination of health programs or services which are to be given precedence, in terms of DOH-provided support, for PPP establishment shall be based on:
- 1) KP goals and strategies
  - 2) Other DOH-set priority areas
- B. The Department shall comply with the following legal and administrative instruments and frameworks in the promotion, implementation, and evaluation of PPPs:
- 1) RA 6957, as amended by RA 7718 (BOT Law) and its Implementing Rules and Regulations
  - 2) RA 9184 (Government Procurement Reform Act)
  - 3) Batas Pambansa Blg. 68 (Corporation Code of the Philippines)
  - 4) RA 7160 (Local Government Code)
  - 5) EO 292 (Administrative Code of the Philippines)
  - 6) EO 226 (Omnibus Investment Code of 1987)
  - 7) NEDA Joint Venture Guidelines and Procedures
  - 8) NEDA Investment Coordination Committee (ICC) Guidelines
  - 9) Commission on Audit (COA) Guidelines
  - 10) Other related legal and administrative issuances
- C. Even as the DOH assumes the lead in the establishment of strategic PPPs in the health sector, it shall coordinate with, as well as provide any necessary assistance, to the following entities:
- 1) Public-Private Partnership Center of the Philippines, NEDA for medium to large-scale health PPPs
  - 2) LGUs and Local Development Boards for LGU-initiated PPP endeavors
  - 3) Development partners, financial institutions, NGOs and other parties interested in PPPs
- D. The DOH shall endeavor to ensure that the financial environment for health-related activities is conducive to private sector participation by:
- 1) Progressively increasing, in coordination with PhilHealth, membership in the social health insurance system, with particular emphasis on attaining universal coverage of the poor
  - 2) Putting in place more adequate and timely reimbursement mechanisms, also in coordination with PhilHealth
  - 3) Streamlining the PhilHealth accreditation of qualified health service facilities and providers
  - 4) Promoting efficiency and responsiveness among public providers of health services by encouraging their assumption of greater administrative and fiscal autonomy
- E. Suitability, transparency and fair competition in the establishment of PPPs in health are to be advanced by the adoption of the following:
- 1) Determination of the applicable clinical, administrative, and economic norms for PPP undertakings
  - 2) Publication of user-friendly procedural guides

- 3) Declared partiality for solicited bids in the setting up of PPPs
  - 4) Development and dissemination of performance standards
  - 5) Endorsing the inclusion of public disclosure clauses in PPP contracts
- F. Assessment as well as incentives schemes are to be developed and are to be premised on:
- 1) The commitment by the Department to provide substantial technical, material, and financial support (through conditional grants or soft loans) as additional incentive mechanisms
  - 2) The actual incentive mix is to be pre-determined for targeted types of or desired outcomes for PPPs
  - 3) A system for periodic monitoring and evaluation is to be set-up purposely for both exclusive as well as comparative appraisal of PPPs in health
  - 4) Regular publication of the performance assessments of initiated PPPs

## VII. ROLES AND RESPONSIBILITIES

### A. DOH, through the following offices, shall:

- 1) Office of the Secretary
  - a. Provide policy directions for and ensure the Department's sustained commitment to PPPs for the health sector
  - b. Commit resources to support the PPP undertakings of the Department
  - c. Develop and implement the corresponding organizational framework, inclusive of lines of accountability, in support of the PPPs for health effort
- 2) PPP Task Force
  - a. Serve as the point group for PPPs in the DOH
  - b. Assume all the responsibilities for PPPs as listed in Department Personnel Order No. 2010-5150
  - c. Support the establishment of the DOH Center for Excellence on Public-Private Partnerships in Health (DOH-CEP3H), which will eventually take over the Task Force's responsibilities as well as become the primary office concerned with the PPP-related initiatives and activities of the DOH
  - d. Provide the primary link to the external network of government agencies and private entities which are involved or interested in PPP undertakings in health
  - e. Recommend to the Secretary appropriate PPP measures for the furtherance of the UHC/KP goals and strategies
- 3) DOH Bureaus, Agencies, Hospitals, and other subsumed offices, particularly Center for Health Development (CHD)
  - a. Identify and develop priority areas in their corresponding fields of operations where PPP arrangements will be appropriate
  - b. Collaborate with the pertinent DOH offices, government agencies as well as private entities in the planning, implementation, and monitoring of PPPs in health



- B. Philippine Health Insurance Corporation (PhilHealth) shall:**
  - a. Ensure effective coverage of social health insurance through expanded enrollment of the sponsored and informal sector, widely accessible accredited facilities and better support value
  - b. Develop the contracting modality, case-based payments and other measures for timely and efficient payments of providers.
- C. Local Government Units (LGUs) are encouraged to:**
  - a. Consider the option of PPP whenever appropriate for the implementation of their Province-wide Investment Plan for Health (PIPHs)
  - b. Transfer more governance and fiscal responsibilities and capacities to their health facilities to enable these specifically to retain and appropriately utilize generated revenues
  - c. Adopt the appropriate incentive systems for developing and sustaining local PPPs in health
  - d. Coordinate with DOH agencies in the development, implementation, and monitoring of local PPPs in health
  - e. Utilize the guidelines and other instruments provided by DOH for the local development of PPPs in health
- D. Other Government Agencies, Development Partners, and Private Sector Organizations are advised to:**
  - a. Align their objectives and PPP-related activities so as to be consistent with KP goals and strategies
  - b. Coordinate with the DOH and concerned government agencies in the development, implementation, and monitoring of PPPs in health.

#### **VIII. REPEALING CLAUSE**

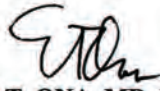
The provisions of previous Orders and other related issuances inconsistent with or contrary to the provisions of this Administrative Order are hereby revised, modified, repealed or rescinded accordingly. All provisions of existing issuances which are not affected by this Order shall remain valid and in effect.

#### **IX. IMPLEMENTATION**

The Implementing Rules or equivalent guidelines in line with this Order shall be developed within three months.

#### **X. EFFECTIVITY**

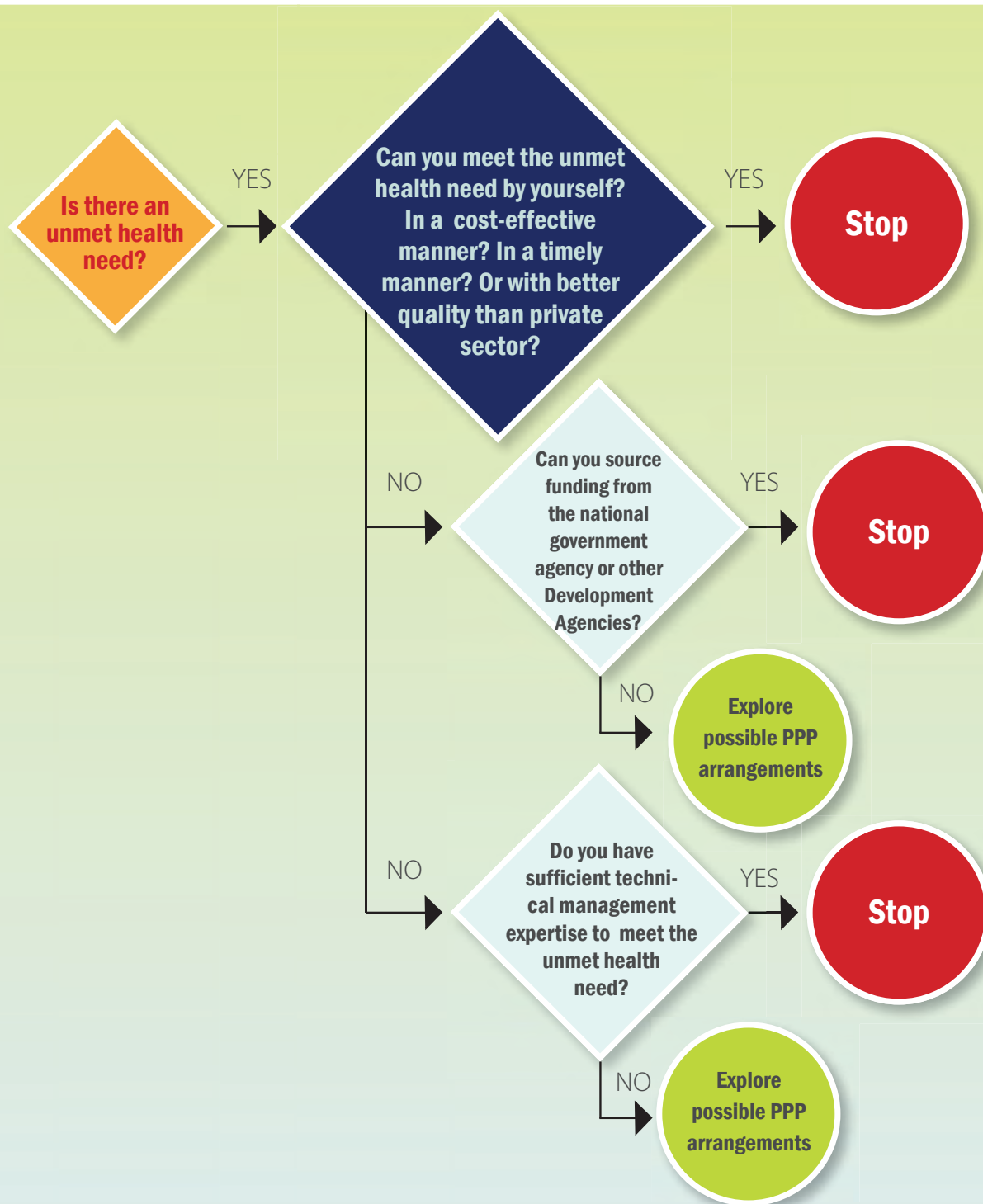
This Order shall take effect immediately.

  
**ENRIQUE T. ONA, MD, FPCS, FACS**  
 Secretary of Health

## Annex 2

### A Simplified Tool in Determining Need for a Public–Private Partnership

**Figure A2.1** A Simplified Tool for Determining Need for a Public–Private Partnership



## Understanding Public–Private Partnerships and Selected Modalities

A good operational definition of public–private partnership (PPP) is “a project that proportionally apportions the risks and rewards to the government and private entity partners.” As practiced, a PPP can be considered

- (i) a tool for government governance or management;
- (ii) a novel approach to delivering government goods and services;
- (iii) a tool for development; and
- (iv) a less controversial phrase for privatization or contracting out.

PPP recognize that governments and private entities have certain advantages relative to one another in performing specific tasks. For example, government is very effective in mobilizing resources for the poor, while a private enterprise is very successful in fostering innovation and efficiency. In bringing government and private enterprise together in a PPP, it is hoped that the advantages of each can be synergistically harnessed to provide services and products that neither one can do very well alone.

The flowchart here provides a simple way to help an organization or local government determine if it should pursue a PPP project. Because of the uniqueness and potentially politically risky consequences, it is advised that PPP be entertained only as a solution for current unmet health needs or foregone care.

PPP is not recommended if the organization is able to meet this unmet need with its own resources, or if it could access national government resources.

Further, PPP is recommended only if the private sector is able to deliver goods and services that are more cost-efficient or timely, or that have better results, than if the organization were to undertake the delivery of the same goods and services.

PPP is useful if the organization will benefit from improved technical and managerial capabilities in

meeting unmet health needs, such as managing the professional and supplier accreditation process; enforcing clinical practice guidelines; credentialing personnel, handling mortalities and morbidity conferences; monitoring disease trends; controlling healthcare-associated infections; managing assets and finances, and others.

### Using this Tool

After going through the flowchart, the organization should consider the suitable PPP modality. Table A2.1 summarizes the common modalities and their features.

#### Service Contracts

Under a service contract, the government organization (e.g., local government) hires a private company to deliver specific tasks or services for a specified time period. The private partner must perform the service(s) at the agreed price and must meet performance or deliverable standards set by the government partner. Generally, competitive bidding procedures are the best way to award service contracts, as competitive bidding mimics the open market in a time limited and controlled manner.

Under a service contract, the compensation for the private partner is fixed; therefore, the private partner can increase its profit only if it can reduce its operating costs. Often, this incentivizes the private partner to save costs instead of introducing efficiency innovations, as service contracts are usually of short duration, typically 1 year. To prevent providers from cutting corners, the organization needs to invest in a comprehensive monitoring and evaluation (M&E) system. With proper M&E, this profit incentive based behavior of the private partner can be controlled and eventually channeled into greater efficiencies and innovations through a longer term contract or preference for continuance of existing contracts.

Service contracts are usually most suitable where the service can be clearly defined in the contract, the level of demand is reasonably certain, and performance can be monitored easily. Service contracts provide a relatively low-risk option for expanding the role of the



**Table A2.1 Public-Private Partnership Modalities**

Public-Private Partnership Type	Capital Investment	Recommended Years of Partnership	Operations and Management	Outcomes Monitoring and Evaluation	Risk Assumed by LGU	Competitive Pressure	Problems and Challenges
Service contract	Government organization and/or local government	Annual	Government organization and/or local government	Government organization and/or local government	Low	High	Local government unit (LGU) must be able to administer multiple contracts simultaneously. LGU must have strong contract policing powers and political will.
Management contract	Government organization and/or local government	3 years to 5 years	Private	Government organization and/or local government	Low to moderate	High during bidding	Private sector partners usually encounter problems with LGU budgetary process, staff hiring and firing.
Lease contract	Government organization and/or local government	3 years to 5 years	Private	Government organization and/or local government	Moderate	High during bidding	Issues of low maintenance of infrastructures and equipments
Concessions	Private	10 years to 25 years	Private	Government organization and/or local government	High	Moderate during bidding	LGU must be powerful enough in ensuring reasonable fees and quality outcomes
Build- operate transfer	Private	10 to 25 years	Private	Government organization and/or local government	High	Low	Issues of inefficiencies and low innovations

Source: This table and the accompanying text were compiled for Asian Development Bank technical assistance: *PPP Public-Private Partnership in Health (ADB TA 7257 PHI)* and sourced from the following publications: A. Quium, *A Guidebook on PPP in Infrastructure*, UNESCAP, 2011; *The Non financial benefits of PPP, An Overview of Concepts, and Methodology*. European PPP Expertise Centre. 2011; *BASICS II Project-USAID-UNICEF*. 2001. *PPP to Achieve Health Goals*; M. McKee. 2006. *PPPs for Hospitals*. WHO; Lim. 2004. *Transforming Singapore Health Care through PPP*; UNECE. 2008. *Guidebook on Promoting Good Governance in PPP*; and Palmer. 2000. *Contract issues and financing in PPP-PFI*. CEPA.

private partner. Service contracts can lead to a quick and clear impact on system operation and efficiency. Service contracts are often short-term, allowing for repeated competition in the sector.

### Management Contracts

A management contract expands the service contract to include some or all of the management and operations of the government service (i.e., hospital management). Although the ultimate responsibility for service provision remains with the government partner, daily management control and authority are assigned to the private partner. In many cases, the private partner provides working capital only and does not finance the whole investment. Most management contracts are for 3 years to 5 years.

Typically, the private partner is paid a predetermined amount for personnel and other anticipated operating costs. To provide an incentive for performance improvement, the contractor is awarded an additional amount for achieving certain targets or a bigger share of the profits. The private partner interacts with the patients while the government partner is responsible for setting hospital vision and missions, and service fee schedules.

The key advantage of a management contract is that many operational gains that result from private sector management can be achieved without transferring government assets to the private partner. These contracts are relatively easy to develop and can be less controversial than outright privatization.

However, if the private partner does not have control over personnel hiring and firing, and of subcontract negotiations, there is a risk that the private contractor will not be able to achieve deep and lasting change. However, if given too much control, there is also the risk that the private partner may take actions that are contrary to government social sensibilities such as equality, gender equality, pro-poor bias, etc. If the private partner is paid a portion of profits or given an incentive payment, safeguards are required to prevent overstatement of achievements. Government must also make sure that the private partner does not under-invest in asset maintenance, as the assets

are provided by government, and not purchased by the private partner.

### Lease Contracts

Under a lease contract, the private partner is responsible not only for the government service in its entirety but also undertakes obligations relating to quality and service standards. The private partner provides the service at its expense and risk. The duration of the leasing contract is typically for 3 to 5 years and may be renewed for up to 20 years. Responsibility for service provision is transferred from the government partner to the private partner, while the financial risk for operation and maintenance may be shared between the public and private partners.

Under lease contracts, the private partner's profits are dependent on the sales volume and cost performance. Therefore, there is strong incentive for the private partner to achieve higher levels of efficiency and sales, unlike in the service contracts, which are usually very limited in time duration. The principal risk of lease contracts is the possibility of the private partner may not deliver the required services and or at the required quality. Therefore, the contract should contain appropriate grievance, appeal, and termination provisions. In this set up, the government partner focuses on regulatory issues while the private partner takes on the service delivery issues.

### Concessions

A concession makes the private partner (concessionaire) responsible for the full delivery of services in a specified area, including all capital investments, almost like a geographically delimited monopoly. Although the private partner operator is responsible for providing the assets, such assets are publicly owned even during the concession period.

The concessionaire collects the payments directly from the service end-users. The fee schedule is typically established by the concession contract, which also includes provisions on how it may be changed over time. A concession contract is typically valid for 10 to 15 years and renewable up to 30 years so that the operator has sufficient time to recover the capital invested and earn an appropriate return over

the life of the concession. The government organization may contribute to the capital investment cost, if necessary. This can be an investment “subsidy” to achieve commercial viability of the concession. Alternatively, the government organization can be compensated for its contribution by receiving a portion of the incomes generated.

Concessions are an effective way to attract private finance required to fund new construction or rehabilitate existing facilities. A key advantage of the concession arrangement is that it provides incentives to the operator to achieve improved levels of efficiency and effectiveness since gains in efficiency translate into increased profits and return to the concessionaire. The transfer of the full package of operating and financing responsibilities enables the concessionaire to prioritize and innovate as it deems most effective.

Key drawbacks include the complexity of the contract required to define the operator’s activities. The government organization needs to upgrade its regulatory capacity in relation to fee schedules and performance monitoring. Further, the long term of the contracts (necessary to recover the substantial investment costs) complicates the bidding process and contract design, given the difficulty in anticipating events over a 10-year to 15-year period. This drawback may be countered by allowing a periodic review of certain contract terms in the context of the evolving environment.

There is additional risk that the operator will only invest in new assets where it expects payback within the remaining period of the contract unless provisions for these events are set out in the contract. Because of the long-term, comprehensive nature of the contracts, they can be politically controversial and difficult to organize. It can also be argued that concessions go against open competition given the limited number of qualified operators for a major infrastructure network. The government partner must make sure that the concessionaire will not have an opportunity to become a full monopoly, and provide measures to allow additional operators into the market when necessary. Failure in regulating and policing may lead to the phenomenon of regulatory capture in the concession area.

## Build-Operate-Transfer

Build-operate-transfer (BOT) and similar arrangements are a kind of specialized concession in which a private partner or consortium invests and develops a new infrastructure project or a major component of a government project according to performance standards set by the government.

Under a BOT, the private partner provides the capital required to design, build and operate the new facility. The private partner owns the assets for a period set by the contract—sufficient to allow the developer time to recover investment costs through user-fee charges. The government partner agrees to subsidize the operations, usually in the form of a purchase guarantee or tax holiday. As most BOTs are greenfield endeavors, this is to assure the private partner of recovering its costs during operation in exchange for undertaking the risks of investing and operating in an untested field. A difficulty emerges if the government partner has overestimated demand and finds itself purchasing output under such an agreement when the demand does not exist. BOTs generally require complicated financing packages to achieve the large financing amounts and long repayment periods required. As such, the government partner should put in safety features that would prevent the emergence of regulatory capture.

At the end of the contract, the government partner takes over ownership of the assets, but can opt to contract the operation to the same private partner or to a new contractor or partner.

BOTs have a project-specific application so they are potentially a good vehicle for a specific investment, but with less impact on overall system performance. However, because the scope of BOTs are usually very expansive, and often only one private partner is negotiated to provide the service, a form of “state-sanctioned” monopoly is put into place. As such, wastage, poor quality, and minimal innovation may result if measures to infuse competition are not pre-set.

## Hybrid Arrangements

Contract arrangements that incorporate different characteristics of a range of contract types can also be

**Table A2.2 Extent of Investment for Selected Public–Private Partnership Modalities**

PPP (Public – Private Partnership) Modality	Political Will	Capital Requirements	PPP System Issues (operational requirements)
Service contract	Low	High	Low
Management contract	Moderate	Moderate	Moderate
Lease contract	Moderate	Moderate	High
Concessions	High	Low	High
Build– operate–transfer	High	Low	High

developed. Called “hybrid” arrangements, these bring together the attributes most suitable to a particular project’s requirements and the operating conditions. Hybrid arrangements provide a tailored solution—in terms of scope and risk-sharing—that is most directly suitable to the project at hand. Obviously, the variations are endless; here are a few examples:

- a **management contract plus** arrangement, in which the performance-related element of the management contract is substantial enough to transfer real risk. For instance, the payment of bonuses to the management contractor might be linked to achieving increases in the operating cash flow of the utility by a predetermined amount. To achieve the bonus (if sufficiently large), the contractor may put additional inputs at risk to achieve the cash flow outputs.
- a **lease plus** arrangement allows shared responsibility for investments. Under a standard lease, the contracting authority retains full responsibility for undertaking and financing new investment, even though the operator may be in a better position to manage new construction and some other investment obligations.

In some cases, the operator is given limited investment responsibility, such as an extension of network service coverage in certain areas. Alternatively, the operator and contracting authority may reach an agreement to cofinance investments.

Table A2.2 provides a quick look at the extent of investment (stake) that is needed in the selected types of modalities for PPP in health.

As with all PPP modalities, political will, capital requirements, and PPP system issues must be dealt with.

Political will is an inverse function to the level of change to be brought about by the PPP. As such, service contracts, which do not change the status quo much, require only low-level political will. Meanwhile, concessions and BOTs, which give the private partner a significantly more visible role, will require higher levels of political will.

From the government partner’s point of view, the capital requirements are inversely proportional to the level of change. If the government entity sticks with the status quo, then the organization or local government is essentially responsible for capital and operational expenditures. As such, service contracts require more capital from the organization than the more sophisticated types of PPPs, such as concessions and BOTs. However, as private partners take on more of the public sector’s responsibilities, the government partner will need to invest more in the M&E system to ensure that quality outcomes are achieved, the poor are not taken advantage of, and targets are honestly achieved.

# Annex 3

## Developing a Business Plan: List of Tasks

Developing and implementing a public–private partnership (PPP) in pharmacy project requires the preparation of a business plan. This entails the following:

### 1. Data gathering

#### 1.1 Catchment area characteristics

- bed-to-population ratio (relative to Philippine government target of 1:500)<sup>19</sup>
- relative income profile
- health conditions (how do health indicators compare with targets, e.g., millennium development goals)
- utilization rates of hospitals that cater to the catchment
- disease profile (e.g., of hospitals in representative markets) and sales of medicines and/or drugs based on these disease profiles
- needs of the catchment area

#### 1.2 Case rates (published by country's social health insurance provider)

#### 1.3 Project cost <sup>20</sup>

- construction costs (if there will be a construction and/or renovation)
- building services and equipment
- pharmacy-related equipment
- capital costs<sup>21</sup>

#### 1.4 Project funding

- own funds
- grants available from national government (subject to negotiations between the local government and national government entity, such as the department and/or ministry of health)
- loans
- other sources

### 2. The development of assumptions about the future performance of the pharmacy under a likely scenario (i.e., base case)

#### 2.1 Income statement assumptions

- bed occupancy rate (BOR), disease profile, and average length of stay (ALOS) (developed from catchment area data analysis)
- inpatient volume = (number of beds x 365 x BOR/ALOS)
- outpatient volume = (inpatient volume x outpatient)/inpatient ratio<sup>22</sup>
- revenue per inpatient (derived by applying case rates and historical payments of state health insurer to the disease profile, weighted by the disease distribution)
- revenue per outpatient (derived by assuming a percentage of inpatient revenue)<sup>23</sup>
- personnel costs and other operating costs<sup>24</sup>
- management fees (to be paid to PPP partner)<sup>25</sup>
- taxes (30% statutory income tax rate)

<sup>19</sup> Mostly used for PPP in hospital management but may be useful if the PPP in pharmacy enterprise will cover a wider area, e.g., whole province.

<sup>20</sup> Estimates on costs of construction, equipment, and services can be based on country estimates (e.g., data from Department of Health (DOH)).

<sup>21</sup> May not be very significant but must still be accounted for. A local government may use personnel and other operating costs from pharmacy operations of public hospitals. These may be subjectively adjusted depending on the level of hospital or the coverage of the PPP in pharmacy project.

<sup>22</sup> A Philippine local government unit may use 3.2, the average outpatient to inpatient ratio of Ifugao General Hospital, Gov. Roque Ablan Sr. Memorial Hospital, Oriental Mindoro Provincial Hospital, Veterans Regional Hospital, Mariano Marcos Memorial Hospital and Medical Center, and Batangas Regional Hospital (all from the Philippines).

<sup>23</sup> A Philippine local government unit may use approximately PhP2,000.00/outpatient as a subjective estimate (based on Philippine currency and market conditions).

<sup>24</sup> Local government units may access department/ministry of health estimates.

<sup>25</sup> 5% may be used as an estimate.

**2.2 Balance sheet assumptions**

- a. cash<sup>26</sup>
- b. accounts receivable<sup>27</sup>
- c. inventory, other assets, and accounts payable<sup>28</sup>

**3. Preparation of the base case forecasted income statements, balance sheets, and cash flow statements based on the assumptions developed above****4. Calculation of the project's internal rate of return (using the year-to-year changes in net equity)<sup>29</sup>****5. Comparison of the internal rate of return with the minimum return (or cost of equity) required by private investors, to determine if PPP options, other than management contracts, can be considered<sup>30</sup>****6. Sensitivity analysis, to determine how the project performs under less or more favorable scenarios than envisioned in the base case****7. Calculation of the project's expected internal rate of return, by judgmentally applying probabilities to each scenario**

<sup>26</sup> 2-5% of total revenues is an acceptable convention.

<sup>27</sup> This can be based on a weighted average of the collection periods assumed for private- and public-paying patients. Local government may use cash or 30 days for private-pay patients, and 90 days for public-pay patients [the latter being subject to the length of the reimbursement period of, for example, Philippines Health Insurance Corporation (PhilHealth)].

<sup>28</sup> Based on financial statements analyzed by the technical assistance team, private hospitals maintain inventories, other assets, and accounts payable equivalent to about 5%, 1%, and 16% of revenues, respectively.

<sup>29</sup> This method assumes that the project is 100% funded by equity.

<sup>30</sup> Anecdotal observed by the technical assistance team to be between 15-25%, based on comments from private companies in roundtable discussions and other meetings. The Capital Asset Pricing Model provides an alternative for estimating the cost of equity, e.g., using a risk free rate of 4.86% (the yield on the benchmark 10-year Philippine peso bond on 17 August 2012), a (conventional) market risk premium of 6%, and an observed beta of 0.60 for Asian companies engaged in hospital operations, yields a cost of equity of 8.5%.



# Annex 4

## Notes on Conducting Market Study

The Internet is a good source of further readings on market study and/or research. Below is bite-sized information sourced by the authors to help readers begin a market study to establishment a public–private partnership (PPP) in pharmacy enterprise.<sup>31</sup>

### How to conduct market research

It is important for the organization to establish clear goals for the market research activity that it hopes to undertake. The organization must define what it needs to know and why. Once it has established its goals, it must develop a strategy and select techniques that it will use to gather data. The two broad types of research that an organization can use are primary and secondary research. They are explained below.

#### Primary research

Primary research is original information gathered through a user's (e.g., local government's) own efforts (or the efforts of its authorized research company) to respond to a specific question or set of questions. This information is normally gathered through surveys, observation, or experimentation.

The following are examples of questions that can be addressed through primary research:

- (i) Who are the expected customers of the PPP in pharmacy, and how can the proposed enterprise reach them? (Include customer profiles, prospective business locations, and marketing strategies).
- (ii) Which products and services do these buyers need or want?
- (iii) What factors influence the buying decisions of these customers? (Consider price, service, convenience, branding, etc.)
- (iv) What prices should the organization set for the products and services? (Customer expectations).
- (v) Who are the likely competitors, how do they operate, and what are their strengths and weaknesses?

However, primary research can be time consuming and expensive if not performed by the organization itself. The results may not also be available immediately. Nevertheless, this type of research allows the user to target desired groups (such as its target customers or the geographic market for the PPP in pharmacy enterprise) and tailor its research instrument to answer specific questions. Moreover, if done by the organization itself, it allows cost savings and deeper knowledge and appreciation of the intended market.

Surveys are the most common way to gather primary research. Surveys can be conducted:

- (i) **through direct mail.** Direct mail is handed out in the place of business or mailed out (with survey forms returned in person or via mail) and has high effectiveness, but follow-up reminders may be needed.
- (ii) **over the telephone.** This method can be more cost-effective, but may not be an easy way to reach participants compared with direct mail (some individuals do not favor telephone interruptions.)
- (iii) **on the web or via email.** This method allows participants to complete the survey on their own time with little effort, and is cost-effective
- (iv) **in person.** In person surveys can be conducted through personal interviews or focused group discussions. They can be flexible because the

<sup>31</sup> Significant portions of this section were sourced out from articles by C. McNamara, J.C. Levinson, E.J. McCarthy, and W.D. Perreault.

interviewers can ask follow-up questions or change the focus of the survey immediately, but they may be tedious or time-consuming to invite participants.

When designing a research questionnaire, the organization should:

- (i) keep it short and simple;
- (ii) ensure it is visually appealing and easy to read;
- (iii) organize the questions well so they move from general questions to more specific questions;
- (iv) ensure questions are brief and easily understood;
- (v) avoid leading questions, questions with ambiguous words, and questions that are too difficult to answer;
- (vi) ensure that the response scales to be used are logical with categories that are mutually exclusive; and
- (vii) pre-test the questionnaire to identify potential problems.

Again, the Internet is a good resource for sample questionnaires that can be customized to suit the organization's research needs. There are also firms that the organization can approach to create and conduct surveys online.

Some organizations are reluctant to ask customers to complete a questionnaire because of inconvenience. This can be addressed by offering respondents token incentives such as pharmacy coupons or small gifts.

Credible information on prospective buyers can often be obtained without engaging them directly. Interviewing the organization's employees can provide excellent insights, as they are in constant contact with prospective buyers and can provide information on:

- (i) customer profiles;
- (ii) goods and services that customers demand;
- (iii) satisfaction with price levels and quality of service; and
- (iv) experiences with competitors in the locality.

### Sources of help for market research

Note that a local business school or small business development center can help an organization conduct its own market research. College or university students may be a good source of labor for telephone or other type of interviews.

### Secondary research

Secondary research uses existing resources like company records, surveys, research studies, and books and applies the information gathered to answer the questions formulated by the research team or the organization. It is normally less time consuming and less expensive than primary research.

While secondary research is less targeted than primary research, it can yield valuable information and answer some questions that are not practical to address through primary research (such as assessing microeconomic conditions) or questions that may make customers uncomfortable if asked directly (such as questions on age and income levels).

The following are examples of questions that can be addressed through secondary research:

- (i) What are the current economic and/or socioeconomic conditions that the proposed PPP enterprise is operating in? Are these conditions changing? (international backdrop, e.g., MDG goals and/or commitments, national public health goals, provincial and local economic and/or socioeconomic conditions)
- (ii) What trends are influencing the industry that the PPP in pharmacy will operate in? (consumer preferences, technological shifts, and prices for goods and services)
- (iii) Are there other markets for the products or services that could help the organization grow its business?
- (iv) What are the demographic characteristics of the target customers or where do they live? (populations, age groups, income levels, etc.)
- (v) What is the state of the labor market in the province and/or district and/or area? (e.g.

How many people have the skills that the PPP in pharmacy requires? How much should the organization expect to pay for public employees who opt for early retirement to join the private sector partner?

- (vi) What is the projected supply in the area of the drugs and supplies needed for the proposed PPP enterprise?

This question should be a little easier to answer than the demand questions. The projected supply is the amount an organization can obtain of the goods or the amount of the service(s) it can provide, within a given time period. Limitations on this will include the suppliers' manufacturing capacity, suppliers' ability to provide drugs and medicines, and the personnel (e.g., what scope of services can the staff realistically provide in 1 month?).

Existing records of private operators (and even those of publicly-owned pharmacies) such as sales invoices, receipts, and formal complaints are important secondary resources that organizations can use. Most often, these records shed light on the same issues that an organization seeks to address through primary research. Therefore, an examination of those records should first be done before considering a

customer survey or other form of primary research. Some specific examples of using existing data include:

- (i) examining sales receipts to find trends in the demand for particular drugs and pharmacy-related services (e.g., home deliveries);
- (ii) cross referencing sales receipts with customer addresses or products and services to determine the effectiveness of advertising; and
- (iii) compiling complaints to determine areas for improvement in customer service, pricing, or products, and services offered.

Another key secondary resource is statistical data from official statistics providers and other organizations. These statistics, in turn, can feed into analytical papers and market profiles that can help to put the numbers in context.

Identifying statistics and analysis that can help an organization with its business decisions can be difficult, and some datasets are expensive to purchase. There are, however, a number of quality statistics and analytical resources available to any organization and/or local government, as well as guidance to help it make sense of all the materials available.



# Annex 5

## Notes on the Development of a Feasibility Study

### What is a Feasibility Study?

A feasibility study is designed to provide an overview of the primary issues related to a business idea. The purpose of a feasibility study is to identify any “make or break” issues that would prevent your business from being successful in the marketplace. In other words, a feasibility study determines whether the business idea such as a public–private partnership (PPP) in pharmacy makes sense.<sup>32</sup>

A thorough feasibility analysis provides a lot of information necessary for the business plan. For example, a good market analysis is necessary to determine the project’s feasibility. This information provides the basis for the market section of the business plan.

Because putting together a business plan is a significant investment of time and money, you want to make sure that there are no major roadblocks facing your business idea before you make that investment. Identifying such roadblocks is the purpose of a feasibility study.

A feasibility study looks at three major areas:

1. market issues
2. organizational and/or technical issues
3. financial issues

The following outline shows the typical sections of a feasibility study. This list will help an organization conduct a feasibility study for a PPP enterprise.

#### 1. Introduction, Profiles, and Scope of Study

#### 2. Market Aspects

- 2.1 General market description

- 2.2 Site analysis
- 2.3 Potential public–private partnership models and/or schemes
- 2.4 Marketing and social marketing plans

#### 3. Technical Considerations

- 3.1 Architectural and structural considerations (i.e., whether the PPP in pharmacy project will involve construction and/or renovation)
- 3.2 Information technology and equipment
- 3.3 Health aspects
- 3.4 Other considerations

#### 4. Organizational Development

- 4.1 Organizational capacity analysis
- 4.2 Operational scenarios (e.g., PPP operations and management)

#### 5. Distribution and Processing Analysis

- 5.1 Map of distribution locations
- 5.2 Supply outlook

#### 6. Financial Considerations

- 6.1 Scenario building
- 6.2 Project cost
- 6.3 Source of funds
- 6.4 Basic assumptions
- 6.5 Viability criteria
- 6.6 Financial analysis

#### 7. Overall Feasibility Evaluation

- 7.1 Summary and conclusions
- 7.2 Recommendations

### Market Research and Feasibility Study

Market research or market study has been discussed in Step 1 and in Annex 4. In a nutshell, market research is often recommended as the first step in a feasibility

<sup>32</sup> This section benefited mostly from the articles of D.E. Gumpert, H.J. McLaughlin, W.R. Osgood, and J.L. Pope. Note that proponents for a PPP in pharmacy need not conduct a full-blown feasibility study especially if it is just for one hospital and/or entity. A simple market research can suffice for smaller applications although a full-blown feasibility study will be very useful for a wider scope, e.g., if there will be a network of PPP pharmacies that are hoped to service several hospitals within a province and/or district. Definition of a feasibility study is informed by University of Wisconsin Center for Cooperatives, [http://www.uwcc.wisc.edu/manual/chap\\_5.html](http://www.uwcc.wisc.edu/manual/chap_5.html)

study. One must not think of market research as highly sophisticated, expensive, and complicated. It can be very much a “do-it-yourself” thing.

A market analysis results in information about the market’s potential, which provides the basis for accurate sales forecasts and your marketing strategy. Its basic components include:

- (i) an estimate of the size of the market for the product and/or service,
- (ii) projected market share,
- (iii) information about your target market, and
- (iv) analysis of the competition.

In addition to conducting research, it is valid to rely somewhat on an organization’s own opinions and observations, especially if they have to do with its local community. No one knows a community like the people who have spent their lives there. However, it is important to back up the organization’s opinions with data and research. The organization should not rely solely on its gut feelings; these are not enough to take to the bank. In addition, one must resist the temptation to only look for data that confirms his or her opinions.

All this information goes into estimating the sales that will be achieved during the PPP project’s first few years of operation. The rest of the feasibility study and business plan is built upon these estimates. Because it is one of the principal tools for determining whether the PPP enterprise will work, it is worth making an investment in market research. The quality of information in the market analysis is dependent on the amount of energy that went into obtaining it.

An organization needs to be as specific as possible about the dimensions (e.g., size, trends) of the opportunity that the enterprise faces. Since a new

business (e.g., PPP in pharmacy) does not have a track record yet, the research must be thorough to enable the organization to make realistic sales estimates.

In the market analysis section of the feasibility study, an organization must determine whether adequate demand exists for its proposed products or services.

## From feasibility to planning

Feasibility studies require a lot of hard work, and the market analysis research is the most difficult part of the process. If the study indicates that the PPP business idea is feasible, the next step is the development of a plan or a business plan. The business plan continues the analysis that the organization has begun at a deeper and more complex level, building on the foundation created by the feasibility study.

The following are some of the important reasons why a feasibility study is done:<sup>33</sup>

- (i) to give focus to the project;
- (ii) to narrow alternatives;
- (iii) to surface new opportunities;
- (iv) to enhance the probability of success by addressing factors early that could affect the PPP project;
- (v) to provide quality information for decision making;
- (vi) to help secure funding; and
- (vii) to help increase investment in the PPP project.

## Financial Issues

Once the analyses of marketing, organizational, and technical issues have been completed, the third and final step of a feasibility analysis is to take a look at key financial issues. The key areas in financial analysis are in Table A.5.1 These areas and topics will require additional research.<sup>34</sup>

<sup>33</sup> Adopted from a presentation of Alison Davis, University of Kentucky.

<sup>34</sup> University of Wisconsin Center for Cooperatives.



Note that some of the topics below—specifically revenue projections—are directly based on the market analysis (the first step in the feasibility study), in which a proponent estimated the number of units of product or service that he can sell. One must do that part of the feasibility study thoroughly or he or she will not be able to do the financial analysis adequately.

A strong financial analysis is one of the backbones of a good feasibility study. A good feasibility study will give the organization a clear idea whether the proposed PPP in pharmacy is a sound business idea.

**Table A5.1 Key Areas in Financial Analysis**

<b>Start-Up Costs</b>	Costs that will be incurred in starting up a new business, including “capital goods” such as land, buildings, equipment, etc. The business may have to borrow money from a lending institution to cover these costs.
<b>Operating Costs</b>	Ongoing costs, such as rent, utilities, and wages that are incurred in the everyday operation of a business. The total should include interest and principle payments on any debt for start-up costs.
<b>Revenue Projections</b>	Based on how a proponent will price his goods or services. He may assess what the estimated monthly revenue will be.
<b>Sources of Financing</b>	If the proposed business will need to borrow money from a bank or other lending institution, the proponent may need to research potential lending sources.
<b>Profitability Analysis</b>	The “bottom line” for the proposed business. Given the costs and revenue analyses, the proponent may ask the following questions: <ul style="list-style-type: none"> <li>(i) Will the public-private partnership business bring in enough revenue to cover operating expenses?</li> <li>(ii) Will it break even, lose money or make a profit?</li> <li>(iii) Is there anything we can do to improve the bottom line?</li> </ul>

Source: University of Wisconsin Center for Cooperatives. 1998. *Cooperatives: A Tool for Community Economic Development*. Madison. [http://www.uwcc.wisc.edu/manual/chap\\_5.html](http://www.uwcc.wisc.edu/manual/chap_5.html)



# Annex 6

## Directory of Helpful Organizations or Sources of Information

### Asian Development Bank (ADB)

ADB Headquarters, Manila  
6 ADB Avenue, Mandaluyong City 1550, Philippines  
Tel: +63 2 632 4444  
Fax: +63 2 636 2444  
Website: [www.adb.org](http://www.adb.org)

### Department of Health (DoH)

Address: San Lazaro Compound, Tayuman, Sta. Cruz,  
Manila, Philippines 1103  
Tel: +63 2 743 8301 to 23  
Fax: +63 2 711 6744  
Website: [www.doh.gov.ph](http://www.doh.gov.ph)

### Philippine Health Insurance Corporation (PhilHealth)

Address: Citystate Centre, 709 Shaw Blvd., 1603  
Pasig City, Philippines  
Tel: +63 2 441 7444 / +63 2 441 7441  
Website: [www.philhealth.gov.ph](http://www.philhealth.gov.ph)

### Development Bank of the Philippines (DBP)

Address: Sen. Gil J. Puyat Avenue corner Makati  
Avenue, Makati City, Philippines  
Mailing Address: P.O. Box 1996 Makati Central Post  
Office 1200 Makati City, Philippines  
Tel: +63 2 818 9511 to 20 / +63 2 818 9611 to 20  
Email: [info@devbankphil.com.ph](mailto:info@devbankphil.com.ph)  
Website: [www.dbp.ph](http://www.dbp.ph)

### United Nations Economic Commission for Europe (UNECE)

Address: Palais des Nations, CH-1211 Geneva 10  
Switzerland  
Tel: +41 (0) 22 917 4444  
Fax: +41 (0) 22 917 0505  
Email: [info.ece@unece.org](mailto:info.ece@unece.org)  
Website: [www.unece.org](http://www.unece.org)

### World Health Organization (WHO)

Address: Avenue Appia 20 1211 Geneva 27  
Switzerland  
Tel: +41 22 791 2111  
Fax: +41 22 791 3111  
Website: [www.who.int/en/](http://www.who.int/en/)

### The World Bank

Address: 1818 H Street, NW Washington, DC 20433  
USA  
Tel: (202) 473 1000  
Fax: (202) 477 6391  
Website: [www.worldbank.org](http://www.worldbank.org)

### United States Agency for International Development (USAID)

Address: Office of Press Relations Ronald Reagan  
Building Washington,  
D.C. 20523-0016  
Telephone: 202-712-4320  
Fax: 202-216-3524  
Website: <http://www.usaid.gov/>

### European Union (EU)

Address:  
Tel: 00 800 6789 10 11  
Website: [www.europa.eu](http://www.europa.eu)

### Japan International Cooperation Agency (JICA)

Address: Nibancho Center Building 5-25, Niban-cho,  
Chiyoda-ku,  
Tokyo 102-8012  
Tel: +81 3 5226 6660 to 63  
Website: <http://www.jica.go.jp/english/index.html>

### International Finance Corporation (IFC)

Address: Headquarters – 2121 Pennsylvania Avenue,  
NW Washington, DC 20433 USA  
Tel: (202) 473 3800  
Fax: (202) 974 4384  
Website: [www.ifc.org](http://www.ifc.org)

Please confirm if  
Annex 6 content is  
correct? There's no  
word file. Thanks

**Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**

Address: Friedrich-Ebert-Allee 40 53113 Bonn  
Tel: +49 228 4460 1766  
Fax: +49 6196 79 11 15  
Website: <http://www.giz.de/en/>

**Pan American Health Organization (PAHO)**

Address: Regional Office of the World Health Organization  
525 Twenty-third Street, N.W., Washington, D.C. 20037, United States of America  
Tel: (202) 974 3000  
Fax: (202) 974 3663  
Website: [www.paho.org](http://www.paho.org)

**Association of Asian Pacific Community Health Organization (AAPCHO)**

Address:  
Oakland Office – 300 Frank H. Ogawa Plaza, Suite 620, Oakland, CA 94612  
Tel: (510) 272 9536  
Fax: (510) 272 0817

Washington, D.C. Office  
1400 Eye Street, NW, Suite 910, Washington, DC 2005  
Tel: (202) 331 4607  
Fax: (202) 296 3526  
Website: [www.aapcho.org](http://www.aapcho.org)

**American Public Health Association**

Address: 800 I Street, NW Washington, DC 20001-3710  
Tel: (202) 777-APHA  
Fax: (202) 777-2534  
Website: [www.apha.org](http://www.apha.org)

**Health Canada**

Address: Health Canada, 0900C2, Ottawa, Ontario K1A 0K9  
Tel: (613) 957 2991  
Fax: (613) 941 5366  
Toll free: 1-866-225-0709  
Email: [info@hc-sc.gc.ca](mailto:info@hc-sc.gc.ca)  
Website: [www.hc-sc.gc.ca](http://www.hc-sc.gc.ca)

**International Federation of Health and Human Rights Organizations (IFHHRO)**

Address: PO Box 1693  
1000 BR Amsterdam, The Netherlands  
Email: [ifhhro@gmail.com](mailto:ifhhro@gmail.com)  
Website: [www.ifhhro.org](http://www.ifhhro.org)

**European Network of Safety and Health Professional Organizations**

Address: The Grange, Highfield Drive, Wigston, Leicestershire, LE18 1NN, UK  
Tel: +44 (0) 116 257 3100  
Fax: +44 (0) 116 257 3101  
Email: [secretariat@enshpo.org](mailto:secretariat@enshpo.org)  
Website: [www.enshpo.eu](http://www.enshpo.eu)

**International Health Terminology Standards Development Organization (IHTSDO)**

Address: Rued Langgaardsvej 7, 5te, 5A56, 2300 Copenhagen S, Denmark  
Tel: +45 36 44 87 36  
Fax: +45 44 44 87 36  
Email: [info@ihtsdo.org](mailto:info@ihtsdo.org)  
Website: [www.ihtsdo.org](http://www.ihtsdo.org)

**National Alliance for Hispanic Health**

Mailing Address: 1501 16th Street N.W., Washington DC, 20036-1401  
Tel: (202) 387 5000  
Fax: (202) 797 4353  
Website: [www.hispanichealth.org](http://www.hispanichealth.org)

**International Federation of Health Information Management (IFHIMA)**

The American Chamber of Commerce of the Philippines  
Address: 2/F Corinthian Plaza, PASEO de Roxas CPO Box 2562, Makati City 1229, Philippines  
Tel: +63 (2) 818 7911 to 13  
Fax: +63 (2) 811 3081  
Website: <http://www.amchamphilippines.com/index.php>

**Australian Trade Commission**

Website: <http://www.austrade.gov.au/>

**Commission on Audit (COA)**

Address: Commonwealth Avenue Quezon City,  
Metro Manila 880  
Tel: +63 (2) 931 7592 / +63 (2) 951 1341  
Website: [www.coa.gov.ph](http://www.coa.gov.ph)

**Department of the Interior and Local Government (DILG)**

Address: A. Francisco Gold Condominium II, EDSA  
cor. Mapagmahal St,  
Diliman, Quezon City, Philippines 1100  
Tel: +63 (2) 925 0330 / +63 (2) 925 0331  
Fax: +63 (2) 925 0332  
Website: [www.dilg.gov.ph](http://www.dilg.gov.ph)

**Ministry of Health, Cambodia**

Address: No. 151-153 Kampuchea Krom Blvd.,  
Phnom Penh  
Tel: 023 722873 / 880261 / 881405 / 881409  
Fax: 023 426841 / 722873 / 880261 / 366186  
Website: [ww.moh.gov.kh](http://ww.moh.gov.kh)

**Ministry of Public Health, Thailand**

Address: Tivanond Road, Nonthaburi 11000,  
Thailand  
Tel: +662 590 1000  
Website: [eng.moph.go.th/](http://eng.moph.go.th/)

**Ministry of Health, Republic of Indonesia**

Address: Jl H.R. Rasuna Said Blok X.5 Kav. 4-9  
Tel: 62 21 520 1590  
Fax: 62 21 5203874  
Email: [adminkes@depkes.go.id](mailto:adminkes@depkes.go.id)  
Website: <http://www.depkes.go.id/en/index.php>

**Ministry of Health, Myanmar**

Website: <http://www.moh.gov.mm/>

**Ministry of Health, Vietnam**

Address: 138A Giang Vo - Ba Dinh - Ha Noi  
Tel: 62732273  
Fax: 38464051  
Email: [byt@moh.gov.vn](mailto:byt@moh.gov.vn)  
Website: <http://www.moh.gov.vn/>

**National Kidney and Transplant Institute (NKTi)**

Address: East Avenue, Diliman Quezon City 1101  
Philippines  
Tel: +63 (2) 981-0300 / +63 (2) 981-0400  
Fax: +63 (2) 922-5608 / +63 (2) 928-0355 (PRO)  
Website: [www.nkti.gov.ph](http://www.nkti.gov.ph)

**National Economic and Development Authority (NEDA)**

Address: 12 Saint Josemaria Escriva Drive, Ortigas  
Center, Pasig City, Philippines  
Tel: +63 (2) 631 0945 to 56  
Website: [www.neda.gov.ph](http://www.neda.gov.ph)





# Annex 7

## Department of Health Administrative Order No. 56 s. 1989 (Revised Regulations for the Licensing of Drug Establishments and Outlets)

Department of Health  
OFFICE OF THE SECRETARY  
Manila

January 3, 1989

**ADMINISTRATIVE ORDER**  
**No. 56 s. 1989**

**SUBJECT: Revised Regulations for the Licensing of Drug Establishments and Outlets**

Pursuant to Section 26(a) in relation to Section 21(a) and 11(k) of Republic Act No. 3720, known as the Foods, Drugs and Devices, and Cosmetics Act as amended by Executive Order No. 175 s. 1987 and consistent with Republic Act No. 6675, known as the Generic Act of 1988, the following regulations are hereby promulgated governing drug establishments and drug outlets under the Bureau of Food and Drugs (BFAD).

In accordance with Section 3 Paragraphs 5 and 6 of R.A. 6675, any organization, company or business establishments in the pharmaceutical industry shall fall under the following general classification:

I. Drug Establishment means any organization or company involved in the manufacture, importation, repacking and/or distribution of drugs or medicines. This is covered by Chapter I below.

II. Drug Outlet means drugstore, pharmacy, and other business establishment which sells drugs or medicines. This is covered by Chapter II below.

### **CHAPTER I** **Drug Establishment**

#### **1. Definition of Different Types of Drug Establishments**

1.1 Drug Manufacturer means any establishment engaged in operations involved in the production of a drug, including propagation, processing, compounding, finishing, filling, packing, repacking, altering, ornamenting and labelling with the end in view of storage, distribution or sale of the product; provided that for the purpose of this regulation the compounding and filling of prescriptions in drugstores and hospital pharmacies shall not be considered as production operations.

1.2 Drug Trader means any establishment which is a registered owner of the drug product, procures the raw materials and packaging components, and provides the production monographs, quality control standards and procedures, but sub-contracts the manufacture of such product to a licensed manufacturer. In addition, a trader may also engage in distribution, and/or marketing of its products.

1.3 Drug Distributor/Importer means any establishment that imports raw materials, active ingredients and/or finished products for its own use or for wholesale distribution to other drug establishments or outlets.

1.4 Drug Distributor/Exporter means any drug establishment that exports raw materials, active ingredients and/or finished products to another country.

1.5 Drug Distributor/Wholesaler means any drug establishment that procures raw materials, active ingredients and/or finished products from local establishments for local distribution on wholesale basis.

## 2. Standards and Requirements for License To Operate (LTO)

### 2.1 General Requirements

2.1.1 Application — any person desiring to operate or establish a drug establishment shall file with the BFAD an application supported by the following documents:

2.1.1.1 A standard petition form containing among others the name, age, citizenship and a passport size picture (5 x 5 cm.) of the petitioner and other pertinent circumstances pertaining to the proposed drug establishment including the place where it is to be established.

2.1.1.2 Proof of registration as an establishment, i.e.:

(a) For single proprietorship; an authenticated photocopy of the Certificate of Business Name Registration issued by the Bureau of Domestic Trade (BDT) of the Department of Trade and Industry.

(b) For partnerships, corporations and other juridical persons; authenticated photocopies of the Certificate of Registration issued by the Securities and Exchange Commission (SEC) and the Articles of Incorporation or partnership.

2.1.1.3 A valid Certificate of Registration of the establishment's Filipino pharmacist issued by the Professional Regulation Commission (PRC).

2.1.1.4 A certificate of attendance to a BFAD-sponsored accredited Seminar on Licensing of Drug Establishments.

2.1.1.5 An Affidavit of Undertaking providing that the applicant shall:

(a) change the establishment's name if there is already a validly registered name similar to it.

(b) display the duly approved LTO in a conspicuous place within the establishment.

(c) notify BFAD in case of any change in the circumstances described in the application such as: change of location, change of pharmacist, change in drug products.

2.1.1.6 List of products to be manufactured or distributed identified by their generic names and brand names, if any.

2.1.1.7 An authenticated photocopy of Contract of Lease for the space to be occupied if the applicant does not own it.

2.1.2 A Certificate of continuing compliance with specific technical requirements (to be specified by BFAD according to section 2.2 below).

2.1.3 A Batch Distribution Record Book duly registered with BFAD.

2.1.4 A contingency plan or procedure for a systematic, effective and prompt recall in case any of its products is found violative and ordered recalled from the market by BFAD.

2.1.5 An orderly and secure system of filing up to date invoices from suppliers and buyers identifying lot numbers or batch numbers of manufacturer's stock pursuant to BFAD Memo Circular No. 001 s. 1983.



## 2.2 Specific Requirements:

Any entity applying for a LTO as a drug manufacturer, drug trader or drug distributor shall be required to demonstrate its capacity to perform adequately as such in a manner that satisfactorily assures the safety, efficacy and quality of its drug products. It shall be required to conform with the following relevant standards and requirements specific for each category, in addition to the above general requirements:

### 2.2.1 Drug Manufacturers

2.2.1.1 Guidelines on Current Good Manufacturing Practices provided for under A.O No. 220 s. 1974, including location, building and floor plans, and any additional guidelines issued by BFAD;

2.2.1.2 Minimum standards for pharmaceutical manufacturing equipment/machines described in Annex A;

2.2.1.3 Minimum standards for quality control facilities described in Annex B;

2.2.1.4 If importing raw materials, active ingredients and/or finished products for use in manufacture of drug products, a certificate that the manufacturer is registered in the country of origin, duly authenticated by the territorial Philippine Consulate, and evidence that the manufacturer meets BFAD standards for local manufacturers. If inspection of the foreign manufacturer by BFAD is necessary, the cost of inspection shall be borne by the applicant establishment.

### 2.2.2 Drug Traders

2.2.2.1 A valid contract agreement with a BFAD-Licensed manufacturer containing a stipulation that both the drug trader and the manufacturer are jointly responsible for the quality of the product;

2.2.2.2 If importing raw materials, active ingredients and/or finished products for the use in the manufacture of drug products, a certificate that the manufacturer is registered with the country of origin, duly authenticated by the territorial Philippine Consulate, and evidence that the manufacturer meets BFAD standards for local manufacturers. If inspection of the foreign manufacturer by BFAD is necessary, the cost of inspection shall be borne by the applicant establishment;

2.2.2.3 A description of the production process and quality control procedures to be followed by the contracted manufacturer, jointly certified by the owner and the pharmacist of the establishment.

### 2.2.3 Drug Distributors

#### 2.2.3.1 Importers

2.2.3.1.1 Foreign Agency Agreement between the Philippine importer and foreign supplier duly authenticated by the territorial Philippine Consulate.

2.2.3.1.2 A certificate that the manufacturer of the raw material, active ingredient and/or finished product is registered in the country of origin, duly authenticated by the territorial Philippine Consulate, and evidence that the manufacturer meets BFAD standards for local manufacturers. If inspection of the foreign manufacturer is necessary, the cost of inspection shall be borne by the applicant establishment.

2.2.3.1.3 In case of finished products, Certificate of Free Sale of the products in the country of origin, duly authenticated by the territorial Philippine Consulate and evidence that such certificate is issued in substantial compliance with BFAD standards.

#### 2.2.3.2 Exporters

2.2.3.2.1 A valid contract with BFAD-licensed manufacturer in addition to other requirements set by other competent authorities.

#### 2.2.3.3 Wholesalers

2.2.3.3.1 A valid contract with a BFAD licensed manufacturer, trader or distributor.

2.2.3.3.2 A certification that the products it sells are registered with BFAD.

### 2.3 Other Additional Requirements

In addition to the above standards and requirements, BFAD in the course of evaluating an application may require other additional documentation or evidence to satisfactorily ascertain the capability of the drug establishment.

## 3. Renewal of License To Operate (LTO)

3.1 The License To Operate shall have the following validities for all categories of drug establishments.

3.1.1 Initial Period (Initial Application) 1 year

3.1.2 Subsequent Period (Renewal Application) 2 years

3.2 At least one month prior to the expiration of the LTO, drug establishments shall apply to renew their license.

3.3 In considering the renewal application, BFAD shall ascertain the continued compliance by the establishment with the standards and requirements stipulated in section 2.1 and 2.2.

3.4 The following grounds shall be basis for non-renewal of LTO:

3.4.1 Failure to comply with BFAD standards and requirements.

3.4.2 Serious, repeated or rampant violation of existing laws, rules and regulations.

3.4.3 Persistent shortcomings in demonstrating a capacity to perform in a manner that satisfactorily assures the safety, efficacy and quality of its drug products.



#### 4. Administrative Sanctions

##### 4.1 Grounds for Revocation of LTO

- 4.1.1 Misrepresentation of any material fact in the application for LTO and in any documentation used as basis for issuing the LTO.
- 4.1.2 For manufacturers and traders: any deficiency in GMP that is likely to result in adulterated, misbranded, substandard or unsafe products as determined by BFAD. This includes, among others, grossly inadequate premises, lack of key technical and professional personnel, lack of key equipment in production or quality control, poor or inadequate process control and inadequate or improper documentation of the production process.
- 4.1.3 For distributors: distribution of fake, misbranded, adulterated or unsafe drug products.
- 4.1.4 Violation of BFAD standards of quality, efficacy, purity and safety of drug products.
- 4.1.5 Sale or distribution of antibiotic products without batch certification by BFAD.
- 4.1.6 Failure to take adequate remedial or corrective measures for deficiencies identified in accordance with requirements of BFAD.
- 4.1.7 Failure to keep up to date, secure, orderly, and easily inspected records that would indicate continued compliance with standards.

##### 4.2 Grounds for Suspension of LTO

- 4.2.1 Minor deficiencies in GMP or material management that need to be corrected but are not immediately or likely to result in adulterated, misbranded, substandard or unsafe products as determined by BFAD. This includes, among others, poor housekeeping, inadequate storage facilities, lack of minor equipment or requirement, and other minor shortcomings.
- 4.2.2 Lapses in record keeping of invoices, receipts or distribution records.

##### 4.3 Re-application After Revocation

No establishment whose LTO was revoked may apply for an LTO within 5 years after the revocation of its license.

#### 5. Schedule of Fees

5.1 Upon application for a license to operate as a drug establishment, the following non-refundable fees shall be charged for each application:

Renewal	
Initial	(good for 2 years)

5.2 If a drug establishment engages in activities belonging to more than one of the above categories, applicant must apply for LTO for each of the category and pay the corresponding fees.

5.3 Only upon payment of application fees may the application be processed. A surcharge of fifty percent (50%) of the above fees shall be imposed on applications for renewal filed after the validity of the license has lapsed. Any change in the category of drug establishment or change in ownership shall require a new application.

**CHAPTER II****Drug Outlets****1. Definitions of Different Types of Drug Outlets**

1.1 Drugstore, Pharmacy or Botica, including Hospital Pharmacy/Dispensary means a drug outlet where registered drugs, chemical products, active principles, proprietary medicines or pharmaceutical specialties and dental, medicinal, galenical, or veterinary preparations are compounded and/or dispensed.

1.2 Retail outlet for non-prescription drugs including non- traditional outlets such as supermarkets and stores, means a drug outlet where registered non-prescription or over-the-counter (OTC) drugs are sold in their original packages, bottles or containers or in smaller quantities not in their original containers.

**2. Standards and Requirements for License To Operate (LTO)****2.1 General Requirements**

2.1.1 Applications — any person desiring to operate or establish a drug establishment shall file with the BFAD an application supported by the following documents:

2.1.1.1 A standard petition form containing among others the name, age, citizenship and a passport size (5 x 5 cm) photo of the petitioner and other pertinent circumstances pertaining to the proposed drug establishment including the place where it is to be established.

2.1.1.2 Proof of registration as an establishment, i.e.:

(a) For single proprietorship, an authenticated photocopy of the Certificate of Business Name Registration issued by the Bureau of Domestic Trade (BDT) of the Department of Trade and Industry.

(b) For partnership, corporations and other juridical persons; authenticated photocopies of the Certificate of Registration issued by Securities and Exchange Commission (SEC) and the Articles of Incorporation or Partnership.

2.1.1.3 A valid Certificate of Registration of the establishment's Filipino pharmacist issued by the Professional Regulation Commission (PRC).

2.1.1.4 A Certification of Attendance to a BFAD-sponsored/accredited Seminar on Licensing of Drug Outlets.

2.1.1.5 An Affidavit of undertaking providing that the applicant shall:

(a) change the establishments' name if there is already a validly registered name similar to it.

(b) display the duly approved LTO in a conspicuous place within the establishment.

(c) notify BFAD in case of any change in the circumstances described in the application such as: change of location or change of pharmacist.

2.1.1.6 Tentative list of products intended to be sold using generic names with brand names when applicable.

2.1.1.7 An authenticated photocopy of Contract of Lease of the space to be occupied if the applicant does not own it.

**2.2 Specific Requirements:**

Any entity applying for a license to operate a drugstore, pharmacy or botica or retail outlet shall be required to demonstrate its capacity to perform adequately its functions to inform its clientele in accordance with



Section 6(d) of R.A. 6675 and sell drugs and medicines, which are safe, effective, and of good quality to the public. It shall be required to conform with relevant standards and requirements specific for each category, in addition to the foregoing general requirements.

#### 2.2.1 Drugstores, Pharmacy or Botica

##### 2.2.1.1 Premises

2.2.1.1.1 A signboard in front of the place of business bearing the registered name of the drug store. For hospital pharmacy, the sign "Pharmacy" is sufficient. For drug outlet selling exclusively non-prescription or Over the Counter (OTC) drug product, the signboard should indicate so by putting the symbol non-Rx or its equivalent.

2.2.1.1.2 A well-ventilated area not less than 15 sq. m. in floor area with concrete, tile or wooden flooring.

2.2.1.1.3 A place suitable for compounding prescription and for washing and sterilizing bottles (compulsory only for hospital pharmacy).

2.2.1.1.4 A suitable and proper place for the adequate storage of drugs and biological products as specified on the label.

2.2.1.1.5 A suitable cabinet for keeping poisons and/or dangerous drugs.

2.2.1.1.6 An adequate water supply.

##### 2.2.1.2 Reference Books and Documents

2.2.1.2.1 Philippine National Drug Formulary (when available)

2.2.1.2.2 United States Pharmacopeia/National Formulary (USP-NF) (latest edition).

2.2.1.2.3 R.A. 3720, otherwise known as the Foods, Drugs and Devices and Cosmetics Act as amended and relevant implementing rules and regulations.

2.2.1.2.4 R.A. 6675, Generics Act of 1988 and relevant implementing rules and regulations.

2.2.1.2.5 R.A. 5921 Pharmacy Law, as amended and relevant implementing rules and regulations.

2.2.1.2.6 Remington's Pharmaceutical Sciences (latest edition).

2.2.1.2.7 Goodman & Gilman — Pharmacological Basis of Therapeutics (latest edition).

##### 2.2.1.3 Record Books Duly Registered with the BFAD

###### 2.2.1.3.1 Prescription Book

2.2.1.3.2 Dangerous Drug Book

2.2.1.3.3 Exempt Preparation Book

2.2.1.3.4 Poisons Book

2.2.1.3.5 Record Book for Selected Non-Prescription Drugs, subject to abuse as determined by BFAD and/or Dangerous Drugs Board (DDB).

2.2.1.4 Utensils, Apparatus and Other Equipment

2.2.1.4.1 For all drugstores including hospital pharmacies, refrigerator for biologicals and other drug products needing refrigeration.

2.2.1.4.2 For hospital pharmacy only:

2.2.1.4.2.1 Prescription balance of one centigram sensitivity and a set of weights.

2.2.1.4.2.2 Glass volumetric measures a set of not less than six pieces from 15 ml to 1000 ml capacity.

2.2.1.4.2.3 Mortar and pestle — a set of not less than three in assorted sizes.

2.2.1.5 A full-time validly registered pharmacist physically present while the drugstore is open to business.

2.2.1.6 Other Additional Requirements:

2.2.1.6.1 Invoices indicating the lot number or batch number of the manufacturer's stock pursuant to BFAD Memo. Circular no. 001 s. 1983.

2.2.1.6.2 File of prescription filled, consecutively numbered.

2.2.1.6.3 Dry Seal or Rubber Stamp containing the name and address of the drug outlet.

2.2.1.6.4 Red and White labels indicating name and address of drugstore.

2.2.2 Requirements for a Retail Outlet for Non-Prescription Drugs

2.2.2.1 Premises

2.2.2.1.1 A signboard in front of the place of business bearing the registered name of retail outlet and the symbol non-Rx or equivalent.

2.2.2.1.2 An adequate, well-ventilated area with concrete, tile, or wooden flooring.

2.2.2.1.3 A suitable and proper place for the adequate storage of non-prescription drugs. When there are products sold other than drugs, an area exclusively for drug products shall be allocated within the premises.



#### 2.2.2.2 Reference Books and Documents

- 2.2.2.2.1 Philippine National Drug Formulary (when available);
- 2.2.2.2.2 R.A. 5921, Pharmacy Law and its implementing rules and regulations;
- 2.2.2.2.3 R.A. 6675, the Generics Act of 1988 and relevant implementing rules and regulations;
- 2.2.2.2.4 R.A. 3720 as amended or Foods, Drugs and Devices and Cosmetics Act;

2.2.2.3 Record Books as required by BFAD for selected non-prescription drugs subject to abuse as determined by BFAD and/or DDB

2.2.2.4 A full-time validly registered pharmacist physically present while the retail outlet is open for business.

#### 2.2.2.5 Other Additional Requirements

- 2.2.2.5.1 Invoices indicating the lot number or batch number of the manufacturer's stock pursuant to BFAD Memo. Circular No. 001 s. 1983.
- 2.2.2.5.2 Dry seal or Rubber Stamp containing the name and address of the drug outlet.

### 3. Renewal of License to Operate (LTO)

In case of renewal of LTO the drug outlet must have a history of satisfactory performance, consistent with BFAD standards and requirements, without any case of serious violation of existing laws, rules and regulations.

### 4. Administrative Sanctions

#### 4.1 Temporary Closure

Absence of pharmacist on three (3) inspections by BFAD inspector.

#### 4.2 Suspension of License to Operate

- 4.2.1 Failure to produce invoices and receipts together with lot numbers, expiry dates for the drugs in stock.
- 4.2.2 Failure to properly record and keep a file of all prescriptions filled in the last two years.
- 4.2.3 Refusal to allow entry of BFAD inspectors.

#### 4.3 Revocation of License to Operate

- 4.3.1 Sale or offer for sale of adulterated, misbranded, sub-standard, unregistered, expired and/or unsafe drugs or products marked "Not for Sale."
- 4.3.2 Failure to properly record dangerous drugs as determined by DDB.
- 4.3.3 Lack of pharmacist.
- 4.3.4 Failure to take necessary remedial or corrective measures within the prescribed period as directed by BFAD.

## 5. Validity

The license to operate shall have the following validities:

	<i>Initial Period of validity</i>	<i>Validity of Subsequent Renewal</i>
Drugstore, Pharmacy or Botica	1 year	2 years
Retail Outlet	1 year	2 years

## 6. Schedule of Fees

Upon application for a license to operate as a drug outlet, the following non-refundable fees shall be charged for each application:

<i>Initial</i>	<i>Renewal (good for two years)</i>
P500.00 per drugstore, pharmacy or botica outlet	P1,000.00
P200.00 per retail outlet carrying only OTC drugs	P400.00

Only upon payment of application fees may the application be processed. A surcharge of fifty percent (50%) of the above fees shall be imposed on applications for renewal filed after the validity of the license has lapsed.

## SEPARABILITY CLAUSE

In case any provision of this rules and regulations is declared contrary to law or unconstitutional other provisions which are not affected thereby shall continue to be in force and in effect.

## REPEALING CLAUSE

All administrative orders, rules and regulations and other administrative issuances or parts thereof, inconsistent with the provisions of this Regulation are hereby repealed or modified accordingly.

## EFFECTIVITY

This Regulation shall take effect fifteen (15) days after its publication in a newspaper of general circulation.\*

\*The foregoing Administrative Order was published in the Daily Globe issue of January 17, 1989.

## ANNEX "A"

### MINIMUM STANDARDS FOR PHARMACEUTICAL MANUFACTURING EQUIPMENT/MACHINES

#### 1.0 General Machinery and Equipment

##### 1.1 Weighing Scale

1.1.1 1 g. sensitivity

1.1.2 1 kg. sensitivity

##### 1.2. Labelling machine

##### 1.3. Coding machine

##### 1.4. Facility for washing and drying bottles

##### 1.5. Laboratory apparatus including measuring glasswares, chemical supplies, filter paper.

#### 2.0. Additional Machine and Equipment needed for each dosage form:

##### 2.1. Liquid/Suspension

2.1.1. Stainless Steel tank with stirrer of appropriate capacity

2.1.2. Jacketed kettle

2.1.3. Homogenizer

2.1.4. Stainless steel pail, assorted sizes

2.1.5. Deionizer or distilling apparatus

2.1.6. Stainless steel storage tank 500 L

2.1.7. Filter assembly

2.1.8. Filling machine

2.1.9. Pilfer-proof capper

##### 2.2. Tablet

2.2.1. Mixer/blender

2.2.2. Mill

2.2.3. Granulator

2.2.4. Drying Oven or fluidized-bed dryer

2.2.5. Sifter/Sieves

2.2.6. Tablet Press

2.2.7. Dust collector/exhaust system

2.2.8. Dehumidifier

##### 2.3 Capsule

2.3.1. Mixer

2.3.2. Dehumidifier

2.3.3. Encapsulating machine

2.3.4. Dust collector/exhaust system

##### 2.4. Powder/Granule Preparation

2.4.1. Blender

2.4.2. Powder filling machine

2.4.3. Tamper-proof machine

2.4.4. Dehumidifier

##### 2.5. Sterile products (Ophthalmic, etc.)

2.5.1. Stainless steel tank with stirrer

2.5.2. Stainless steel storage tank

2.5.3. Membrane filter assembly

2.5.4. Laminar flow system

2.5.5. Filling machine

2.5.6. Capping machine



- 2.6. Ointment/Cream
  - 2.6.1 Mill
  - 2.6.2 Stainless tank with stirrer, jacketed
  - 2.6.3 Filling machine
  - 2.6.4 Crimper
- 2.7. Small Volume Parenteral Products
  - 2.7.1. Vial washer/rinser
  - 2.7.2. Pyrogen-free distilling apparatus
  - 2.7.3. Storage tank s.s.
  - 2.7.4. Stainless steel tank with stirrer
  - 2.7.5. Membrane filter assembly
  - 2.7.6. Laminar flow system
  - 2.7.7. Ampule filter and sealer
  - 2.7.8. Vial filter and sealer/crimper
  - 2.7.9. Filling machine for liquid
  - 2.7.10. Sterilizer/autoclave
  - 2.7.11. Depyrogenating oven
- 2.8. Large Volume Parenteral Products
  - 2.8.1. Water softener
  - 2.8.2. Carbon filter
  - 2.8.3. Deionizer
  - 2.8.4. Distilling unit
  - 2.8.5. Stainless steel tank with stirrer
  - 2.8.6. Stainless steel storage tank
  - 2.8.7. Membrane filter assembly
  - 2.8.8. Bottle/stopper washer
  - 2.8.9. Laminar flow assembly
  - 2.8.10. Filter and sealer/crimper
  - 2.8.11. Vacuum equipment
  - 2.8.12. Autoclave/sterilizer
  - 2.8.13. Depyrogenating oven
- 2.9. Penicillin Preparation
  - 2.9.1. Separate areas, separate area and entrance from non-penicillin products.
  - 2.9.2. Separate equipment outlay based on specific dosage form.
- 2.10. Optional equipment and Machine
  - 2.10.1. Coating Pan    )
  - 2.10.2. Mill        ) for sugar coated tablet
  - 2.10.3. Polishing Pan   )
  - 2.10.4. Sprayer — for film coating
  - 2.10.5. Sachet filler
  - 2.10.6. Strip sealing machine
  - 2.10.7. Blister pack machine
  - 2.10.8. Tablet/capsule Counter



## ANNEX "B"

### MINIMUM STANDARDS FOR QUALITY CONTROL

#### FACILITIES (DRUG MANUFACTURERS)

##### 1.0. GENERAL REQUIREMENTS

##### 1.1 Physico-Chemical Assay

- 1.1.1. UV spectrophotometer
- 1.1.2. Fluorophotometer (for vitamin preparation)
- 1.1.3. Titrimeter
- 1.1.4. Thin layer chromatography
- 1.1.5. Analytical balance
- 1.1.6. pH meter
- 1.1.7. Drying oven
- 1.1.8. Oven for stability testing
- 1.1.9. Water bath
- 1.1.10. Magnetic stirrer
- 1.1.11. Mechanical shaker
- 1.1.12. Pycnometer
- 1.1.13. Desiccators/vacuum desiccators
- 1.1.14. Hot plate
- 1.1.15. Furnace
- 1.1.16. Glasswares
  - 1.1.16.1. Buret (4)
  - 1.1.16.2. Volumetric flask (6)
  - 1.1.16.3. Separatory funnel (3)
  - 1.1.16.4. Erlenmeyer flask (3)
  - 1.1.16.5. Beaker (assorted sizes, 2 pcs. of each size)
  - 1.1.16.6. Graduated cylinder (assorted sizes, 2 pcs. of each size)
  - 1.1.16.7. Pipette (6)
  - 1.1.16.8. Thermometer (2)
  - 1.1.16.9. Test Tube (24)
  - 1.1.16.10. Funnel (4)
  - 1.1.16.11. Stirring rod (6)
  - 1.1.16.12. Crucible (6)

Laboratory supplies/chemical/reagents/reference standards, etc.

##### 1.2. Biological Assay

##### 1.2.1. Micro Assay

- 1.2.1.1. Autoclave
- 1.2.1.2. Centrifuge
- 1.2.1.3. Colony counter
- 1.2.1.4. Incubator
- 1.2.1.5. Refrigerator
- 1.2.1.6. Bunsen burner
- 1.2.1.7. Petri Dishes (24 pieces)
- 1.2.1.8. Microscope
- 1.2.1.9. Laboratory supplies/glasswares/chemicals/ culture/media etc.

1.2.2. Animal House and Laboratory Animals i.e. mice for safety test; rabbits for pyrogen test

### 1.3. Reference Books

- 1.3.1. Latest United States Pharmacopeia/National Formulary
- 1.3.2. British Pharmacopeia Latest Edition
- 1.3.3. Remington's Pharmaceutical Sciences
- 1.3.4. Merck Index
- 1.3.5. Drug Reference Manual
- 1.3.6. BFAD Regulations/Pharmacy Laws
- 1.3.7. Official Philippine National Drug Formulary

### 1.4. Optional Requirements

*NOTE: If product to be manufactured requires the use of any of the following then it becomes mandatory.*

- 1.4.1. Colorimeter
- 1.4.2. Column Chromatography
- 1.4.3. Gas-liquid chromatography
- 1.4.4. Infrared spectrophotometer
- 1.4.5. Polarimeter
- 1.4.6. Polarograph
- 1.4.7. High pressure liquid chromatography
- 1.4.8. Ultra-sonic bath
- 1.4.9. Kjeldahl assembly

## 2.0. Additional Requirements based on dosage form to be manufactured

### 2.1. Tablet Preparation

- 2.1.1. Disintegration tester
- 2.1.2. Dissolution rate assembly
- 2.1.3. Friabilator
- 2.1.4. Hardness tester
- 2.1.5. Caliper
- 2.1.6. Moisture balance
- 2.1.7. Torsion balance/analytical balance
- 2.1.8. Melting point apparatus

### 2.2. Capsule Preparation

- 2.2.1. Dissolution rate assembly
- 2.2.2. Moisture balance
- 2.2.3. Melting point apparatus
- 2.2.4. Torsion balance/analytical balance

### 2.3. Liquid/Suspension

- 2.3.1. Viscosimeter
- 2.3.2. Refractometer
- 2.3.3. Visual inspection assembly
- 2.3.4. pH meter

## 2.4. Powder and Granules

- 2.4.1. Moisture balance
- 2.4.2. Torsion balance/analytical balance
- 2.4.3. See 2.3 requirements for liquid/suspension

## 2.5. Parenteral

- 2.5.1. Visual Inspection system
- 2.5.2. Leaker Test (Set-up) for ampules
- 2.5.3. Pyrogen test Set-up
- 2.5.4. Particle counter

## 2.6. Ointment/Cream

- 2.6.1. Viscosimeter
- 2.6.2. pH meter

## 2.7. Penicillin Preparation

- 2.7.1. Separate equipment from that of non-penicillin products depending on the dosage form to be manufactured.

### **PURSUANT TO THE GENERICS ACT OF 1988 AND ITS IMPLEMENTING GUIDELINES, DOCTORS AND PHARMACISTS ARE URGED TO BEGIN GENERIC PRESCRIBING AND DISPENSING TODAY, JUNE 1, 1989**

June 1 to August 31 is the designated learning and practice period for all medical, dental, veterinary and pharmaceutical professionals. Beginning September 1, the Generics Act of 1988 will be in full effect.

### **GUIDELINES ON PRESCRIBING MEDICINES BASED ON PRIOR LAWS**

- \* Only validly-registered medical, dental and veterinary practitioners, whether in private practice or employed in a private institution/corporation or in the government, are authorized to prescribe drugs.
- \* All prescriptions must contain the name of the prescriber, office address, professional registration number, professional tax receipt number, patient's/client's name, age and sex, and date of prescription.
- \* For prohibited and regulated drugs, the following are required:

The prescriber must have an S-2 license.

The special Dangerous Board prescription form must be used.

A recording system following pertinent Dangerous Drugs Board regulations must be observed.

### **ADDITIONAL GUIDELINES ON PRESCRIBING MEDICINES PURSUANT TO THE GENERICS ACT OF 1988**

- \* Generic names shall be used in all prescriptions for:
  - Drugs with a single active ingredient, the generic name of the active ingredient shall be used in prescribing.
  - Drugs with two or more active ingredients, the generic name of the active ingredients as determined by the Bureau of Food and Drugs shall be used in prescribing.
- \* The generic name must be written in full but the salt or chemical form may be abbreviated.
- \* The generic name of the drug ordered must be clearly written on the prescription immediately after the Rx symbol, or on the order chart.



In addition to the generic name, a brand name may also be indicated. In such cases, the following shall be observed:

- \* If written on a prescription pad, the brand name enclosed in parenthesis shall be written below the generic name.
- \* If written on a patient's chart, the brand name enclosed in parenthesis shall be written after the generic name.
- \* Only one drug product shall be prescribed on one prescription form.
- \* In prescribing drugs which need strict precaution in their use, the prescriber must comply with the following: After the Rx symbol but before the generic name he must write clearly "(List B)". Refer to attached appendix for details.

The prescriber must ensure that the following information are accurately written on the prescription:

- \* The generic name of the active ingredient(s) and the specific salt or chemical form.
- \* The manufacturer.
- \* The brand name, if so desired.
- \* The strength or dose level using units of the metric system. Example: 1 grain — 60 mg.
- \* The delivery mode or delivery system: quick-dissolve, sustained release, etc., and the corresponding appropriate dose frequency or dose interval.

### **VIOLATIVE, ERRONEOUS AND IMPOSSIBLE PRESCRIPTIONS**

#### *Violative Prescription*

- \* Where the generic name is not written.
- \* Where the generic name is not legible and a brand name which is legible is written.
- \* Where the brand name is indicated and instructions added (such as the phrase "no substitution") which tend to obstruct, hinder or prevent proper generic dispensing.

Violative prescription shall not be filled. They shall be kept and reported by the pharmacist of the drug outlet or any other interested party to the nearest Department of Health Office for appropriate action. The pharmacist shall advise the prescriber of the problem and/or instruct the customer to get the proper prescription.

#### *Erroneous Prescription*

- \* Where the brand name precedes the generic name.
- \* Where the generic name is the one in parenthesis.
- \* Where the brand name is not in parenthesis.
- \* Where more than one drug product is prescribed on one prescription form.

Erroneous prescriptions shall not be filled. Such prescriptions shall also be kept and reported by the pharmacist of the drug outlet or any other interested party to the nearest Department of Health office for appropriate action.

#### *Impossible Prescriptions*

- \* When only the generic name is written but is not legible.
- \* When the generic name does not correspond to the brand name.
- \* When both the generic and the brand names are not legible.
- \* When the drug product prescribed is not registered with the Bureau of Food and Drugs.

Impossible prescriptions shall not be filled. They shall be kept and reported by the pharmacist of the drug outlet or any other interested party to the nearest Department of Health office for appropriate action. The pharmacist shall advise the prescriber of the problem and/or instruct the customer to get the proper prescription.



In cases of violative, erroneous and impossible prescriptions, the local Department of Health office shall be responsible for giving written notice to the erring doctor concerned and for transmitting through channels the report for violation/error to the Professional Regulation Commission or to the fiscal's office for appropriate action.

### **GUIDELINES ON DISPENSING OF MEDICINES BASED ON PRIOR LAWS**

- \* Ethical drugs can only be dispensed upon a written order of a validly-registered physician, dentist or veterinarian.
- \* Non-prescription or over-the-counter drugs may be dispensed even without a written order of a validly-registered physician, dentist or veterinarian in duly licensed drug outlets. When dispensing over-the-counter drugs without a doctor's prescription, the pharmacist shall give the necessary information and direction for use of the drug.
- \* All prescriptions dispensed in the drugstore, botica or hospital pharmacy shall be kept in file for two years and recorded in a prescription book duly registered with the Bureau of Food and Drugs which shall be opened for inspection to Food and Drugs Inspectors any time during business hours of the outlet. The prescription book shall be kept for two years after the last entry.

### **ADDITIONAL GUIDELINES ON DISPENSING TO IMPLEMENT THE GENERICS ACT OF 1988**

- \* All drug outlets are required to practice dispensing of drugs using generic names with some exceptions, modifications or qualifications in certain cases or circumstances prescribed herein.  
Drugstores, boticas, and other drug outlets.

To ensure the informed choice and use of drugs by patient/buyer, the drug outlet is required to:

- \* Inform the patient/buyer of all available drug products generically equivalent to the one prescribed with their corresponding prices. In so doing, the drug outlet shall not favor or suggest any particular product so that the patient/buyer may fully and adequately exercise his option to choose.
- \* For this purpose, all drug outlets shall post in a conspicuous place in their respective establishments a list of drug products using generic names with their brand names, if any, and their corresponding current prices. A handbook or directory containing the above required information, readily accessible to the patient/buyer shall be considered substantial compliance.

**Hospital Pharmacies** The following shall govern generic dispensing in hospital pharmacies, in the case of in-patients only:

- \* Upon admission, the patient or his/her responsible relative shall indicate in writing whether he/she shall submit to the hospital drug policies or reserve the option to buy drugs and medicines outside of the hospital pharmacy.
- \* Hospital pharmacies operating on an acceptable formulary system and pricing policy as determined by the Department of Health, and using generic terminology in procurement, prescribing, dispensing, and recording of drugs shall be exempted from the following:
  - \* Recording of prescription filled in the prescription book, provided such prescriptions shall be kept in file for two years.
  - \* Individually informing the in-patient/buyer on available generic equivalents and their corresponding prices. However, a handbook or directory containing the required drug information must be made available in the wards for patients, responsible relatives of patients and professional staff.



\* In dispensing to the buyer, the drug products in the unit dose or products which are not in their original containers but transferred to small bottles, tin cans, boxes, plastic and/or paper envelopes and the like, the pharmacist shall place legibly on the required drug outlet's label the following information:

Name of patient	Dosage strength
Generic name of the drug	Expiry date
Brand name, if any	Directions for use
Manufacturer	Name of Pharmacist

The partially-filled prescription shall be returned to the buyer after recording the partial filling in the prescription book. The drugstore which completes the filling of the prescription shall keep the prescription in file.

### **Dispensing prohibited and Regulated Drugs (List) and Drugs Requiring Strict Precautions (List B) (*Please see attached Lists*)**

\* In dispensing prohibited and regulated drugs requiring strict precautions in their use, the following shall be observed:

Dispensing must be done by the pharmacist who shall affix his/her signature on the prescription filled.

The order and instructions of the doctor as written on the prescription, must be precisely followed.

Partial filling of prescription for prohibited and regulated drugs (List A) shall not be allowed.

Guidelines on what to do with Violative, Erroneous, and

Impossible Prescriptions

\* Violative and impossible prescriptions as defined in A.O. 62 (Generic Prescribing) shall not be filled. The pharmacist shall advise the prescriber of the problem and/or instruct the customer to get the proper prescription. These violative and impossible prescriptions shall be kept and reported by the pharmacist or other interested parties to the nearest Department of Health office for appropriate action.

\* Erroneous prescription shall be filled, but they shall also be kept and reported to the nearest Department of Health office for appropriate action.

### *Violations on the part of Dispensers and Outlets*

The following acts or omissions are considered violations of these rules and regulations:

\* Imposing a particular brand or product on the buyer.

\* Inaccurate dispensing i.e. dispensing a drug product which does not meet the prescription as to any or all the following: active ingredient, dosage form and strength.

\* Failure to post or make accessible the required up-to-date information on drug products.

\* Failure to indicate the generic name/official name designated by the Bureau of Food and Drugs and other required information on the drug outlet's label of the dispensed drug.

\* Failure to record and keep prescriptions filled.

\* Failure to report to the nearest Department of Health office cases of violative, erroneous, and/or wrong prescriptions within three months after receipt of such prescriptions.

Source: <http://www.gov.ph/1989/01/03/doh-administrative-order-no-56-s-1989/>

# Annex 8

## Sample Implementation Plan Outline

**Name of Project: Public-Private Partnership in Pharmacy**

Name of Pharmacy and Location: \_\_\_\_\_

Date: \_\_\_\_\_

### 1. Goals and Strategies

#### Statement of the Problem

In [date covered], we identified [problems in pharmacy services and other related concerns]. When we analyzed these data, they clearly demonstrated that [findings and analysis of data].

#### Project Goal

To address the above problems, we intend to [project goals] by [project strategy]. We hope to achieve this within [length of implementation and date range]. We plan on implementing this beginning [date of project commencement].

#### Description of Strategy

We will [key strategies with descriptions].

We will also [important support strategies, such as the need for permitting, policies, etc. along with caveats and assumptions].

### 2. Approach

The first area to be considered may focus on proposed project team members. In the matrix below are columns for team member names, suggested departments, and likely roles. (Note that the organization has the full prerogative to decide which departments and what roles are necessary. The entries below are just examples).

**Table A8.1. Public-Private Partnership Project Team Members** (Sample)

Name	Department	Role in the Team
	Planning and Development	Project Manager
	Provincial or Local Health Office	Assistant Project Manager
	Bid and Awards Committee	Advisor (Procurement)
	Hospital Administration (Clinical)	Advisor (Clinical or Medical)
	Hospital Administration (Administration and Finance)	Advisor (Hospital Administration)
	Pharmacy	Advisor (Pharmacy)
	Finance and/or Accounting	Advisor (Finance and administration)
	Planning and Development	Advisor (Monitoring and Evaluation)
	Provincial or Local Information Office	Advisor (Communications and/or Social Marketing)
	Information Technology	System Analyst and/or Management Information Specialist

	Local Government and/or Local Health Office	Secretary and/or Administrative Assistants and other Support Staff
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### Threats and Obstacles to Successful Implementation (Actual or Potential)

In this section, you may enumerate the likely or possible threats and obstacles in the implementation of the public–private partnership (PPP) in pharmacy project. Again, the entries below are just examples.

- (i) Additional staff needed (mention these staff, if applicable)
- (ii) "Buy-in" from staff
- (iii) Approvals and/or permitting issues

In the next section, you may enumerate the expected steps for implementation.

Table A8.2. Implementation Steps (Sample)		
Activity (e.g., data collection, staff training, development of bid document forms, bidding and procurement, awarding, etc.)	Persons Responsible	Deadline

In the next part, you may show a snapshot of the social marketing and communications strategy. Again, data and entries below are just examples. You may also refer to Step 4: Develop a social marketing plan in this guidebook for other helpful insights.

Table A8.3. Communications and/or Social Marketing Strategy (Sample)			
Target audience (Who are the stakeholders for the public–private partnership project)?	Strategy	Timelines and/or Deadlines	Persons and/or Departments Responsible

### 3. Project Schedule

For this section, you may develop a matrix that shows the estimated project schedule.

Table A8.4. Project Schedule (Sample)			
Component	Activities	Timeline	Remarks

### 4. Project Budget

As in any project, implementers should determine resources needed (both human and capital) and their estimated costs.

Table A8.5. Resources Needed (Sample)	
Items or Resources	Estimated Costs

### 5. Performance Indicators

There should also be a system through which the PPP team can monitor and evaluate their progress. Here, you can develop a performance indicators' matrix. You can monitor progress by indicating actual progress, rate and/or percentage of accomplishment or simply saying "yes" (for finished tasks) or "no" (for unfinished tasks). You may add another column for longer task and/or activity updates.

Table A8.6. Performance Indicators (Sample)	
Tasks and/or Activities	Remarks Rating or "Yes" or "No"

## 5. Supplementary Information

This is not a required section but may become useful, particularly if there are complex permitting procedures that the organization or local government unit (LGU) needs to go through. In the case of Philippine LGUs, the second table below shows levels of approval for LGU projects.

Table A8.7. Permits Needed (Sample)			
Permits Needed and/or Approval Issues	Person Assigned	Date Approval Requested	Date Approval Obtained

**Table A8.8. Levels of Approval of Local Government Unit Project** (for Philippine Public–Private Partnership Projects)

Levels	Description
<b>President</b>	<ul style="list-style-type: none"> <li>All Build-Operate-Own projects and other schemes not defined in Section 2 of Republic Act 7718, subject to the recommendation of the National Economic and Development Authority Board's Investment Coordination Committee</li> </ul>
<b>Investment Coordination Committee</b>	<ul style="list-style-type: none"> <li>Local projects costing above PhP200 million</li> <li>All unsolicited proposals regardless of project cost</li> </ul>
<b>Regional Development Council</b>	<ul style="list-style-type: none"> <li>Local projects costing above PhP50 million up to PhP200 million</li> </ul>
<b>City Development Council</b>	<ul style="list-style-type: none"> <li>Local projects costing up to PhP50 million</li> </ul>
<b>Provincial Development Council</b>	<ul style="list-style-type: none"> <li>Local projects costing above PhP20 million up to PhP50 million</li> </ul>
<b>Municipal Development Council</b>	<ul style="list-style-type: none"> <li>Local projects costing up to PhP20 million</li> </ul>

Source: Section 2.7 of the Build-Operate-Transfer Law of the Philippines (Republic Act 7718).



# Annex 9

## Notes on Social Marketing



Source: Unknown. Lifted from MacFadyen et al. 1999 and Scott 2005, found at <http://www.sswm.info>

### Social Marketing

Social marketing is the use of commercial marketing techniques to promote the adoption of behavior that will improve the health or wellbeing of the target audience or of society as a whole. Social marketing is not a standalone awareness raising tool; rather, it is a framework or structure that combines classic promotional tools with knowledge from many other scientific fields such as economy, psychology, sociology, anthropology, and communications theory to understand how to influence people's behavior. Improving the current situation (e.g., lack of a stable supply of medicines in a public hospital) is very much connected with changing or adapting behaviors of the local community. By applying social marketing

principles, you can positively influence current behaviors and therefore improve the wellbeing of the local community.<sup>35</sup>

### Social Marketing and Conventional Marketing

Social marketing is similar to conventional marketing, but the end goal is not to sell a product to make profits, but to achieve a social benefit (e.g. improvement of health, conservation of resources) for the society.<sup>36</sup>

Social marketing is not easy to implement and involves changing intractable behaviors, in complex economic, social, and political climates, often with very limited resources. When social marketing is successful, people will start to spread the message

<sup>35</sup> From an online compilation by S. Keller (Seecon International, gmbh), M. Kropac (Seecon International, gmbh).

<sup>36</sup> Adapted from MacFadyen et al. 1999 and Scott 2005. Social Marketing National Excellence Collaborative.

about a certain product, behavior, or technology themselves.

Though there exist numerous definitions of social marketing, this section is based on the following definition:

*“Social marketing (for example, in the context of health) is the use of commercial marketing techniques to promote the adoption of behavior that will improve the health or well-being of the target audience or of society as a whole.”*

### Some Fundamental Marketing Principles

The following marketing principles, which are critical to the success of social marketing campaigns, include:

- (i) understanding your audience, their needs, wants, barriers, and motivations;
- (ii) being clear about what you want your audience to do; changes in knowledge and attitudes are good if they lead to action;
- (iii) understanding the concept of exchange; you must offer your audience something very appealing in return for changing behavior;
- (iv) realizing that competition always exists; your audience can always choose to do something else;
- (v) being aware of the “four Ps of marketing” (see next section) and how they apply to your program; and
- (vi) understanding the role that policies, rules, and laws can play in efforts to affect social or behavioral change.<sup>37</sup>

### Marketing Mix – The Four Ps

Marketing strategies are developed around the structure of the basic “four Ps framework”—product, price, place, and promotion. An understanding of the four Ps allows the development of the appropriate product, at the right price, easily available through strategic sales placement, and known about through promotion, which also aims to enhance desire. Sometimes, also a fifth P (policy) is used.<sup>38</sup>

#### Product

The social marketing product is not necessarily a physical offering. A continuum of products exists, ranging from tangible, physical products (e.g., drugs and hospital supplies), to services (e.g., drug dispensing), practices (e.g., purchasing of drugs from public–private partnership (PPP) pharmacies), and finally, more intangible ideas (e.g., better health).

When the product is behavior, there may be associated physical products necessary to allow this behavior change; e.g., new PPP pharmacies, which need to be considered here.

Before being able to design a product, the targeted consumers must have the awareness that they have a problem and that this can be addressed by a product (e.g., the product, medicines sold by a PPP pharmacy, can address the problem, unstable supply of medicines). Sometimes, it is not easy to achieve this kind of awareness. A lot of demand creation needs to be done in cases where cause and effect of products are not easily recognizable.

#### Price

Behavior change itself may have no price tag. However, associated products (medicines, hospital supplies, etc.) that make it easier can come at a price. These products need to be available at an affordable price to the target audience.

While the price is often an important contributor to the viability of a behavior change program, it is rarely the most important factor ruling product uptake as many assume, even when the very poor people are targeted. However, subsidies or incentives may be necessary in some cases to boost social marketing interventions.

#### Place

The products required for behavior change need to be available and accessible in places for the target audience to make behavior change truly possible. For example, the urban and rural poor need pharmacy facilities nearby to change their practices

<sup>37</sup> Adapted from Social Marketing National Excellence Collaborative.

<sup>38</sup> Scott, 2005.

of self-medication or buying medicines without doctors' prescriptions.

### Promotion

Having a product available in the right place, for the right price, is the precondition to start with the promotion of your product. However when your product is a new behavior or a social norm, promotion tends to be quite difficult. Awareness needs to be raised, and a desire to adopt the new behavior created. This is done via promotion based upon an understanding of the motivations of the target audience and knowledge of their primary and trusted channels of communication.

### The Fifth P: Policy

In the case of social marketing programs, a 5th "P" may be applied: policy. Policy can be used to make the unhealthy behavior harder, for example, by requiring the establishment of PPP in pharmacy in public hospitals in the local level (see also command and control tools), or by making the desired behavior easier, by subsidizing the establishment of PPP in pharmacy, for example (see also economic tools). An enabling policy or institutional environment can also be vital for sustaining behavior change in the longer term.

### Social Marketing – Not Just Promotion!

Many behavior change programs target only the fourth P: promotion. However, if the products necessary to allow behavior change are not available in the right places at the right price then behavior change will be incredibly difficult to achieve. Therefore, social marketing is always at least the combination of the four "P's": product, price, place and promotion.<sup>39</sup>

### The Six Phases of Social Marketing

Implementing a sustainable social marketing strategy normally involves the following six phases:<sup>40</sup>

#### PHASE 1: Describe the problem

At the beginning of this process, you must clearly describe the problem to be addressed and the compelling rationale for the program. These are to

be based on a thorough review of the available data, the current literature on behavioral theory, and best practices of programs addressing similar problems. This can, for example, be done through an analysis of strengths, weaknesses, opportunities, and threats, which will help you to identify the factors that can affect program development. Finally, you will develop a strategy team to help develop and promote the program.

#### PHASE 2: Conduct market research

Social marketing depends on a deep understanding of the consumer. In this phase, you will research what exactly your target audience is, and what makes different consumer groups, or segments, alike and different from one another.

This research is important, because you will need to approach different consumer groups in a different way to be successful. If you do social marketing for sanitation, for example, you will not be very successful if you only have one standard product, at one given price, available only at one place that is promoted only in one way (e.g. through radio campaigns). You will need to segment your consumers into different groups you want to target, because all those groups will have different needs and priorities in regard to sanitation. With market research, you aim to get inside the consumers' head, understanding what they want in exchange for what your program wants them to do, and what inhibits them from engaging in the desired behavior. The objective of the research is to determine:

- (i) how to cluster your target audience into useful segments;
- (ii) which target audience segments are most ready to change their behavior; and
- (iii) what they want or need most in order to do that.

#### PHASE 3: Create the market strategy

The centerpiece of your social marketing program is to articulate what you want to achieve and how you will do it.

<sup>39</sup> Scott, 2005.

<sup>40</sup> Adapted from Social Marketing National Excellence Collaborative, ed. The Manager's Guide to Social Marketing, Using Marketing to Improve Health Outcomes from the Social Marketing. Washington: Turning Point. <http://www.turningpointprogram.org>

Based on the research findings, begin by selecting a target audience segment and the desired behavior to be promoted. Afterwards, specify the benefits the target audience will receive for changing or adopting this behavior. The target audience should really care about these benefits. You may also specify key barriers that the program will help the target audience overcome to perform the desired behavior.

#### **PHASE 4: Adapt your marketing mix**

To be successful, you will need to adapt a different marketing mix for all the identified segments from your market research. You will have different products for different consumer groups, which will come at different prices, that will be available at different places, and you will reach them with a combination of different communication tools (promotion).

Depending on the scope of your program and your available resources, you will also need to work on the policy level and train your staff to be able to conduct your social marketing campaign.

These processes and considerations involve keeping on strategy and ensuring that each intervention addresses the respective target benefit or barrier, and is accessible and appropriate for the target audience. You will have to develop a plan, timeline, and budget for each of the proposed interventions, and highlight where key partners and stakeholders are needed and how to engage them. At the end of this phase, you should have a comprehensive work plan that describes and ties together all the pieces.

#### **PHASE 5: Plan monitoring and evaluation**

Social marketing is based on an iterative design model, so monitoring data are used to both ensure the program is being implemented as planned, and to examine whether your strategy and tactics are suitable or need tweaking. You will also consider if environmental factors (such as policies, economic conditions, new programs, structural change, or improvement) have changed in ways that affect your program. You will have to design a research plan to evaluate the effects or outcomes of the social marketing program. This should involve examining whether:

- (i) desired effects were achieved;
- (ii) observed effects can be attributed to your program; and
- (iii) the underlying logic of the intervention and its relationship to desired effects are sound.

#### **PHASE 6: Implement the intervention and evaluation**

Finally, after all the planning, you are ready to implement the program and the evaluation.

This phase walks through steps for launching the program; producing materials; procuring needed services; sequencing, managing, and coordinating the respective interventions; staying on strategy; fielding the evaluation; capturing and disseminating findings and lessons learned; and modifying activities as warranted.

Your monitoring plan should be alerting you to any issues that require urgent attention or modification. Staying on top of important stakeholder and partner perspectives and concerns is an important function during this phase.

# Annex 10

## Key Activities during the Bidding Process

### Preparation of the Invitation to Bid and the Bidding Documents

The Invitation to Bid (ITB) and the draft bidding documents are usually prepared by the local government unit's (LGU's) procurement office upon receipt of the finalized terms of reference (TOR). At this stage, the type of bidding document to prepare (whether for procurement of goods, infrastructure services, consulting services, or any other form of services) and the mode of procurement to use (whether through competitive bidding, shopping, direct contracting, or any other alternative method) are first confirmed through the approved procurement plan (APP) and the approved purchase request. Once it is confirmed that the proposed procurement is provided for in the APP and it has a corresponding approved purchase request, the procurement office picks the appropriate template from among the Philippine bidding documents (PBDs) of the Government Procurement Policy Board (GPPB), or customizes one where there is none, as was done in the case of Northern Samar in the Philippines. Where a template is used, it is emphasized that the decision remains with the purchasing agency to provide the specifics that are called for in the Bid Data Sheet, Special Conditions of Contract, and other sections of the bidding documents, which are not intended to be used unchanged.<sup>41</sup>

For Northern Samar's pharmacy services, the ITB was developed based on the TOR, but guided by the format and substance of the usual ITB for public bidding. The ITB should contain:

- (i) a description of the subject for bidding;
- (ii) the agencies involved in the project;

- (iii) requirements from interested bidders;
- (iv) cost of the bidding documents;
- (v) dates of issuance of the bidding documents, pre-bid conference and bid opening;
- (vi) venue of the pre-bid conference and bid opening;
- (vii) amount and acceptable forms of bid security;
- (viii) deadline for submission of required documents; and
- (ix) approved budget for contract, where applicable.

Guided by the latest edition of the PBDs of the GPPB, the bidding document that was customized for Northern Samar was also developed based on the TOR. Ideally, the bidding document should be prepared by a group of individuals such as the bids and awards committee (BAC), the technical working group, BAC Secretariat, end-users, and technical experts. However, to help expedite the process, the technical assistance team initiated the preparation, while the LGU's BAC Secretariat and end-users provided their corresponding inputs. As a rule, bidding document should be finalized before the advertisement of the Invitation to Bid.

### Conduct of Pre-Procurement Conference

The pre-procurement conference is a forum where all those concerned with the subject for bidding are called to discuss the details of a particular procurement. It is conducted by the BAC to ensure the readiness of the LGU in procuring the required services. Items discussed during a pre-procurement conference include the TOR, mode of procurement, procurement timelines, budget availability,

<sup>41</sup> Note that while these procedures are based on Philippine context (particularly the PPP in pharmacy in Northern Samar), many aspects also reflect the procedures or practices in other countries.



approved budget for contract, bid evaluation procedure, and the bidding document as a whole. While, in the Philippines, the pre-procurement conference is not required for (consulting) services worth PhP1 million and below, BACs are encouraged to conduct one in case there is complexity in the TOR or in any of the arrangements called for bids. Pre-procurement conferences should be held before the advertisement or posting of the ITB to allow time to prepare amendments in the bidding document or in the ITB.

## Publication or Posting of the Invitation to Bid

The ITB may be advertised through the newspaper, the LGU's website, in the Philippine context, the Philippine Government Electronic Procurement System's website, or in any conspicuous place within the LGU's premises. A continuous period of 7 calendar days is required through website posting, starting from the date of advertisement. For the Northern Samar pharmacy services, the local chief executive indicated the LGU's preference to post the advertisement through the Philippine Government Electronic Procurement System. This will ensure wider dissemination and better competition.

## Issuance of the Bidding Documents

Bidding documents are treated as confidential documents prior to the official date of release. However, these should be ready for issuance on the first day of advertisement. In the Philippines, while the IRR of Republic Act 9184 allows a procurement process of 60 calendar days from the date of advertisement up to the bid opening date, the LGU has the flexibility to determine a shorter period. Seeing the simplicity of the package called for bids, Northern Samar indicated its preference to allow only about 3 weeks of issuance from advertisement to bid opening. This will enable the LGU to immediately conduct bid evaluation and recommend contract award as promptly as possible.

For monitoring purposes, the BAC Secretariat keeps a record of all those who purchased or were issued bidding documents. This record helps the end-user and the BAC estimate the number of prospective

bidders, if not ascertain the likelihood of a failed invitation.

## Conduct of Pre-Bid Conference

The pre-bid conference is a forum wherein the procuring office and the prospective bidders meet to discuss the package called for bids. This is done at least 12 days before the date of bid submission, during which technical and knowledgeable persons should be present to ensure a thorough discussion. The BAC Secretariat is expected to document the minutes of the pre-bid conference, which could also serve as the reference for subsequent preparation of a bid bulletin. The pre-bid conference should not be concluded without the BAC presenting the bid evaluation procedure and the evaluation criteria. In the Philippines, a pre-bid conference is required for consulting contracts with approved budgets for contract of at least PhP 1 million.

## Issuance of Bid Bulletins

Clarifications made during the pre-bid conference are normally issued through bid bulletins; this is also true for the clarifications or further amendments of the bidding documents after the conduct of the pre-bid conference. Bid bulletins should be issued at least 7 days before the bid submission date and should also be posted in the same website where the invitation to bid was advertised. A bidder who submitted a bid before the issuance of a bid bulletin should be allowed to withdraw the bid and modify the same.

## Submission of Bids

Bidders should submit their bids on or before the date and time specified for the same. Bids submitted after the specified deadline will not be accepted by the BAC. The BAC Secretariat should monitor the date and time of bid submissions to ensure that no prompt bidder complains in case a late bid is received.

## Bid Opening

The BAC should open the bids on the date and time specified for the same. The bids should not be opened without the BAC chairperson or the vice chair, and without a quorum constituted by the members. All BAC members present during the bid opening should

initial every page of the original copies of the bids received and opened. The BAC Secretariat should document the minutes of the bid opening as well as the names and number of bidders whose bids were not accepted due to late submission.

### Conduct of Bid Evaluation and Post-Qualification

The bid evaluation procedures as specified in the bidding documents for the lease, operation, and management of the hospital pharmacy in Northern Samar indicate the following:

1. The Provincial Government of Northern Samar shall conduct a detailed evaluation of bids using a two-step procedure comprised of prequalification and revenue share evaluation. The first step, prequalification, covers track record and financial capability evaluation. The second step, revenue share evaluation, is solely based on the highest rate offered by the prequalified bidder. The criteria and weights for prequalification are as follows:
  2. The Provincial Government of Northern Samar would only open the price proposals of bidders that meet the total minimum required score of 65%. The prequalified bidder that submits the highest revenue share, expressed in percentage of net sales derived from the hospital pharmacy, will be considered as the highest rated bid for subsequent award, subject to post-qualification.
  3. In case the revenue shares offered by the prequalified bidders are the same, award will be made in favor of the bidder with the highest prequalification score.
2. The bid evaluator will countercheck the listed documents against a summarized list that may have earlier been prepared by the BAC Secretariat to ensure completeness and accuracy of the list. In case no summary list has been prepared by the BAC Secretariat, the summary should be prepared now.
3. Once confirmed that the list matches the earlier-prepared summary list, or the summary list has just been prepared and ensured to be complete, the bid evaluator will indicate either a check (✓) or cross (X) mark opposite each listed document for every bidder that is the subject of evaluation.
4. Upon completion of the ✓ or X markings per bidder, the bid evaluator will assemble the following documents per bidder to undertake the bid evaluation proper:
  - 4.1 company profile stating the owners, brief history, and business of the company. From this profile, the bid evaluator would be able to ascertain the number of years in operation of the bidder, and the number of pharmacies operated by the bidder, and assign the corresponding % weights for these criteria;
  - 4.2 statement of the bidder of all its ongoing and completed government and private contracts within the last 3 years, including contracts awarded but not yet started, similar in nature and complexity to the contract to be bid, which will help the bid evaluator validate the number of pharmacies operated by the bidder;
  - 4.3 bidder's audited financial statements, stamped "received" by the Bureau of Internal Revenue for the last 3 years, to enable the bid evaluator to determine the bidder's annual sales, the bidder's capital, the bidder's debt-to-equity ratio, and bidder's current ratio, and assign the corresponding % weights to this criteria; and
  - 4.4 bank references, for the bid evaluator to assign the corresponding weight for this criterion.
5. The ratings derived from Step 4 above will be consolidated by the bid evaluator to be able to readily compare all the bidders, and to

### How the bid evaluator will execute the foregoing procedures:

1. The bid evaluator needs to check the bid submission requirements to evaluate the track record and financial capability of the bidders. To do this, the bid evaluator will first review the section of the bidding document on "instructions to bidders" to verify what documents have been specified for submission.

**Table A10.1 Criteria and Weights for Prequalification (Sample)**

No.	Criteria		Weight
1	Track Record		60%
	(a) Number of years in operation	20%	
	Less than 3 years	10%	
	3-5 years	15%	
	More than 5 years	20%	
	(b) Number of pharmacies operated	20%	
	Less than 3 pharmacies	10%	
	3-5 pharmacies	15%	
	More than 5 pharmacies	20%	
	(c) Annual sales	20%	
	Up to PhP 10 million	10%	
	PhP 10 million – PhP 20 million	15%	
	More than PhP 20 million	20%	
	Minimum requirement = 40%		
2	Financial capability		40%
	(a) Capital	25%	
	Less than PhP 5 million	10%	
	PhP 5 million – PhP 12 million	15%	
	More than PhP 12 million	25%	
	(b) Debt-to-equity ratio	5%	
	More than 1.0x	3%	
	0.5x to 1.0x	4%	
	Less than 0.5x	5%	
	(c) Current ratio	5%	
	Less than 0.5:1	3%	
	0.5:1 to 1.0:1.0	4%	
	More than 1.0:1.0	5%	
	(d) Favorable references from reputable banks	5%	
	None	0%	
	Adequate	5%	
	Minimum requirement = 25%		
	Total minimum requirement = 65%		

check which among them met the minimum required ratings.

6. The bidders that met the minimum required rating of 65%, broken into 40% for track record and 25% for financial capability, will be grouped separately from those that did not meet the minimum required rating.
7. The bidders that met the minimum required rating of 65% will thereafter be compared against each other through their price proposals. Hence, the bid evaluator will proceed to open their price proposals, while those that did not meet the minimum required rating will have their price proposals kept unopened.
8. The bidder that submitted the highest price proposal representing the LGU's share in the pharmacy operator's net sales will be considered for award, but only after it passes post-qualification.
9. In case of a tie, the bidder that has the highest prequalification rating shall be selected for prospective award.
10. Post-qualification of the prospective awardee will be undertaken by validating or updating the prequalification documents, where necessary, and confirming satisfactory performance of the pharmacy operator in its completed and ongoing contracts similar to the project called for bids.

#### **What to do when no bidder meets the minimum required rating:**

1. The bid evaluation team presents its findings to the BAC.
2. The BAC declares the bidding a failure through a resolution and decides the conduct of rebidding.
3. The end-user or the procurement office reviews the TOR and the terms and conditions of the concluded bidding, and determines areas that need to be amended.
4. Rebidding shall be re-advertised using an amended TOR and bidding documents.
5. Bidders who participated during the first bidding will be allowed to submit new bids.
6. In case a second bidding failure occurs, the organization may enter into negotiated procurement with a legally, technically,

and financially capable pharmacy operator, provided the original terms and conditions of the first bidding are maintained.

#### **What to do when the prospective awardee fails post-qualification:**

1. The bid evaluation team presents its findings to the BAC.
2. The BAC notifies the post-disqualified bidder, citing the grounds for its post-disqualification.
3. The post-disqualified bidder shall be given the option to request for reconsideration within an acceptable period, but the bid evaluation team may proceed to undertake post-qualification of the next ranked bidder.
4. In case the request for reconsideration of the post-disqualified bidder is accepted by the BAC, the concerned bidder shall be recommended for award.
5. In case the request for reconsideration of the post-disqualified bidder is not accepted by the BAC and the next ranked bidder passes post-qualification, it shall be recommended for contract award.
6. In case the next ranked bidder fails post-qualification, the procedure shall be repeated for the remaining bidders that met the minimum required rating until one is determined for contract award.

#### **Preparation of the Bid Evaluation Report**

The bid evaluation report is prepared to document the entire procurement activity from planning up to the recommendation for award. It shall be signed by all the members comprising the bid evaluation team and submitted to the BAC for review and eventual preparation of the BAC Resolution to Award. The features of the bid evaluation report for the Northern Samar pharmacy services included the following:

- (i) description of the bidding package;
- (ii) narration of the schedule of activities from publication of the advertisement to the date of actual bid evaluation;
- (iii) number of bidders who purchased bidding documents against those who submitted bids;

- (iv) late bids that were returned unopened, if any;
- (v) the forms and amounts of the submitted bid securities;
- (vi) outcomes of the prequalification process;
- (vii) outcomes of the price evaluation;
- (viii) outcomes of the post-qualification; and
- (ix) recommendation for award.

### Preparation of the BAC Resolution to Award

The BAC resolution to award is drafted by the BAC Secretariat after a review of the bid evaluation report. If the bid evaluation report is found to be in order, the BAC confirms the bid evaluation report through its resolution to award and transmits the same to the local chief executive for approval. The local chief executive has 7 calendar days to act on the BAC resolution, and in case the same is approved, the BAC consequently issues the notice of award to the winning bidder, without failing to also inform the losing bidders.

### Issuance of the Notice of Award and Contract

The notice of award and the contract are issued to the winning bidder after the local chief executive approves the BAC resolution. At the same time, the losing bidders are also informed of the bidding outcomes.

### Procurement Monitoring

Procurement monitoring reports are expected of all procuring entities, some of which are even required for submission to the GPPB.

### Winning Bidder's Submission of Performance Security

Upon acceptance of the notice of award and contract signing, the winning bidder should furnish the LGU with the required performance security within 10 days thereof. The performance security provides the LGU the winning bidder's guarantee to perform its contractual obligations, which security could be forfeited in case of breach of contract. The LGU should not accept a deficient performance security regardless of the amount of deficiency. The same security should be released by the LGU after the winning bidder fulfills its contractual obligations.

### Contract Approval

Upon the winning bidder's submission of the required performance security, the BAC Secretariat transmits the contract documents to the local chief executive for approval along with the bid evaluation report, the BAC resolution to award and the certificate of funds availability. The local chief executive then issues the notice to proceed to the winning bidder along with a copy of the approved contract.

### Issuance of Notice to Proceed

The notice to proceed usually signals the effectivity date of the contract. It should be issued by the local chief executive to the winning bidder within 3 days from contract approval. The implementing rules and regulations of Republic Act 9184 provides for no more than 7 days from the issuance of the notice to proceed for the contract to become effective. However, in the case of the Northern Samar pharmacy services, the winning bidder is proposed to be given a 30-day fit out period before the contract period begins.



# Annex 11

## Sample Procurement Document with Template of Terms of Reference for a Public–Private Partnership in Pharmacy Project

[NAME OF PROVINCE OR ORGANIZATION]

### **Bidding Documents**

**For the**

### **Public-Private Partnership**

**For the**

### **Lease, Management, and Operation of the Pharmacy of**

***[Name of hospital\*]***

*\*This is a sample bid document for a PPP in pharmacy services. Users, with the assistance of lawyers or legal counsels, will find this useful in the crafting of the bid document. However, not all provisions or sections in typical PPP bid documents are provided here due to space limitation. Moreover, the provisions stipulated here may not be legally applicable in or compliant to specific policies of certain countries. Readers are advised to refer to their country regulations and practices in the adoption of some or all of the provisions in this document. Text inside the square brackets “[ ]” should be replaced by the users, depending on their context. For example, “name of hospital” means the user should remove the brackets and replace it with the name of the hospital where the PPP in pharmacy is being developed.*

### Section I. Invitation to Bid

#### **Public–Private Partnership for the Lease, Management and Operation of the Pharmacy of [name of hospital]**

1. The [name of province or organization] is currently working with the [name of financing institution or bank, as the case may be] under the [name of project, as applicable] to strengthen the governance structure of the health sector of the province to improve the overall health status of its constituents, particularly in the areas of maternal and child health, control of communicable diseases, basic health care, hospital referral, and laboratory and diagnostic services, through various forms of public–private partnerships (PPPs).<sup>\*</sup> One of the areas identified for PPP is the management and operation of the hospital pharmacies and drug rooms in [name of province and/or hospital]. [*\*The statement of the objective may depend on the project goals. The statement used here is for a specific project in Northern Samar.*]
2. At present, there are [number of hospitals, as the case may be] hospitals managed and operated by the provincial government in [name of province], with a total authorized capacity of [number of beds] beds. These are the [name of hospital and location], with [number of beds] beds; the district hospitals in [name of place or locality, as the case may be]; and the district hospitals in [name of place or locality, as the case may be], with [number of beds] beds each. The pharmacies and drug rooms in all these hospitals are currently being managed and operated by [name of province or organization] through their respective hospital managements. [Name of province or organization] would like to improve the services in the hospital pharmacies by inviting third party entities qualified and capable of bringing their expertise in the area of pharmacy administration and operations.
3. This Invitation to Bid (ITB) is for the PPP for the lease, operation and management of the pharmacy of the [name of hospital] (“the Hospital Pharmacy”).
4. The [name of province or organization] now calls for the submission of prequalification documents and Bids for the PPP for the lease, operation, and management of the Hospital Pharmacy. Eligibility screening shall cover the firm’s qualifications to perform the services as evidenced by business registration documents, permits, experience in similar contracts, financial statements, and other documents specified in the Terms of Reference (TOR).
5. The Bidding documents shall be available for sale in the amount of [amount in words and figures] at the office of the BAC Secretariat in the [location] from [time when the sale of Bid document begins] to [time when the sale of Bid document ends] from [start date] to [end date].
6. A Bid security in the amount of [amount in words and figures] in the form of cash, cashier and/or manager’s check, bank draft and/or guarantee, or irrevocable letter of credit issued by a commercial bank shall be posted by the Bidder.
7. [Name of province or organization] will hold a pre-Bid conference on [date and time] at [place] which will be open to all interested parties who have purchased the Bidding documents.
8. Interested firms must submit their prequalification documents and Bids on or before [date and time] at [address of place of submission]. Late Bids shall not be accepted.

9. The procurement will be conducted through open competitive procedures as may be guided by *[governing law and/or regulation, as the case may be]*.
10. Contract duration shall be *[number of years in word and figure]* years.
11. The Bids and Awards Committee (BAC) reserves the right to reject any and all Bids, annul the Bidding process, or not award the contract at any time prior to contract award, without thereby incurring any liability to the affected Bidder or Bidders.
12. For further information, please refer to:

*[Name of officer]*  
*[Name of office]*  
*[Postal address]*  
*[Telephone number, indicate city code]*  
*[Contact's email address]*  
*[Facsimile number]*  
*[Website address, if applicable]*

*[Date Issued]*

*[Name and Signature of the BAC Chairperson]*

## Section II. Instructions to Bidders

### A. General

#### 1. Introduction

- 1.1. The *[name of province or organization]* shall select an individual, sole proprietorship, partnership, corporation, or a joint venture (hereinafter referred to as “Bidder”) from among those who passed the Bid evaluation procedure specified in ITB Clause 22\*.*[\*The clause numbers may change depending on the final Bid document that an organization will use. This note should be applied throughout the whole document.]*
- 1.2. *[Name of province or organization]* intends to improve the services in the pharmacy of *[name of hospital]* (hereinafter referred to as “Hospital Pharmacy”) by inviting qualified Bidders for the lease, operation, and management of the Hospital Pharmacy.
- 1.3. Bidders are invited to submit Bids required for this project described in Section III Terms of Reference.
- 1.4. Bidders must familiarize themselves with local conditions and take them into account in preparing their Bids. To obtain firsthand information on the project and on the local conditions, Bidders are encouraged to visit the *[name of province or organization]* before submitting a Bid and to attend the pre-Bid conference specified in ITB Clause 4(j)7.
- 1.5. The Bidders’ costs of preparing their Bids, including a visit to the *[name of province or organization]*, are all for the account of the Bidders.
- 1.6. Bidders shall not be under a declaration of ineligibility for corrupt, fraudulent, collusive, or coercive practices in accordance with ITB Clause 3.1.

#### 2. Conflict of Interest

- 2.1 The *[name of province or organization]* requires that the Bidders hold the *[name of province or organization]*’s interests paramount, without any consideration for future work, and strictly avoid situations where a conflict of interest shall arise with their other projects or their own interests. Bidders shall not have conflict with their prior or current obligations to their own or other entities, or that may place them in a position of not being able to carry out the Project in the best interest of the *[name of province or organization]*.
- 2.2 Bidders shall not be related to the Head of the *[name of province or organization]* and of the Hospital Pharmacy, members of the BAC, the Technical Working Group, the BAC Secretariat, the head of the Project Management Office, and the project consultants, by consanguinity or affinity up to the third civil degree. The prohibition shall apply as follows:

- (a) If Bidder is an individual or sole proprietorship, then to himself or herself;
- (b) If the Bidder is a partnership, then to all its officers and members;
- (c) If the Bidder is a corporation, then to all its officers, directors and controlling stockholders; or
- (d) If the Bidder is a joint venture, the provisions of items (a), (b), or (c) of this Section shall correspondingly apply to each of the members of the said joint venture, as may be appropriate.

Relationship of the nature described above or a failure to comply with the provisions of this clause will result in the rejection of the Bidder's Bid.

- 2.3 Subject to the provisions of ITB Clause2, any previous or ongoing participation by the Bidder, its professional staff, or its affiliates or associates under a contract in relation to this project may result in the rejection of its Bid. Bidders should clarify their situation in that respect with the *[name of province or organization]* before preparing their Bid.
- 2.4 Failure by a Bidder to fully disclose potential conflict of interest at the time of Bid submission, or at a later date in the event that the potential conflict arises after such date, shall result in the *[name of province or organization]* seeking the imposition of the maximum administrative, civil, and criminal penalties up to and including imprisonment.

### 3. Corrupt, Fraudulent, Collusive, and Coercive Practices

- 3.1. The *[name of province or organization]* as well as the Bidders shall observe the highest standard of ethics during the procurement and execution of the contract. In pursuance of this policy, the *[name of province or organization]*:
  - (a) defines, for purposes of this provision, the terms set forth below as follows:
    - (i) "corrupt practice" means behavior on the part of officials in the public or private sectors by which they improperly and unlawfully enrich themselves, others, or induce others to do so, by misusing the position in which they are placed, and includes the offering, giving, receiving, or soliciting of anything of value to influence the action of any such official in the procurement process or in contract execution; entering, on behalf of the *[name of government or country]*, into any contract or transaction manifestly and grossly disadvantageous to the same, whether or not the public officer profited or will profit thereby, and similar acts as provided in *[governing law]*;



- (ii) “fraudulent practice” means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the [name of province or organization], and includes collusive practices among Bidders (prior to or after Bid submission) designed to establish Bid prices at artificial, noncompetitive levels and to deprive the [name of province or organization] of the benefits of free and open competition;
  - (iii) “collusive practices” means a scheme or arrangement between two or more Bidders, with or without the knowledge of the [name of province or organization], designed to establish Bid prices at artificial, noncompetitive levels; and
  - (iv) “coercive practices” means harming or threatening to harm, directly or indirectly, persons, or their property to influence their participation in a procurement process, or affect the execution of a contract.
- (b) will reject a proposal for award if it determines that the Bidder recommended for award has engaged in any of the practices mentioned in this clause for purposes of competing for the contract.
- 3.2. Further, the [name of province or organization] will seek to impose the maximum civil, administrative, and/or criminal penalties available under applicable laws on individuals and organizations deemed to be involved in any of the practices mentioned in ITB Clause 3.1(a).
- 3.3. Furthermore, the [name of province or organization] reserves the right to inspect and audit the records and accounts of a Bidder in relation to the Bidding and for the resultant contract, either by themselves or through independent auditors.

#### 4. Bidder’s Responsibilities

- 4.1 Bidder or its duly authorized representative shall submit a sworn statement in the form prescribed in Section IV Bidding Forms.
- 4.2 The Bidder is responsible for the following:
- (a) having taken steps to carefully examine all of the Bidding documents;
  - (b) having acknowledged all conditions, local or otherwise, affecting the implementation of the contract;
  - (c) having made an inspection of the facilities available and needed for this project, if any;
  - (d) having complied with its responsibility to inquire or secure Supplemental Bid Bulletin(s) as provided under ITB Clause 8.3;

- (e) ensuring that it is not “blacklisted” or barred from Bidding by the [name of government and/or country] or any of its agencies, offices, corporations, or local government units (LGUs), including foreign government and/or foreign or international financing institution whose blacklisting rules have been recognized by the Government Procurement Policy Board (GPPB)\*; [*\*This is in the context of the Philippines only; users may replace this with the appropriate government agency*].
- (f) ensuring that each of the documents submitted in satisfaction of the Bidding requirements is an authentic copy of the original, complete, and all statements and information provided therein are true and correct;
- (g) authorizing the head of the [name of province or organization] or its duly authorized representative(s) to verify all the documents submitted;
- (h) ensuring that the signatory is the duly authorized representative of the Bidder, and granted full power and authority to do, execute and perform any and all acts necessary and/or to represent the Bidder in the Bidding, with the duly notarized Secretary’s Certificate attesting to such fact, if the Bidder is a corporation, partnership, cooperative, or joint venture;
- (i) complying with the disclosure provision under [relevant clauses of governing laws and regulations of the land] in relation to other provisions of [governing law]; and
- (j) complying with existing labor laws and standards, if applicable.

Failure to observe any of the above responsibilities shall be at the risk of the Bidder concerned.

- 4.3 It shall be the sole responsibility of the prospective Bidder to determine and to satisfy itself by such means as it considers necessary or desirable as to all matters pertaining to this Project, including:

- (a) the location and the nature of the contract, project, or work;
- (b) climatic conditions;
- (c) transportation facilities;
- (d) nature and condition of the terrain, geological conditions at the site, communication facilities, location, and availability of materials, labor, water, electric power, and access roads; and

- (e) other factors that may affect the cost, duration and execution, or implementation of the contract, project, or work.
- 4.4 The [name of province or organization] will not assume any responsibility regarding erroneous interpretations or conclusions by the Bidder out of the data furnished by the [name of province or organization].
- 4.5 Before submitting their Bids, the Bidders are deemed to have become familiar with all existing laws, decrees, ordinances, acts, and regulations of the [name of government or country] that may affect the contract in any way.
- 4.6 The Bidder shall bear all costs associated with the preparation and submission of his Bid, and the [name of province or organization] will in no case be responsible or liable for those costs, regardless of the conduct or outcome of the Bidding process.
- 4.7 Bidders should note that the [name of province or organization] will only accept Bids from those that have paid the nonrefundable fee for the Bidding documents at the office indicated in the Invitation to Bid.

## 5. Origin of Associated Goods

There is no restriction on the origin of the goods other than those prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

## 6. Subcontracts

- 6.1 The Bidder may subcontract portions of the services to an extent as may be approved by the [name of province or organization]. However, subcontracting of any portion shall not relieve the Bidder from any liability or obligation that may arise from the contract for this project.
- 6.2 Subcontractors must comply with the documentary requirements specified in ITB Clause 10. In the event that any subcontractor is found by the [name of province or organization] to be ineligible, the subcontracting of such portion of the services shall be disallowed.
- 6.3 At the time of Bid submission, the Bidder shall identify the subcontractor to whom a portion of the services will be subcontracted. The Bidder shall include the required documents of the subcontractor as part of its Bid.

## B. Contents of Bidding Documents

### 7. Pre-Bid Conference

- 7.1 A pre-Bid conference shall be held on [date and time] at [venue] to clarify and address the Bidders' questions on the technical and financial aspects of the project.

- 7.2 Bidders are encouraged to attend the pre-Bid conference to ensure that they fully understand the *[name of province or organization]*'s requirements. Non-attendance of the Bidder will in no way prejudice its Bid; however, the Bidder is expected to know the changes or amendments to the Bidding documents discussed during the pre-Bid conference.
- 7.3 Any statement made at the pre-Bid conference shall not modify the terms of the Bidding documents unless such statement is specifically identified in writing as an amendment thereto and issued as a Supplemental or Bid Bulletin.

## 8. Clarifications and Amendments to Bidding Documents

- 8.1 Bidders that have purchased the Bidding documents may request for clarifications on any part of the documents for an interpretation. Such a request must be in writing and submitted to the *[name of province or organization]* through the Chairman of the BAC at the *[address]* at least *[number of days, as the case may be]* calendar days before the deadline set for the submission and receipt of Bids.
- 8.2 Supplemental or Bid Bulletins may be issued upon the *[name of province or organization]*'s initiative for purposes of clarifying or modifying any provision of the Bidding documents not later than *[number of days, as appropriate]* calendar days before the deadline for the submission and receipt of Bids. Any modification to the Bidding documents shall be identified as an amendment.
- 8.3 Any Supplemental and/or Bid Bulletin issued by the BAC shall also be posted on the website of the *[name of province or organization]* and on other conspicuous areas within the *[name of province or organization]*. It shall be the responsibility of all Bidders that secure the Bidding documents to inquire and secure Supplemental or Bid Bulletins that may be issued by the BAC. However, Bidders that have submitted Bids before the issuance of the Supplemental or Bid Bulletin must be informed and allowed to modify or withdraw their Bids in accordance with ITB Clause 19.

## C. Preparation of Bids

### 9. Language of Bids

The Bid, as well as all correspondence and documents relating to the Bid exchanged by the Bidder and the *[name of province or organization]*, shall be written in *[English\*]*. Supporting documents and printed literature furnished by the Bidder may be in another language provided they are accompanied by an accurate translation in *[English\*]* certified by the appropriate embassy or consulate in the *[country]*, in which case the *[English\*]* translation shall govern, for purposes of interpretation of the Bid. *[\*May be replaced by the official language of the country where the Bid is being conducted.]*

### 10. Documents Comprising the Bid: Prequalification Documents and Price Proposal

- 10.1 All information provided in the Bidder's Bid shall be treated as confidential. The Bid must be submitted in hard copy using the format shown in [Section IV Bidding Forms\*]. [*\*May be replaced with the appropriate information, depending on local requirements.*]
- 10.2 The Bid requires completion of four forms, namely: Prequalification Documents Submission Form, Price Proposal Submission Form, Price Proposal, and the Omnibus Sworn Statement. [*\*May be replaced with the appropriate information, depending on local requirements.*]
- 10.3 The following prequalification documents shall be submitted by the Bidder:
- (a) company profile stating the owners, brief history, and business of the company;
  - (b) company directors and key officers with resume;
  - (c) registration certificate from the Securities and Exchange Commission (SEC)\*, Department of Trade and Industry (DTI)\*, or Cooperative Development Authority (CDA)\*, whichever is appropriate under [country] laws. [*\*All names of organizations indicated here are based in the Philippine context; they may be replaced with the relevant government organizations.*]
  - (d) Mayor's permit(s)\* and (license to operate pharmacy)\* issued by the city or cities or municipality or municipalities where the Bidder's place(s) of business is or are located; [*\*All forms indicated here are based in the Philippine context; they may be replaced with the relevant government forms required in the country where the Bid is being conducted.*]
  - (e) Statement of the Bidder of all its ongoing and completed government and private contracts within the last [number of years in word and figure] years, including contracts awarded but not yet started, if any, similar in nature and complexity to the contract to be Bid. The statement shall include for each contract, the following:
    - (i) the name and location of the contract;
    - (ii) date of award of the contract;
    - (iii) type and brief description of the contract;
    - (iv) Bidder's role (whether as main consultant, subcontractor, or partner in a joint venture);
    - (v) amount of contract;
    - (vi) contract duration; and



- (vii) certificate of satisfactory completion issued by the client, in the case of a completed contract.
- (f) The Bidder’s audited financial statements, stamped “received” by the Bureau of Internal Revenue (BIR)\*for the last *[number of years in word and figure]* taxable years;*[\*May be replaced with the appropriate national tax or revenue agency.]*
- (g) Valid joint venture Agreement, in case a joint venture is already in existence. In the absence of a joint venture Agreement, duly notarized statements from all the potential joint venture partners stating that they will enter into and abide by the provisions of the joint venture Agreement in the event that the Bid becomes successful. Failure to enter into a joint venture in the event of a contract award shall be ground for the forfeiture of the Bid security. Each partner of the joint venture shall submit only the documents corresponding to the registration with SEC\*, DTI\*, or CDA\*, and the mayor’s permit for its place of business. The submission of the rest of the documents by any of the joint venture partners constitutes compliance; *[\*All names of organizations indicated here are based in the Philippine context; they may be replaced with the relevant government organizations.]*
- (h) Board resolution authorizing a representative of the company to participate in the Bid and to enter into contract; and
- (i) Bank references.

10.4 The winning Bidder shall be responsible for payment of all applicable taxes, including compliance with the National Tax Code of the *[country]*.

## 11. Alternative Bids

Bidders shall submit only one Bid and shall not associate with any other entity other than those already provided in its eligibility documents and allowed by the *[name of province or organization]*.

## 12. Bid Currencies

12.1 All Bid prices shall be quoted in *[currency]*.

12.2 Payment of the contract price shall be made in *[currency]*.

## 13. Bid Validity

13.1 Bids shall remain valid for *[number of days in word and figure]* calendar days from the date of the opening of Bids.

13.2 In exceptional circumstances, prior to the expiration of the Bid validity period, the *[name of province or organization]* may request Bidders to extend the period of

validity of their Bids. The request and the responses shall be made in writing. The Bid security described in ITB Clause 14 should also be extended corresponding to, at least, the extension of the Bid validity period. A Bidder may refuse the request without forfeiting its Bid security, but its Bid shall no longer be considered for further evaluation and award. A Bidder granting the request shall not be required or permitted to modify its Bid.

#### 14. Bid Security

- 14.1 The Bid security, issued in favor of the [name of province or organization], shall be in the amount of *[amount in words and figures]* in the form of cash, cashier's and/or manager's check, bank draft and/or guarantee, or irrevocable letter of credit issued by a commercial bank. The Bid security should be valid for *[number of days in word and figure]* calendar days. Any Bid not accompanied by an acceptable Bid security shall be rejected by the [name of province or organization] as nonresponsive.
- 14.2 No Bid securities shall be returned to the Bidders after the opening of Bids and before contract signing, except to those that failed or declared as post-disqualified, upon submission of a written waiver of their right to file a motion for reconsideration and/or protest. Without prejudice on its forfeiture, Bid securities shall be returned only after the Bidder with the Highest Rated and Responsive Bid has signed the contract and furnished the performance security, but in no case later than the expiration of the Bid security validity period indicated in ITB Clause 14.1.
- 14.3 Upon signing and execution of the contract pursuant to ITB Clause 26, and the posting of the performance security pursuant to ITB Clause 27, the Bidder's Bid security will be discharged, but in no case later than the Bid security validity period as indicated in ITB Clause 14.1.
- 14.4 The Bid security may be forfeited:
  - (a) if a Bidder:
    - (i) withdraws its Bid during the period of Bid validity specified in ITB Clause 14.1;
    - (ii) does not accept the correction of arithmetical errors, if there are any;
    - (iii) fails to submit the requirements within the prescribed period or a finding against their veracity as stated in ITB Clause 23.2;
    - (iv) submits eligibility requirements containing false information;
    - (v) conceals information in the Bid in order to influence the outcome of eligibility screening or any other stage of the Bidding process;

- (vi) allows the use of one's name, or uses the name of another for purposes of the Bidding;
  - (vii) refuses to clarify or validate in writing its Bid during post-qualification within a period of *[number of days in word and figure]* calendar days from receipt of the request for clarification;
  - (viii) attempts to unduly influence the outcome of the Bidding in its favor;
  - (ix) fails to enter into the joint venture after the Bid is declared successful, in the case of a joint venture; and
  - (x) performs acts that tend to defeat the purpose of the competitive Bidding, such as habitually withdrawing from Bidding, submitting late Bids, or patently insufficient Bid, for at least *[number of times in word and figure]* times within a year, except for valid reasons.
- (b) if the successful Bidder:
- (i) fails to sign the contract in accordance with ITB Clause 26; and
  - (ii) fails to furnish the performance security in accordance with ITB Clause 27.

## 15. Format and Signing of Bids

- 15.1 Bidders shall submit their Bids through their duly authorized representative using the appropriate forms provided in Section IV. Bidding Forms on or before the deadline specified in the ITB Clause 0 in two (2) separate sealed Bid envelopes, and which shall be submitted simultaneously. The first shall contain the prequalification documents and the second shall contain the price proposal.
- 15.2 Forms as mentioned in ITB Clause 15.1 must be completed without any alterations to their format, and no substitute form shall be accepted. All blank spaces shall be filled in with the information requested.
- 15.3 The Bidder shall prepare an original of the first and second envelopes as described in ITB Clause 16.2. In addition, the Bidder shall submit copies of the first and second envelopes. In the event of any discrepancy between the original and the copies, the original shall prevail.
- 15.4 The Bid shall be signed, and each and every page thereof shall be initialed, by the duly authorized representative(s) of the Bidder.
- 15.5 Any interlineations, erasures, or overwriting shall be valid only if they are signed or initialed by the duly authorized representative(s) of the Bidder.

## 16. Sealing and Marking of Bids

- 16.1 Bidders shall enclose their original prequalification documents described in ITB Clause 10.3 in one sealed envelope marked “ORIGINAL PREQUALIFICATION DOCUMENTS,” and the original of their price proposal in another sealed envelope marked “ORIGINAL PRICE PROPOSAL,” sealing them all in an outer envelope marked “ORIGINAL BID.”
- 16.2 Each copy of the first and second envelopes shall be similarly sealed duly marking the inner envelopes as “COPY NO. 1: PREQUALIFICATION DOCUMENTS” and “COPY NO. 1: PRICE PROPOSAL” and the outer envelope as “COPY NO. 1,” respectively. These envelopes containing the original and the copies shall then be enclosed in one (1) single envelope.
- 16.3 The original and the number of copies of the Bid shall be typed or written in indelible ink and shall be signed by the Bidder or its duly authorized representative(s).
- 16.4 All envelopes shall:
- (a) contain the name of the contract to be Bid in capital letters;
  - (b) bear the name and address of the Bidder in capital letters,
  - (c) be addressed to the *[name of province or organization]*’s BAC identified in ITB Clause 8.1, and
  - (d) bear a warning “DO NOT OPEN BEFORE...” the date and time for the opening of Bids, in accordance with ITB Clause 0.
- 16.5 If Bids are not sealed and marked as required, the *[name of province or organization]* will assume no responsibility for the misplacement or premature opening of the Bid.

## D. Submission of Bids

### 17. Deadline for Submission of Bids

Bids must be received by the *[name of province or organization]*’s PPP-Steering Committee\* on or before *[date and time]*. *[\*May be replaced with the name of the appropriate committee. This committee name appears several times in this document so this note should be applied throughout the whole document.]*

### 18. Late Bids

Any Bid submitted after the deadline for submission and receipt of Bids prescribed by the *[name of province or organization]*, pursuant to ITB Clause 0, shall be declared “late” and shall not be accepted.

## 19. Modification and Withdrawal of Bids

- 19.1 The Bidder may modify its Bid after it has been submitted; provided that the modification is received by the [name of province or organization] prior to the deadline prescribed for submission and receipt of Bids. The Bidder shall not be allowed to retrieve its original Bid, but shall be allowed to submit another Bid equally sealed, properly identified, linked to its original Bid marked as “PREQUALIFICATIONMODIFICATION” or “PRICE MODIFICATION” and stamped “received” by the BAC. Bid modifications received after the applicable deadline shall not be considered and shall be returned to the Bidder unopened.
- 19.2 A Bidder may, through a letter of withdrawal, withdraw its Bid after it has been submitted, for valid and justifiable reason; provided that the letter of withdrawal is received by the [name of province or organization] prior to the deadline prescribed for submission and receipt of Bids.
- 19.3 Bids requested to be withdrawn in accordance with ITB Clause 19.1 shall be returned unopened to the Bidders. A Bidder may also express its intention not to participate in the Bidding through a letter, which should reach and be stamped by the BAC before the deadline for submission and receipt of Bids. A Bidder that withdraws its Bid shall not be permitted to submit another Bid, directly or indirectly, for the same contract.
- 19.4 No Bid may be modified after the deadline for submission of Bids. No Bid may be withdrawn in the interval between the deadline for submission of Bids and the expiration of the period of Bid validity specified by the Bidder on the Bid form. Withdrawal of a Bid during this interval shall result in the forfeiture of the Bidder’s Bid security, pursuant to ITB Clause 14.4, and the imposition of administrative, civil, and criminal sanctions as prescribed by [governing law] and its implementing rules and regulations (IRR).

### E. Evaluation and Comparison of Bids

## 20. Process to be Confidential

- 20.1 Members of the BAC, including its staff and personnel, as well as its Secretariat and Technical Working Group, are prohibited from making or accepting any kind of communication with any Bidder regarding the evaluation of their Bids until the issuance of the notice of award, unless otherwise allowed in ITB Clause 21.
- 20.2 Any effort by a Bidder to influence the [name of province or organization] in its decision in respect of Bid evaluation, Bid comparison, or contract award will result in the rejection of the Bidder’s Bid.

## 21. Clarification of Bids

To assist in the evaluation, comparison, and post-qualification of the Bids, the [name of province or organization] may ask in writing any Bidder for a clarification of its Bid. All



responses to requests for clarification shall be in writing. Any clarification submitted by a Bidder in respect to its Bid and that is not in response to a request by the [name of province or organization] shall not be considered.

## 22. Opening and Evaluation of Bids

22.1 The PPP-Steering Committee shall conduct a detailed evaluation of Bids using a two-step procedure comprised of prequalification and revenue share evaluation. The first step, prequalification, covers track record and financial capability evaluation. The second step, revenue share evaluation, is solely based on the highest rate offered by the prequalified Bidder. The criteria and weights for prequalification are as follows: *[\*The criteria and weights indicated here are based on the Philippine context; users may develop their own criteria and scoring guidelines.]*

**Table A11.1. Criteria and Weights for Prequalification (Sample)**

No.	Criteria		Weight
1	<b>Track Record</b>		<b>60%</b>
	(a) Number of years in operation	<b>20%</b>	
	Less than 3 years	10%	
	3-5 years	15%	
	More than 5 years	20%	
	(b) Number of pharmacies operated	<b>20%</b>	
	Less than 3 pharmacies	10%	
	3-5 pharmacies	15%	
	More than 5 pharmacies	20%	
	(c) Annual sales	<b>20%</b>	
	Up to [amount]	10%	
	[range, for example, PhP 10 million – PhP 20 million]	15%	
	More than [amount]	20%	
	<b>Minimum requirement = 40%</b>		
2	<b>Financial capability</b>		<b>40%</b>
	(a) Capital	<b>25%</b>	
	Less than [amount]	10%	
	[range, for example, PhP 5 million – PhP 12 million]	15%	
	More than [amount]	25%	
	(b) Debt-to-equity ratio	<b>5%</b>	
	More than 1.0x	3%	
	0.5x to 1.0x	4%	

No.	Criteria		Weight
	Less than 0.5x	5%	
	(c) Current ratio	5%	
	Less than 0.5:1	3%	
	0.5:1 to 1.0:1.0	4%	
	More than 1.0:1.0	5%	
	(d) Favorable references from reputable banks	5%	
	None	0%	
	Adequate(at least 1)	5%	
	<b>Minimum requirement = 25%</b>		
	<b>Total minimum requirement = 65%</b>		

Source: Based on Philippine government procurement regulations.

22.2 The PPP-Steering Committee shall only open the price proposals of Bidders that meet the total minimum required score of [score, as appropriate]. The prequalified Bidder that submits the highest revenue share, expressed in percentage of net sales derived from the Hospital Pharmacy, shall be considered as the Highest Rated Bid for subsequent award, subject to post-qualification.

22.3 In case the revenue shares offered by the prequalified Bidders are the same, award shall be in favor of the Bidder with the highest prequalification score.

### 23. Post Qualification

23.1 The [name of province or organization] shall determine to its satisfaction whether the Bidder that is evaluated as having submitted the highest rated Bid complies with and is responsive to all the requirements and conditions specified in the prequalification requirements.

23.2 Within a non-extendible period of [number of days in word and figure] calendar days from receipt by the Bidder of the notice from the BAC that it is the highest rated Bid, the Bidder shall submit the following documentary requirements:

- (a) tax clearance per [governing law], and
- (b) latest income and business tax returns.

Failure of the Bidder declared as Highest Rated Bid to duly submit the requirements under this clause or a finding against the veracity of such shall be ground for forfeiture of the Bid security and disqualification of the Bidder for award.

- 23.3 The post-qualification shall be based upon an examination of the documentary evidence of the Bidder's qualifications submitted pursuant to ITB Clause 10, as well as other information as the *[name of province or organization]* deems necessary and appropriate.
- 23.4 If the BAC determines that the Bidder with the Highest Rated Bid passes all the criteria for post-qualification, it will declare the said Bid as the Bidder with the Highest Rated and Responsive Bid, and recommend to the Head of the *[name of province or organization]* the award of contract to the said Bidder at its submitted price, subject to ITB Clause 25.3.
- 23.5 A negative determination shall result in the rejection of the Bidder's Bid, in which event the *[name of province or organization]* shall proceed to the next Highest Rated Bid to make a similar determination of that Bidder's capabilities to perform satisfactorily. If the second Bidder, however, fails the post-qualification, the procedure for post-qualification shall be repeated for the Bidder with the next Highest Rated Bid, and so on until the highest rated and responsive Bid is determined for contract award.
- 23.6 Within a period not exceeding *[number of days in word and figure]* calendar days from the date of receipt of the recommendation of the BAC, the head of the *[name of province or organization]* shall approve or disapprove the said recommendation.

## 24. Reservation Clause

- 24.1 Notwithstanding the prequalification or post-qualification of a Bidder, the *[name of province or organization]* reserves the right to review its qualifications at any stage of the procurement process if it has reasonable grounds to believe that a misrepresentation has been made by the said Bidder, or that there has been a change in the Bidder's capability to undertake this project from the time it submitted its Bid submission requirements. Should such review uncover any misrepresentation made in the Bidding requirements, statements or documents, or any changes in the situation of the Bidder which will affect its capability to undertake the project so that it fails the preset Bid evaluation criteria, the *[name of province or organization]* shall consider the said Bidder as disqualified from submitting a Bid or from obtaining an award or contract.
- 24.2 Based on the following grounds, the *[name of province or organization]* reserves the right to reject any and all Bids, declare a failure of Bidding at any time prior to the contract award, or not to award the contract, without thereby incurring any liability, and make no assurance that a contract shall be entered into as a result of the Bidding:
- (a) If there is prima facie evidence of collusion between appropriate public officers or employees of the *[name of province or organization]*, the *[name of hospital]*, or between the BAC and any of the Bidders, or if the collusion is between or among the Bidders themselves, or between a Bidder and a third party, including any act

which restricts, suppresses, or nullifies or tends to restrict, suppress, or nullify competition;

- (b) If the *[name of province or organization]*'s BAC is found to have failed in following the prescribed Bidding procedures; or
- (c) For any justifiable and reasonable ground where the award of the contract will not redound to the benefit of the *[name of government or country]* as follows:
  - (i) If the physical and economic conditions have significantly changed so as to render the project no longer economically, financially, or technically feasible as determined by the head of the *[name of province or organization]*;
  - (ii) If the project is no longer necessary, as determined by the head of the *[name of province or organization]*; and
  - (iii) If the source of funds for the project has been withheld or reduced through no fault of the *[name of province or organization]*.

24.3 In addition, the *[name of province or organization]* may likewise declare a failure of Bidding when:

- (a) No Bids are received;
- (b) all prospective Bidders are declared pre-disqualified;
- (c) all Bids fail to comply with all the Bid requirements or fail post-qualification; or
- (d) the Bidder with the Highest Rated and Responsive Bid refuses, without justifiable cause to accept the award of contract, and no award is made.

## F. Award of Contract

### 25. Contract Award

25.3 Subject to ITB Clause 23, the *[name of province or organization]* shall award the contract to the Bidder whose Bid has been determined to be the Highest Rated and Responsive Bid.

25.2 Prior to the expiration of the period of Bid validity, the *[name of province or organization]* shall notify the successful Bidder in writing that its Bid has been accepted, through a notice of award received personally or sent by registered mail or electronically, receipt of which must be confirmed in writing within *[number of days in word and figure]* days by the Bidder with the highest rated and responsive

Bid and submitted personally or sent by registered mail or electronically to the [name of province or organization].

25.3 Notwithstanding the issuance of the notice of award, award of contract shall be subject to the following conditions:

- (a) submission of the valid joint venture Agreement, if applicable, within [number of days in word and figure] calendar days from receipt by the Bidder of the notice from the BAC that the Bidder has the highest rated and responsive Bid;
- (b) posting of the performance security in accordance with ITB Clause 27;
- (c) signing of the contract as provided in ITB Clause 26; and
- (d) approval by higher authority, if required.

## 26. Signing of the Contract

26.1 At the same time as the [name of province or organization] notifies the successful Bidder that its Bid has been accepted, the [name of province or organization] shall send the contract form to the Bidder, which contract has been provided in the Bidding documents, incorporating therein all Agreements between the parties.

26.2 Within [number of days in word and figure] calendar days from receipt of the notice of award, the successful Bidder shall post the required performance security and sign and date the contract and return it to the [name of province or organization].

26.3 The [name of province or organization] shall enter into contract with the successful Bidder within the same [number of days in word and figure] calendar day period provided that all the documentary requirements are complied with.

26.4 The following documents shall form part of the contract:

- (a) Contract Agreement;
- (b) Bidding Documents;
- (c) Winning Bidder's Bid, including the Prequalification Documents and Price Proposals, and all other documents and/or statements submitted;
- (d) Performance Security;
- (e) Notice of Award of Contract;
- (f) Notice to Proceed; and
- (g) other contract documents that may be required by existing laws.



## 27. Performance Security

- 27.1 To guarantee the faithful performance by the winning Bidder of its obligations under the contract, it shall post a performance security within a maximum period of *[number of days in word and figure]* calendar days from the receipt of the notice of award from the *[name of province or organization]* and in no case later than the signing of the contract.
- 27.2 The performance security shall be denominated in *[currency]* and posted in favor of the *[name of province or organization]* in the amount of *[amount in words and figures]* in the form of cash, cashier's and/or manager's check, bank draft and/or guarantee, or irrevocable letter of credit issued by a commercial bank.
- 27.3 Failure of the successful Bidder to comply with the above-mentioned requirement shall constitute sufficient ground for the annulment of the award and forfeiture of the Bid security, in which event the *[name of province or organization]* shall initiate and complete the post-qualification of the second Highest Rated Bid. The procedure shall be repeated until the Highest Rated and Responsive Bid is identified and selected for contract award. However if no Bidder passed post-qualification, the PPP-Steering Committee\* shall declare the Bidding a failure and conduct a re-Bidding with re-advertisement. *[Committee name is specific to the Philippine context. Please use relevant committee name]*.

## 28. Notice to Proceed and Contract Commencement

- 28.1 Within *[number of days in word and figure]* from the date of approval of the contract, the *[name of province or organization]*s shall issue its notice to proceed to the pharmacy manager.
- 28.2 The contract shall commence *[number of days in word and figure]* calendar days after the date of the pharmacy manager's receipt of the notice to proceed, and such date will be regarded as the effective date of the contract.

### ***Section III. Terms of Reference***

#### **PUBLIC–PRIVATE PARTNERSHIP OF THE LEASE, MANAGEMENT, AND OPERATION OF THE PHARMACY OF *[name of hospital]***

##### **TERMS OF REFERENCE**

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##### Table of Contents

##### Main Section

1. Background or Rationale
2. Parties Involved
3. Scope of Services
4. Other Responsibilities of the Pharmacy Manager
5. Responsibilities of the *[name of province or organization]* through the *[name of hospital]*
6. Duration of Contract
7. Other Terms and Conditions
8. Submission of Proposals and Basis for Selection

Supporting Documents (may be included as annexes in the actual ITB document)

- Document No. 1. List of Non-pharmaceutical Products
- Document No. 2. Definition of Terms
- Document No. 3. Period of Action on Procurement Activities
- Document No. 4. Prequalification Documents Submission Form
- Document No. 5. Proposal Submission Form
- Document No. 6. Price Proposal Form
- Document No. 7. Omnibus Sworn Statement

**PUBLIC–PRIVATE PARTNERSHIP OF THE LEASE, MANAGEMENT, AND OPERATION  
OF THE PHARMACY OF [name of hospital]**

**TERMS OF REFERENCE**

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**1. Background and/or Rationale**

- 1.1 The Provincial Government [name of province, organization, or LGU] operates and manages [number of hospitals] hospitals, namely: (i) the [name of hospital] located in [location] (ii) the [name of hospital] located in [location]; (iii) the [name of hospital] located in [location] and so on and so forth (collectively, “The [name of province, organization or LGU] hospitals”).
- 1.2 This Terms of Reference (TOR) is for PPP of the lease, management, and operation of the pharmacy of the [name of hospital] (“the Hospital Pharmacy”). [Name of province or organization] intends to engage in similar PPPs for the lease, management, and operation of the pharmacies of the remaining [name of province, organization, or LGU] hospitals.
- 1.3 To improve the market conditions under which the [name of province, organization or LGU] hospitals operate, in [year], [name of province, organization, LGU] spent [amount] as premium payments to [name of government health insurer or relevant organization] as part of its province-wide implementation of universal coverage for its constituents. [Name of province or organization] also continues to work closely with [name of government health insurer or relevant organization] to improve the reimbursement period for [name of government health insurer or relevant organization]-covered transactions.
- 1.4 [Name of province or organization] would like to improve pharmacy processes and operating standards by bringing in quality and experienced expertise in pharmacy operations, particularly in the areas of inventory management, clinical pharmacy, quality management, and marketing.
- 1.5 Hence, [name of province or organization] is issuing this TOR to invite interested and qualified private sector entities with proven track record, financial capacity, and operating capability to submit their proposal to lease, manage, and operate the Hospital Pharmacy such that it is able to ensure the availability of competitively priced and quality pharmaceutical products and services.

**2. Parties Involved**

- 2.1 The soliciting party is the *[name of province or organization]*, acting on behalf of the *[name of hospital]*.
- 2.2 The parties invited to make and submit their proposals are qualified private sector entities, whether stock or nonstock and nonprofit corporations (“pharmacy management companies”). Upon selection and engagement as Hospital Pharmacy service provider for *[name of hospital]*, the winning Pharmacy Management Company shall be referred to as “pharmacy manager” during the term of its Agreement with *[name of province or organization]*. For prequalification purposes, the pharmacy management companies shall submit the following documents to the *[name of province or organization]* together with their Bid:
  - a) company profile, stating the owners, brief history, and business of the company and such other information (including licenses to operate pharmacies for other locations) as the Pharmacy Management Company deems necessary or desirable to include to enable *[name of province or organization]* to properly evaluate its capabilities;
  - b) audited financial statements for the last *[number of years in word and figure]* years, which shall include at least the following: income statement, balance sheet, and cash flow statement as submitted to the relevant government regulatory authorities *[e.g., in the Philippines, Securities and Exchange Commission and Bureau of Internal Revenue]*;
  - c) list of clients and description of relevant services (i.e., pharmacy management-related), including duration of engagement, rendered to each client;
  - d) list of company directors and key officers, including a brief resume of each one;
  - e) board resolution appointing a representative and authorizing the Pharmacy Management Company to submit a Bid and enter into a contract with *[name of province or organization]* based on this TOR;
  - f) bank references; and
  - g) statement under oath by an authorized officer that: (i) the documents and information submitted to *[name of province or organization]* pursuant to this TOR are authentic (or their genuine reproductions) and truthful; (ii) in the event that either of the contracting parties secure a loan from the *[name of bank or relevant financing institution, as the case may be]* under the *[name of program or loan facility, as the case may be]* for purposes of this TOR, that the procurement guidelines of the *[name of source of money or loan, for example, Asian Development Bank (“ADB”)]* shall apply; and (iii) disclose any potential conflict of interest.

### 3. Scope of Services

The Pharmacy Manager shall be responsible for providing the following services:

- 3.1 General Operations
  - a) At its expense, lease, manage, and operate the Hospital Pharmacy and assume full responsibility for its management and operations, including, but not limited to, recruitment, training, and employment of pharmacy personnel;

- b) Make available twenty-four (24) hours and seven (7) days a week all the Pharmaceutical Products and Non-pharmaceutical Products, including intravenous fluids, listed in the *[name of province, organization, or LGU]* Therapeutic List and included by the Therapeutics Committee of the *[name of hospital]* where applicable, attached hereto as *[title and number of appropriate annexes\*]*. Since the *[name of province]* Therapeutic List is periodically updated, the Pharmacy Manager is expected to be responsive to the updated requirements. *[\*See sample supporting documents at the end of this sample TOR.]*
- c) Secure and maintain all appropriate licenses and permits for the Hospital Pharmacy and its pharmacy personnel;
- d) Prepare pharmaceutical products for inpatient and outpatient dispensing, in accordance with pertinent laws, rules, and regulations, and *[name of government health insurer or appropriate organization]* accreditation guidelines at all times, and advise and coordinate with the management of *[name of hospital]* on such matters;
- e) Pay rent to *[name of province or organization]*. Rent shall be *[amount in words and figures]* per square meter plus a percentage of net sales derived by the Pharmacy Manager from the Hospital Pharmacy, and paid monthly; and
- f) Pay all taxes related to the operation of the Hospital Pharmacy.

### 3.2 Inventory

- a) Purchase and maintain for its account sufficient inventories of Pharmaceutical Products and Non-pharmaceutical Products listed in the *[name of province]* Therapeutic List for the Hospital Pharmacy or other similar document;
- b) Prepare monthly reports for submission to *[name of province or organization]* on the composition and size of inventories in accordance with the *[name of province]* Therapeutic List and historical consumption patterns of *[name of hospital]*;
- c) Provide as promptly as possible additional Pharmaceutical Products and Non-pharmaceutical Products necessary due to any or a combination of the following:
  - i. emergency situations resulting from an unusually large number of inpatients and/or outpatients,
  - ii. sudden increase in demand by retail customers,
  - iii. unforeseen or unavoidable circumstances, or
  - iv. any other cases of extreme urgency requiring immediate purchase.

### 3.3 Pricing and/or Billing



- a) Sell or dispense Pharmaceutical Products and Non-pharmaceutical Products listed in *[the appropriate documents (see Supporting Documents 1 and 2 for examples from the Philippine context)]* at locally competitive prices consistent with pertinent laws (the “Selling Price”), which shall be posted conspicuously within the Hospital Pharmacy premises.
- b) Prepare and issue the charge slips (for inpatients) or sales invoices (for outpatients) and issue the corresponding receipts for cash sales.
- c) Implement a pharmacy management and cash receipting system as well as a point of sale monitoring system for the Hospital Pharmacy that reflects the Selling Price and is compatible with the *[name of hospital]* and *[name of government health insurer or appropriate organization]* accounting systems.

#### 4. Other Responsibilities of the Pharmacy Manager

In addition to the responsibilities set forth above, the Pharmacy Manager shall:

- 4.1 manage, audit, and implement procedures that will help in capturing information on inpatient and outpatient sales and utilization on a daily basis;
- 4.2 be responsible for the selection, hiring, training, and employment of qualified pharmacy staff in such number and with such qualifications, compensation, and benefits as may be appropriate. The Pharmacy Manager shall give first priority and preference in hiring *[name of hospital]* staff who may be affected and to qualified local residents;
- 4.3 submit monthly reports to the *[name of hospital]* with such information and in such format as may be required by the latter’s policies and procedures, and such other reports as may be reasonably required by the *[name of hospital]* from time to time;
- 4.4 keep, maintain, and allow the *[name of hospital]* or its representatives to inspect at reasonable hours records of operations of the Hospital Pharmacy;
- 4.5 coordinate with the appropriate committees and departments of the *[name of hospital]* to ensure adherence to quality assurance and thus improve patient outcome;
- 4.6 be responsible for the cleanliness, upkeep, and physical maintenance of the Hospital Pharmacy, including proper disposal of expired inventory;
- 4.7 abide by, and cause the Hospital Pharmacy personnel to comply with, any and all laws, rules and regulations, policies, and guidelines that may be adopted from time to time by the management of the *[name of hospital]*;
- 4.8 report adverse drug reactions to the Therapeutics Committee of the *[name of hospital]*;
- 4.9 pay for the cost of the use of utilities for the operation of the Hospital Pharmacy such as water, electricity, and communications;

- 4.10 secure and maintain comprehensive insurance for the inventory and leased premises of the pharmacy; and
- 4.11 secure a performance bond from a financial institution acceptable to *[name of hospital]* in an amount equivalent to *[amount in words and figures]*.

**5. Responsibilities of the *[name of province or organization]* through the *[name of hospital]***

*[Name of province or organization]*, acting through the *[name of hospital]* will:

- 5.1 pay for the Pharmaceutical Products and Non-pharmaceutical Products dispensed to indigents or other deserving cases not covered by *[name of government health insurer or appropriate organization]*, as endorsed by the *[name of province or organization]*, subject to limits to be set by *[name of province or organization]*;
- 5.2 pursue province-wide *[name of government health insurer or appropriate organization]* coverage for its constituents for the duration of this contract;
- 5.3 actively ensure proper and immediate processing by *[name of government health insurer or appropriate organization]* of reimbursement claims and promptly remit the same to the Pharmacy Manager upon receipt;
- 5.4 provide, from time to time, training of the pharmacy manager's staff on the regulations, policies, and service standards of the *[name of hospital]*;
- 5.5 allow a representative of the Pharmacy Manager to participate in relevant meetings of the *[name of hospital]* committees and departments, including the therapeutics committee, to ensure that the Hospital Pharmacy is attuned to the needs and aligned to the initiatives of these units;
- 5.6 inform the Pharmacy Manager regarding the *[name of government health insurer or appropriate organization]* and other third party payors' or insurance companies' status of patients, their drug payment allowance, and receipt of drug reimbursements;
- 5.7 provide to the Pharmacy Manager the premises\* of the existing Hospital Pharmacy, which has an area of *[size of the existing pharmacy (e.g., 25 square meters)]*; *[\*Place of business where the current pharmacy is operating; this may also depend on the decision of the partners, for example, they might decide to build a new facility or building adjacent to the existing hospital.]*
- 5.8 assist the Pharmacy Manager in securing permits for utilities;
- 5.9 monitor prescribing patterns of doctors employed by *[name of hospital]* to ensure: (i) they prescribe only pharmaceutical products listed in the *[name of province]* therapeutic list; (ii) only those included by the Therapeutics Committee of the *[name of hospital]*; and (iii) only those available at the Hospital Pharmacy;

- 5.10 orient *[name of hospital]* staff on the pharmacy manager's operating systems, regulations, policies, and processes especially those that relate to pharmacy operations and those affecting or regulating drug dispensing procedures;
- 5.11 provide the Pharmacy Manager with the *[name of province]* Therapeutic List and the respective Therapeutic List *[title and number of appropriate annexes]* of the *[name of hospital]*; and
- 5.12 grant exclusive rights to sell Pharmaceutical Products and Non-pharmaceutical Products listed in the *[name of province]* Therapeutic List within the *[name of hospital]* to the pharmacy manager.

## 6. Duration of Contract

The contract period shall be for *[number of years in word and figure]* from the opening date of the Hospital Pharmacy (the "initial term"), subject to pre-termination for just causes. The contract period may be renewed for such period as the *[name of province or organization]* and the Pharmacy Manager may subsequently agree upon in writing.

## 7. Other Terms and Conditions

- 7.1 The PPP for the lease, management, and operation of the Hospital Pharmacy shall be the sole discretion of *[name of province or organization]* and as such, during the solicitation of proposals, *[name of province or organization]* has the sole option to make reasonable changes in this TOR. *[Name of province or organization]* also has the prerogative to reject or refuse proposals by any or all parties without need of explanation.
- 7.2 However, upon successful tender and the selection of the pharmacy manager, the engagement shall be protected by the terms and conditions of the definitive Agreements consistent with this TOR.
- 7.3 In the preparation of proposals and the definitive Agreements, several terms and definitions pertaining to the operation and management of a pharmacy shall be used. For the avoidance of conflict and to expedite the negotiations, the definition of terms is shown in the attached *[title and number of annex that will contain such definition of terms]*.
- 7.4 During the term of the contract, the Pharmacy Manager shall coordinate with the hospital management of the *[name of hospital]*, through the chief pharmacist of the hospital or the provincial pharmacist, as may be applicable. The chief pharmacist or the provincial pharmacist shall be an appointed and employed officer of the *[name of province or organization]*.

## 8. Submission of Proposals and Basis for Selection

- 8.1 The invitation and/or solicitation of proposals, their evaluation, and the eventual selection of the Pharmacy Manager are administered by the:

**PROVINCIAL BIDS AND AWARDS COMMITTEE** (also known as the "Bids and Awards Committee")

Address: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_

All queries pertaining to this tender, and the eventual submission of proposals (and its evaluation) shall be addressed to, and handled by, the Bid and awards committee.

The specific activities of this tender and the timelines for their implementation are listed in the attached [*title and number of appropriate annexes*].

- 8.2 The criteria for selecting the Pharmacy Manager shall be based on the following:
- a. track record (which shall be assigned a weight of [*appropriate weight, for example, 60%*]) in the evaluation; such factors as number of years in operation, number of pharmacies operated, annual sales, etc. shall be considered);
  - b. financial capability (which shall be assigned a [*appropriate weight, for example, 40%*]) in the evaluation; such factors as the amount of capital being committed, debt to equity ratio, liquidity ratio, references from reputable banks, etc. shall be considered); and
  - c. proposed rent (to be indicated consistent with section 3.1.e.).

Only pharmacy management companies who qualify under Sections 8.2.a and 8.2.b above, and accomplish a “price proposal” shall have their Bids containing their proposed rent considered. The Bidder with the highest proposed rent shall be declared as the pharmacy manager.

..... End of Terms of Reference [Main Section].....

**ITB Supporting Documents and Forms (Samples)**

The following are examples of supporting documents that may be attached as annexes to the Bid document. The following are included here:

- Supporting Document No. 1. List of Non-pharmaceutical Products
- Supporting Document No. 2. Definition of Terms
- Supporting Document No. 3. Period of Action on Procurement Activities
- Supporting Document No. 4. Prequalification Documents Submission Form
- Supporting Document No. 5. Proposal Submission Form
- Supporting Document No. 6. Price Proposal Form
- Supporting Document No. 7. Omnibus Sworn Statement



**ITB Supporting Document No. 1.**List of Non-pharmaceutical Products

*[Note: It is recommended that the country's official Therapeutic List be the first document in the ITB document's annexes. As the Philippine formulary is no longer included here, the list of non-pharmaceutical products is Document No. 1 here although it may become Annex 2 in an actual ITB document.]*

**[Name of hospital]**  
**HOSPITAL PHARMACY MANAGEMENT**

**TERMS OF REFERENCE**

**Supporting Document No. 1**(may become Annex 2 in actual ITB document). **List of non-pharmaceutical products** (Sample)

1	ABSORBENT COTTON 400 MG
2	ADHESIVE PLASTER 5 cm ( <i>Leukoplast</i> )
3	ASEPTO SYRINGE
4	BLOOD BAG 250 cc
5	BLOOD BAG 450 cc
6	BLOOD TRANSFUSION SET
7	CATHETER, FOLEY FR. 10 2-WAY
8	CATHETER, FOLEY FR. 12 2-WAY
9	CATHETER, FOLEY FR. 14 2-WAY
10	CATHETER, FOLEY FR. 16 2-WAY
11	CATHETER, FOLEY FR. 24 2-WAY
12	CATHETER, FOLEY FR. 8 2-WAY
13	CATHETER, THORACIC STRAIGHT FR. 24
14	CATHETER, THORACIC STRAIGHT FR. 32
15	CATHETER, THORACIC STRAIGHT FR. 36
16	COTTON BALLS
17	COTTON PLEDGET
18	DIGITAL AXILLARY THERMOMETER
19	DISPOSABLE NEEDLE G. 19
20	DISPOSABLE NEEDLE G. 23
21	DISPOSABLE NEEDLE G. 25
22	DISPOSABLE NEEDLE GAUGE 27, SHORT ( <i>TERUMO</i> )
23	DISPOSABLE NEEDLE GAUGE 27, LONG ( <i>TERUMO</i> )
24	DISPOSABLE SHAVER
25	DISPOSABLE SYRINGE SIZE 10mL W/NEEDLE, STERILE ( <i>TERUMO</i> )

26	DISPOSABLE SYRINGE SIZE 1mL W/NEEDLE, STERILE (TERUMO)
27	DISPOSABLE SYRINGE SIZE 2.5mL W/NEEDLE, STERILE (TERUMO)
28	DISPOSABLE SYRINGE SIZE 3mL W/NEEDLE, STERILE (TERUMO)
29	DISPOSABLE SYRINGE SIZE 5mL W/NEEDLE, STERILE (TERUMO)
30	INSULIN SYRINGE WITHOUT NEEDLE
31	TUBERCULIN SYRINGE WITHOUT NEEDLE
32	DRESSING/ DRESSING KIT
33	ELASTIC BANDAGE 4"
34	ELASTIC BANDAGE 6"
35	ENDOTRACHEAL TUBE 2.5mm
36	ENDOTRACHEAL TUBE 3.0mm
37	ENDOTRACHEAL TUBE 3.5mm
38	ENDOTRACHEAL TUBE 4.0mm
39	ENDOTRACHEAL TUBE 4.5mm
40	ENDOTRACHEAL TUBE 5.0 mm
41	ENDOTRACHEAL TUBE 5.5 mm
42	ENDOTRACHEAL TUBE 6.0 mm
43	ENDOTRACHEAL TUBE 6.5 mm
44	ENDOTRACHEAL TUBE 7.0mm
45	ENDOTRACHEAL TUBE 7.5mm
46	ENDOTRACHEAL TUBE 8.0 mm
47	EXAMINATION GLOVES SIZE 7
48	INFUSION ADMINISTRATION SET WITH AIR VENT, WITHOUT NEEDLE, PEDIA
49	INFUSION ADMINISTRATION SET WITH AIR VENT, WITHOUT NEEDLE, ADULT
50	IV CATHETER - VASOCAN G. 20
51	IV CATHETER - VASOCAN G. 22
52	IV CATHETER - VASOCAN G. 24
53	IV CATHETER - VASOCAN G. 18
54	IV INFUSION PUMP SET
55	MACRO SET
56	MICRO SET
57	MICROPORE PLASTER 1 INCH
58	MICROPORE PLASTER 1/2 INCH
59	NEBULIZING KIT
60	OXYGEN MASK
61	NGT FR. 10
62	NGT FR. 12
63	NGT FR. 14
64	NGT FR. 16
65	NGT FR. 5
66	NGT FR. 6
67	NGT FR. 8

68	PLASTER OF PARIS 4"
69	PLASTER OF PARIS 6"
70	GAUZE BANDAGE
71	SCALP VEIN INFUSION SETS
72	SPINAL NEEDLE G. 23 (B-BRAUN)
73	SPINAL NEEDLE G. 25 (B-BRAUN)
74	SUCTION CATHETER FR. 10
75	SUCTION CATHETER FR. 12
76	SUCTION CATHETER FR. 16
77	SUCTION CATHETER FR. 5
78	SUCTION CATHETER FR. 8
79	SURGICAL BLADE NO. 15 FEATHER 100's
80	SURGICAL BLADE NO. 20 FEATHER 100's
81	SURGICAL CAP, 100's/PACK DISPOSABLE
82	SURGICAL FACE MASK, 50's/BOX DISPOSABLE
83	SURGICAL GAUZE 2" x 2"
84	SURGICAL GAUZE 4" x 4"
85	SURGICAL GLOVES 6.5, STERILE
86	SURGICAL GLOVES 7, STERILE
87	SURGICAL GLOVES 7.5, STERILE
88	UMBILICAL CORD CLAMP
89	URINE BAG 250cc
90	WADDING SHEET
91	WEE BAG

SUTURES:	
92	CHROMIC 1- ATRAUMATIC ROUND NEEDLE
93	CHROMIC 2-0 ATRAUMATIC ROUND NEEDLE
94	CHROMIC 3-0 ATRAUMATIC ROUND NEEDLE
95	SILK 1 STRANDS, 13x60cm
96	SILK 1 ATRAUMATIC ROUND NEEDLE
97	SILK 1 ATRAUMATIC ROUND NEEDLE
98	SILK 2-0 ATRAUMATIC ROUND NEEDLE
99	SILK 2-0 ATRAUMATIC CUTTING NEEDLE
100	SILK 2-0 STRANDS
101	SILK 3-0 ATRAUMATIC ROUND NEEDLE
102	SILK 3-0 ATRAUMATIC CUTTING NEEDLE
103	SILK 4-0 ATRAUMATIC CUTTING NEEDLE
104	SILK 4-0 ATRAUMATIC ROUND NEEDLE
105	PLAIN CHROMIC 2-0 ATRAUMATIC ROUND NEEDLE
106	VICRYL 1-0, TAPER NEEDLE
107	VICRYL 0, ROUND NEEDLE

108	VICRYL 2-0, TAPER NEEDLE
109	VICRYL 4-0, CUTTING NEEDLE
110	SAFIL 1-0, ROUND NEEDLE
111	SAFIL 4-0, ROUND NEEDLE
112	SAFIL 3-0, CUTTING NEEDLE

**[Name of hospital]  
HOSPITAL PHARMACY MANAGEMENT**

**TERMS OF REFERENCE**

**Supporting Document No. 2. Definition of Terms (Sample)**

When used in this Terms of Reference, in the preparation of the proposals and the eventual negotiation of the pharmacy management Agreement, the following terms shall have the meanings respectively indicated below:

*Gross Sales* – The total value of sales and services, before deducting for taxes, customer discounts, allowances, and returns

*Hospital Pharmacy*– The pharmacy in the [name of hospital], which is subject of this TOR

*Inpatient* – Any person seeking or receiving medical treatment who is admitted to and confined at any of the [name of province, organization, or LGU] hospitals

*Inventories* – The pharmaceutical products (and non-pharmaceutical products authorized by the hospital) to be maintained, from time to time, in the Hospital Pharmacy or used as rolling stock in the various hospital departments

*Net Sales* – Gross sales, less any legally mandated discounts like senior citizens discounts and persons with disability discounts

*Non-pharmaceutical Products* – All products other than pharmaceutical products that may be sold at the pharmacy

*Outpatient* – Any person seeking or receiving medical treatment at the [name of hospital] who is not admitted and confined in the [name of hospital]. It includes: (i) emergency room patients, (ii) outpatient surgery patients of such hospital, and (iii) inpatients who have been discharged.

*Pharmaceutical Products* – All drugs and medicines, including tablets, capsules, injectables, liquids, ointments, medicated pads, inhalers, spray, suppositories, drops, intravenous solutions, and intravenous additive drugs.

*Pharmacy Staff* – Any or all of the persons hired, employed, contracted, or assigned by the Pharmacy Manager to render services or perform any work in and for the Hospital Pharmacy and whose work requires physical presence in the Hospital Pharmacy and actual and direct involvement in pharmacy operations. The term does not include the management of the pharmacy management or its officers, employees, consultants, and other professionals not directly involved in the day-to-day pharmacy operations inside the premises of the Hospital Pharmacy.

*Rolling Stock* – the Pharmaceutical Products and Non-pharmaceutical Products stored at the various [name of hospital] departments, as may be designated by the [name of hospital] from time to time, which are available for distribution or dispensing to the patients (whether inpatient or outpatient) of the [name of hospital].

*Selling Price* – The retail price of the Hospital Pharmacy of a pharmaceutical product or non-pharmaceutical product.



*Therapeutic List*– A list of branded and generic drugs prepared and, from time to time, updated by the Therapeutics Committee of [name of province or organization] or the [name of hospital] (which list shall be termed as the “hospital therapeutic list”). It shall contain only pharmaceutical products that have been approved by the [name of government agency responsible for food and administration] and included in the [name of national drug formulary].

In the interpretation of this TOR, words importing the singular shall be deemed to include the plural, and vice versa.

The above terms and definitions shall apply unless otherwise amended in writing by the Bid committee subsequent to the issuance of this TOR.

**[Name of hospital]**  
**HOSPITAL PHARMACY MANAGEMENT**

**TERMS OF REFERENCE**

**Supporting Document No. 3. Period of Action on Procurement Activities**  
as of [date] (Sample)

No.	Activity	Duration*	Target Schedule*
1	Publication of Invitation to Bid	Day 1-7	May 11
2	Issuance of Bidding documents	Day 1-14	May 11-June 07
3	Pre-Bid conference	Day 14	May 24
4	Bid opening	Day 26	June 07
5	Evaluation of Bids	Day 27-29	June 8-14
6	Post qualification	Day 30-37	June 15-22
7	PPP-SC Resolution recommending Award	Day 38	June 22
8	Approval of PPP-SC Resolution to Award	Day 39-41	June 25-28
9	Issuance of Notice of Award	Day 42-44	June 29-July 02
10	Contract preparation	Day 45	July 02
11	Contract signing	Day 46-48	July 03
12	Issuance of Notice to Proceed	Day 49-55	July 4
13	Contract commencement	Day 86*	August 4

PPP-SC = public – private partnership steering committee

\*Sample timeframe only.

## Section IV. Bidding Forms

### Supporting Document No. 4. Prequalification Documents Submission Form (Sample)

#### PREQUALIFICATION DOCUMENTS SUBMISSION FORM

---

[Date]

[Name and address] of the [name of province or organization]

Ladies and/or Gentlemen:

In connection with your Invitation to Bid, dated [date] for the Lease, Management, and Operation of the Pharmacy of [name of hospital], [name of Bidding firm] hereby expresses interest in participating in the Bidding for said project and submits the attached Bid requirements in compliance therefore.

In line with this submission, we certify that:

- a) [name of firm] is not blacklisted or barred from Bidding by the [name of government and/or country] or any of its agencies, offices, corporations, or LGUs, including foreign government and/or foreign or international financing institution whose blacklisting rules have been recognized by the [name of government procurement policy board or agency]; and
- b) each of the documents submitted herewith is an authentic copy of the original, complete, and all statements and information provided therein are true and correct.

We acknowledge and accept the [name of province or organization]'s right to inspect and audit all records relating to our submission irrespective of whether we are declared prequalified or not.

Yours sincerely,

Signature

Name and Title of Authorized Signatory

Name of Bidding Firm

Address

## ITB Supporting Document No. 5. Proposal Submission Form(Sample)

## PROPOSAL SUBMISSION FORM

[Date]

[Name and address] of the [name of province or organization]

Ladies and/or Gentlemen:

We, the undersigned, offer to provide the services for the Lease, Management, and Operation of the Pharmacy of [name of hospital] in accordance with the Terms of Reference and your Bidding Documents dated [date] and our Bid. Our attached Price Proposal is for a rental fee of [amount in words and figures] per square meter of the Hospital Pharmacy, and a revenue share of \_\_\_\_\_ percent ( ) of the net sales, derived from the Hospital Pharmacy, and paid monthly to the [name of province or organization]. Our Price Proposal shall be binding upon us, up to expiration of the Bid validity period, i.e., [date].

We acknowledge and accept the [name of province or organization]'s right to inspect and audit all records relating to our Bid irrespective of whether we enter into a contract with the [name of province/organization] as a result of this Bid.

We confirm that we have read, understood, and accept the contents of the Instructions to Bidders, the Terms of Reference, the provisions relating to the prequalification of the Bidder and any and all Bid bulletins issued and other attachments and inclusions included in the Bidding Documents sent to us.

We understand you are not bound to accept any Bid you receive.

We remain,

Yours sincerely,

Authorized Signature  
Name and Title of Signatory

Name of Firm  
Address

## ITB Supporting Document No. 6. Price Proposal Form(Sample)

## PRICE PROPOSAL

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Item	Amount in [currency] per month	Revenue Share (% of net sales)
A. [Amount] rental per square meter of the Hospital Pharmacy with a total area of [number] square meters	[amount]	[indicate in words and figures]
B. Revenue share expressed in percentage of net sales derived from the Hospital Pharmacy and paid monthly		

Name of Bidder: \_\_\_\_\_

Authorized Representative: \_\_\_\_\_

Position: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_



## ITB Supporting Document No. 7. Omnibus Sworn Statement(Sample)

## OMNIBUS SWORN STATEMENT

[GOVERNMENT OR COUNTRY NAME]

[name of CITY OR MUNICIPALITY ] S.S.

## AFFIDAVIT

I, [name of affiant], of legal age, [civil status], [nationality], and residing at [address of affiant], after having been duly sworn in accordance with law, do hereby depose and state that:

1. *Select one, delete the other:*

*If a sole proprietorship:* I am the sole proprietor of [name of firm] with office address at [address of firm];

*If a partnership, corporation, cooperative, or joint venture:* I am the duly authorized and designated representative of [name of partnership, corporation, cooperative, or joint venture] with office address at [address of partnership, corporation, cooperative, or joint venture];

2. *Select one, delete the other:*

*If a sole proprietorship:* As the owner and sole proprietor of [name of firm], I have full power and authority to do, execute, and perform any and all acts necessary to represent it in the Bidding for [name of the project] of the [name of province or organization];

*If a partnership, corporation, cooperative, or joint venture:* I am granted full power and authority to do, execute, and perform any and all acts necessary and/or to represent the [name of partnership, corporation, cooperative, or joint venture] in the Bidding as shown in the attached [state title of attached document showing proof of authorization (e.g., duly notarized secretary's certificate issued by the corporation or the members of the joint venture)];

3. [Name of firm] is not “blacklisted” or barred from Bidding by the government of the [country] or any of its agencies, offices, corporations, or local government units, foreign government, foreign or international financing institution whose blacklisting rules have been recognized by the [name of government procurement policy board or agency];

4. Each of the documents submitted in satisfaction of the Bidding requirements is an authentic copy of the original, complete, and all statements and information provided therein are true and correct;
5. [Name of firm] is authorizing the head of the [name of province or organization] or its duly authorized representative(s) to verify all the documents submitted;
6. **Select one, delete the rest:**

*If a sole proprietorship:* I am not related to the Head of the [name of province or organization] and of the [name of hospital], members of the Bids and Awards Committee (BAC), the Technical Working Group, and the BAC Secretariat, the head of the Project Management Office, or the end-user unit, and the project consultants by consanguinity or affinity up to the third civil degree;

*If a partnership or cooperative:* None of the officers and members of [name of partnership or cooperative] is related to the Head of the [name of province or organization] and the [name of hospital], members of the Bids and Awards Committee (BAC), the Technical Working Group, and the BAC Secretariat, the head of the Project Management Office, or the end-user unit, and the project consultants by consanguinity or affinity up to the third civil degree;

*If a corporation or joint venture:* None of the officers, directors, and controlling stockholders of [name of corporation or joint venturer] is related to the head of the [name of province or organization] and the [name of hospital], members of the Bids and awards committee (BAC), the technical working group, and the BAC Secretariat, the head of the Project Management Office, or the end-user unit, and the project consultants by consanguinity or affinity up to the third civil degree;

7. [Name of Bidder] complies with existing labor laws and standards; and
8. [Name of Bidder] is aware of and has undertaken the following responsibilities as a Bidder:
  - a) carefully examine all of the Bidding Documents;
  - b) acknowledge all conditions, local or otherwise, affecting the implementation of the contract;
  - c) inspect the facilities available and needed for the contract to be Bid, if any; and
  - d) inquire or secure supplemental and/or Bid Bulletin(s) issued for the [name of the project].

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_, 20\_\_ at  
\_\_\_\_\_, [country].

\_\_\_\_\_  
[Bidder's Representative or Authorized Signatory]



# Annex 12

## Other Procurement Documents

### Handbook on Philippine Government Procurement

This document is a compilation of the Philippines' Republic Act(RA) 9184 with its Implementing Rules and Regulations (IRR) with additional references as follows:

- (i) Government Procurement Policy Board (GPPB) Resolution 01-2004 on the bids and awards committee (BAC) composition for local government units (LGUs)
- (ii) Guidelines for Contract Price Escalation
- (iii) Uniform Guidelines for Blacklisting of Manufacturers, Suppliers, Distributors, Contractors and Consultants
- (iv) Guidelines on Termination of Contracts
- (v) Guidelines on the Use of an Ordering Agreement under the Government Procurement Reform Act
- (vi) GPPB Resolution 07-2005 regarding rules on the adjustment of the Approved Budget for Contract
- (vii) Revised Guidelines on the Extension of Contracts for General Support Services
- (viii) Guidelines on Implementation of Infrastructure Projects Undertaken by the Armed Forces of the Philippines Corps of Engineers
- (ix) Revised Guidelines for the Implementation of Infrastructure Projects by Administration
- (x) Guidelines in the Determination of Eligibility of Foreign Suppliers, Contractors and Consultants to Participate in Government Procurement Projects
- (xi) Guidelines for Legal Assistance and Indemnification of the Bids and Awards Committee Members and Support Staff
- (xii) Revised Guidelines on Index-Based Pricing for Procurement of Petroleum, Oil, and Lubricant Products
- (xiii) Guidelines on Procurement of Water, Electricity, Telecommunications, and Internet Service Providers
- (xiv) Implementing Guidelines on Agency to Agency Agreements
- (xv) Implementing Guidelines for Lease of Privately Owned Real Estate
- (xvi) Guidelines on Nongovernment Organization Participation in Public Procurement
- (xvii) Guidelines in the Procurement of Security and Janitorial Services

This handbook is highly recommended for use of local governments as it contains not only the Government Procurement Reform Act or RA 9184, but also its IRR and some guidelines that are deemed relevant to the proposed lease, operation, and management of the hospital pharmacy.

### Procurement Manuals for Local Government Units

These documents describe the step-by-step procedures to be observed by the LGU when procuring goods, infrastructure services, or consulting services. In the Philippine context, for the lease, operation, and management of the hospital pharmacy, the suggested reference document is Volume 4, the LGU's Procurement Manual for Consulting Services.

### The Philippines Commission on Audit's Guide in the Audit

The Philippines Commission on Audit's (COA's) memorandum dated 14 January 2010 issued this guide for use of COA personnel to make their audit activities responsive to the requirements of laws and regulations on procurement. However, this could also



be a useful reference of the LGUs to anticipate the extent of auditorial review concerning procurement, and thus ensure compliance with audit requirements, if not, minimize audit findings. The COA's reference in developing the audit criteria using this guide are RA 9184 and GPPB's related issuances at the time the guide was developed. Updates are planned to be issued as they are developed.

### **National Economic and Development Authority's Guidelines and Procedures for Entering into Joint Venture Agreements between Government and Private Entities**

These guidelines do not cover LGUs but are nonetheless useful in case the LGU intends to promulgate a joint venture agreement using its ordinance mechanism. Camarines Sur, for example, has issued one in 2010 and has since then encouraged public-private partnerships in the province.

### **Asian Development Bank's Procurement Guidelines**

The Asian Development Bank's procurement guidelines would be relevant for LGUs that intend to finance their PPP in health project through a loan under the Credit for Better Health Care Project. Otherwise, it will be the procurement manual for LGUs that will serve as the basic reference to affect LGU procurement in the manner prescribed under R.A. 9184.

### **The Asian Development Bank's Handbook on Public-Private Partnership**

This is good reading material to fully understand what PPPs are; how to structure a PPP project; what PPP options are available; what are the preparatory works for implementing a PPP activity; how to handle the procurement, contracting and actual implementation of the PPP activity; and how to monitor and report on the results of the contract implementation.<sup>42</sup>

<sup>42</sup> Note that while these documents are based on Philippine context, many of these documents may be similar to procurement documents used in other countries.

# Annex 13

## Sample Public–Private Partnership in Pharmacy Contract (Selected Provisions)

PUBLIC PRIVATE PARTNERSHIP  
FOR THE LEASE, OPERATION, AND MANAGEMENT OF THE PHARMACY OF THE  
*[Name of hospital\*]*

[TABLE OF CONTENTS\*\*]

*\*This is a sample contract for a PPP in pharmacy services. Users, with the assistance of lawyers or legal counsels, will find this useful in the crafting of contracts,. However, not all provisions in typical PPP contracts are provided here due to space limitation. Moreover, the provisions stipulated here may not be legally applicable in or compliant to specific policies of certain countries. Readers are advised to refer to their country regulations and practices in the adoption of some or all of the provisions in this document. Text inside the square brackets “[ ]” should be replaced by the users, depending on their context. For example, “name of hospital” means the user should remove the brackets and replace it with the name of the hospital where the PPP in pharmacy is being developed.*

*\*\*Users are advised to insert the “Table of Contents” in this section once the contract has already been crafted.*

#### PUBLIC–PRIVATE PARTNERSHIP

##### FOR THE LEASE, OPERATION, AND MANAGEMENT OF THE PHARMACY OF THE [name of hospital]

This Public Private Partnership for the Lease, Operations and Management of the [name of hospital] (“Agreement”) is made this \_\_\_\_\_ (the “Signature Date”) in [location], by and between:

The [name of organization or local government], a duly organized and existing Local Government Unit by virtue of [governing law], represented herein by [name of head of organization or the local executive], hereinafter referred to as the “[name of organization or local government]”;

and

[Name of company], a corporation duly organized and existing under the laws of the [name of country], with its principal office at [address], represented herein by its [name of representative], [position or designation], hereinafter referred to as the “Company.”

The foregoing entities are hereinafter collectively referred to as the “Parties.”

#### RECITALS:

WHEREAS, [name of organization or local government] seeks to enhance the delivery of health services, particularly the availability and affordability of essential pharmaceutical products and supplies in the [name of hospital] pharmacy (the “Hospital Pharmacy”);

WHEREAS, [name of organization or local government] seeks to improve pharmacy processes and operating standards by engaging private sector entities with expertise and experience in pharmacy operations, particularly in areas of inventory management, clinical pharmacy, and quality management;

WHEREAS, [name of organization or local government] has determined that a Public–Private Partnership for the lease, operations, and management of the Hospital Pharmacy to ensure the availability of locally competitively priced and [name of food and drug agency]-registered pharmaceutical products;

WHEREAS, the Company has been selected by [name of organization or local government] to undertake the Project on the terms and conditions set forth in this Agreement as the result of a competitive public bidding process conducted by [name of organization or local government];

2

/12

NOW THEREFORE, for and in consideration of these premises and the mutual commitments, obligations, and undertakings assumed and accepted hereunder, the Parties have agreed as follows:

## 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

### 1.1 Definitions

Unless the context otherwise requires, the following terms whenever used in this Agreement shall have the following meanings\*:

*[\*Some definitions of terms in the originating contract (which is based on Philippine context) were no longer included in this list but readers are just directed to refer to specific sections. For example, the term “Company Event of Default” is defined in Section 16.1 instead of inserting it in this section. This is a standard practice in legal documents particularly if the definitions are too long. Since some sections or provisions are no longer shared here, the user must amend or modify these definitions based on his or her own context and country regulations.]*

**“Accounting Principles”** means the generally accepted accounting principles applicable from time to time in the [country], as determined by the Financial Reporting Standards Council or its successor body.

**“Affiliate”** means, with respect to any specified person, any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such specified person. For purposes of this definition, “control” means the ownership, directly or indirectly, or as trustee, personal representative, or executor, of more than fifty percent (50%) of the outstanding capital stock of such person or other equity interests having the power to elect a majority of the board of directors, or similar body governing the affairs of such person, or the power to direct or cause the direction of the business affairs or management of such person.

**“Auditors”** means the independent public accountants appointed by the Company with the prior written approval of [name of organization or local government].

**“Billing Month”** means the first day of the calendar month up to the last day of the calendar month.

**“Change-in-Law”** means any of the following events occurring as a result of any action by any Government Authority of [country]:

- (i) A change in or repeal of a Legal Requirement;
- (ii) An enactment or making of a new Legal Requirement; or
- (iii) A change in the interpretation or the application of a Legal Requirement, which in any case was not reasonably foreseeable at the Signature Date, but not a change in Taxation.

**“Change of Ownership”** means:

- (i) any sale, transfer, or disposal of any legal, beneficial, or equitable interest in any or all of the shares in the Company, including control over (i) the exercise of voting rights conferred on those shares; (ii) the right to elect, appoint, or remove directors; or (iii) the right to declare dividends; and

- (ii) any other arrangements that have, or may have, or which result in the same effect as paragraph (a) above.

**“Claims”** means with respect to any person, any and all suits, sanctions, legal proceedings, claims, assessments, judgments, damages, penalties, fines, liabilities, demands, reasonable out-of-pocket expenses of whatever kind (including reasonable attorneys’ fees and expenses), and losses incurred or sustained by or against such person but excluding any lost profits or other special, incidental, indirect, punitive, or consequential damages suffered by such person.

**“COA”** means the Commission on Audit.

**“Company Event of Default”** is defined in Section 16.1.

**“Company Invoice”** is defined in Section 9.3.

**“Company Parties”** is defined in Section 15.2.

**“Confidential Information”** is defined in Section 22.4.1.

**“Consent”** means any permit, license, approval, concession, right, award, registration, certification, waiver, exemption, or other authorization, including any amendments thereto, that is required from any Government Authority under the terms of or in connection with this Agreement.

**“Day”** means a 24-hour period beginning and ending at midnight, [country] time.

**“Dispute”** means any difference or disagreement of any kind whatsoever arising between the Parties in connection with, arising out of, or relating to the interpretation, implementation, breach, termination, or validity of this Agreement.

**“Effective Date”** is defined in Section 2.1.

**“Equity”** means (i) the capital stock, of any class, of the Company subscribed to by the Shareholders of the Company, including (ii) indebtedness of the Company given to it by a Shareholder or an Affiliate of any Shareholder.

**“Event of Default”** is defined in Section 16.

**“Event of Loss”** means any occurrence during the term of the Agreement which results in all or a substantial portion of the Hospital Pharmacy being damaged, destroyed, or rendered unfit for normal operation in accordance with this Agreement.

**“Force Majeure Event”** is defined in Section 14.1.1.

**“Government Authority”** means any government, department, commission, board, bureau, agency, regulatory body, instrumentality, fiscal, legislative, judicial, or administrative, national or local, having jurisdiction or authority over the matter in question.

**“Gross Sales”** is the total value of sales and services, before deducting for taxes, customer discounts, allowances, and returns

4

/12

**“Hospital Pharmacy”** means the existing pharmacy in the [name of hospital] which is subject of this Agreement.

**“Inpatient”** is any person seeking or receiving medical treatment who is admitted to and confined at any of the [name of hospital(s)].

**“Intellectual Property Rights”** means all rights of ownership recognized by law in inventions, technology, copyrighted material, computer software, and firmware, including (a) patents, trademarks, service marks, rights in designs, trade names, copyrights, rights to trade secrets, proprietary information, and know-how in each case whether registered or not; (b) applications for their registration; (c) rights under licenses and consents in relation to any of them; and (d) all forms of protection of a similar nature or having equivalent or similar effect to any of them which may subsist anywhere in the world.

**“Inventory”** means the Pharmaceutical Products and Non-Pharmaceutical products authorized by the Hospital maintained, from time to time, in the Hospital Pharmacy.

**“Legal Requirements”** means all laws, statutes, orders, decrees, injunctions, consents, agreements, and regulations of any Government Authority having jurisdiction over the matter in question.

**“Leased Premises”** is defined in Section 5.1.

**“Lien”** means any mortgage, pledge, lien, security interest, option agreement, claim, charge, or encumbrances of any kind.

**“Net Sales”** means Gross Sales, less any legally mandated discounts like senior citizens discounts and persons with disability discounts.

**“Non-Pharmaceutical Products”** means all products other than Pharmaceutical Products that may be sold at the Pharmacy as listed in Schedule A and as may be revised from time to time.

**“Non-Political Force Majeure Event”** is defined in Section 14.1.3.

**“Notice of [name of organization or local government] Event of Default”** is defined in Section 21.1.1(c).

**“Notice of Company Event of Default”** is defined in Section 21.1.1(b).

**“Operating Period”** means the period commencing on the Effective Date and ending on the Termination Date.

**“Outpatient”** means any person seeking or receiving medical treatment at the [name of hospital] who is not admitted and confined in the [name of hospital]. It includes: (i) emergency room patients, (ii) outpatient surgery patients of such hospital, and (iii) inpatients who have been discharged.

**“Party”** means [name of organization or local government] or the Company, as the case may be, and **“Parties”** means both [name of organization or local government] and the Company.

**“Performance Security”** is defined in Section 6.2.

**“Performance Standards”** or **“PS”** means the required levels of service, contractual commitments, and operating standards for the Hospital Pharmacy that are stipulated in relevant provisions of this Agreement and specifically referred to in Section 7.3 and Schedule F (*Performance Standards*), or as may be further developed, revised, or amended in accordance with this Agreement.

5

/12



**“Penalty Rate”** means one percent (1.0%) per month.

**“[Currency”, “abbreviation for currency”, and “symbol for currency”** mean the lawful currency of the Republic of the Philippines.

**“[Name of organization/local government] Event of Default”** is defined in Section 16.2.

**“[Name of organization or local government] Parties”** is defined in Section 15.1.

**“[Name of organization or local government] Step-in Rights”** is defined in Section 18.1.

**“Pharmaceutical Products”** are all drugs and medicines, including tablets, capsules, injectables, liquids, ointments, medicated pads, inhalers, spray, suppositories, drops, intravenous solutions and intravenous additive drugs, as listed in Schedule B and as may be revised from time to time.

**“[Abbreviation of the name of social health insurer]”** means the [complete name of the social health insurer].

**“[Abbreviation or short form of the name of country]”** means the [complete name of the country].

**“Political Force Majeure Event”** is defined in Section 14.1.2.

**“Project”** means the undertaking, in line with the terms and conditions of this Agreement and all Legal Requirements, to lease, operate and manage the Hospital Pharmacy.

**“Prudent Utility Practice”** means applying, in relation to the manner in which the operation and management of the Hospital Pharmacy, the standards, practices, methods and procedures conforming to all Legal Requirements, and exercising that degree of skill, care, diligence, prudence, and foresight that would reasonably and ordinarily be expected from a skilled and experienced person engaged in a similar type of undertaking under similar circumstances, including taking reasonable steps to ensure that:

- (i) adequate materials, resources, and supplies are available to meet the Hospital Pharmacy’s needs under normal conditions and reasonably anticipated abnormal conditions and to ensure that the Pharmaceutical Products and Non-Pharmaceutical Products are available on a twenty four (24) hours a day and seven (7) days a week basis under both normal and abnormal conditions;
- (ii) sufficient and duly licensed operating personnel (i) are available, (ii) are adequately experienced and trained to operate the Hospital Pharmacy properly and efficiently taking into consideration manufacturers’ guidelines and specifications in full compliance with the provisions of Section 6.3 of this Agreement, and (iii) are capable of responding to abnormal conditions, including, without limitation, conditions in Section 7.1.2 (c); and
- (iii) appropriate monitoring is done to ensure the Hospital Pharmacy is being operated and managed in accordance with applicable Performance Standards and to ensure that the Pharmaceutical Products and Non-Pharmaceutical Products are available on a twenty four hours (24) a day and seven (7) days a week basis under both normal and abnormal conditions.

**“SEC”** means the Philippine Securities and Exchange Commission. [“SEC” or “Philippine Securities and Exchange Commission” may be replaced with the name of the government agency in-charge of securities and exchange.]

**“Selling Price”** means the retail price of the Hospital Pharmacy of a Pharmaceutical Product or Non-Pharmaceutical Product.

**“Shareholder”** means any person owning any of the outstanding capital stock (of any class) of the Company.

**“Signature Date”** means the date of signing of this Agreement as indicated in the preamble.

**“Tax”** means any net income, gross income, gross receipts, sales, use, transfer, gains, *ad valorem*, franchise, profits, capital gains, license, value-added, withholding, payroll, employment, professional, business, excise, stamp, occupation, premium, property, environmental, windfall profit, documentary, registration, severance, custom duty, governmental fee, other like assessment or charge of any kind whatsoever imposed pursuant to the laws of any national, local, or foreign jurisdiction or by any political subdivision or taxing authority, together with any interest, penalty, or other payment charged, and any liability for such amounts under all applicable laws as a result either of being a member of a combined, consolidated, unitary, or affiliated group or of a contractual obligation to indemnify any person or other entity.

**“Termination Date”** means the date when any of the following events occurs first:

- (i) termination of this Agreement pursuant to Section 2.3.1 (*Termination due to Non-Occurrence of Effective Date*);
- (ii) termination of this Agreement pursuant to Section 21.1 (*Termination due to an Event of Default*);
- (iii) termination of this Agreement pursuant to Section 21.2 (*Termination due to Prolonged Force Majeure Events*); or
- (iv) on the third (3<sup>rd</sup>) anniversary of the Effective Date.

**“Termination Notice”** is defined in Section 21.1.1(a).

**“Therapeutic List”** is the list of branded and generic drugs prepared and, from time to time, updated by the Therapeutics Committee of [*name of organization or local government*] (which list shall be termed as “[*name of organization or local government*] Therapeutic List”) or the [*name of hospital*] (which list shall be termed as the “[*name of hospital*] Therapeutic List”). It shall contain only Pharmaceutical Products that have been approved by and included in the [*name of food and drug agency*].

## 1.2 Principles of Interpretation

In the interpretation of this Agreement, unless the context otherwise requires:

- (a) words importing a gender include any gender.
- (b) words importing the singular number shall include the plural and *vice versa*.
- (c) references to persons shall include individuals, sole proprietorships, partnerships, associations, trusts, joint ventures, unincorporated organizations, corporations, states, governments, and governmental entities.
- (d) references in this Agreement to any statute, law, decree, regulation, or other Legal Requirement shall be construed as a reference to such statute, law, decree, regulation, or other Legal

Requirement as re-enacted, re-designated, amended, or extended from time to time, except as otherwise provided in this Agreement.

- (e) a reference to any person, Party, or entity includes its permitted successors and assigns. A reference to any government agency or authority shall include any [*name of organization or local government*] or authority succeeding to such agency's or authority's powers and functions.
- (f) the words "include" or "including" shall be deemed to be followed by "without limitation" or "but not limited to," whether or not they are followed by such phrases or words with the same meaning.
- (g) references to a number of days shall refer to calendar days and references to "months" shall refer to calendar months.
- (h) the division of this Agreement into articles, clauses, and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (i) the terms "this Agreement," "hereof," "hereunder," and similar expressions refer to this Agreement and not to any particular article, clause, section, or other portion hereof, and include any agreement supplemental hereto.
- (j) unless something in the subject matter or context is inconsistent therewith, references to articles, clauses, sections, and schedules are to articles, clauses, sections, and schedules of this Agreement.
- (k) no provision of this Agreement shall be construed adversely to a Party solely on the ground that that Party was responsible for the preparation of this Agreement or that provision.

#### ARTICLE I

#### CONDITIONS PRIOR TO EFFECTIVE DATE

### 2 CONDITIONS PRECEDENT TO EFFECTIVE DATE

#### 2.1 Conditions Precedent to the Effective Date

This Agreement shall be effective and the Parties shall be bound by all its terms and conditions on the date (the "*Effective Date*") when the following conditions have been fully satisfied or waived by the Parties and a written notice to such effect has been jointly signed by them:

- (a) The Company shall have delivered a signed true and correct copy of the Agreement to [*name of organization or local government*].
- (b) For corporations and partnerships, certified true copies of resolutions adopted by the board of directors of the Company authorizing the signing, delivery, and performance of this Agreement shall have been delivered to [*name of organization or local government*].
- (c) True and correct copies of the articles of incorporation and by-laws (if a corporation) or articles of partnership (if a partnership) of the Company, including all amendments thereto, certified by

8

/12

its corporate secretary and the [name of agency in charge of securities and exchange], shall have been delivered to [name of organization or local government].

- (d) All Consents that are required to have been obtained in connection with the execution, delivery, exercise of rights, and commencement of performance of this Agreement shall have been obtained and continue to be in full force and effect, including but not limited to, the Consents listed on Schedule G.\* [*\*Section or schedule names will depend on the final document developed by the user. This note should be applied whenever a specific section or schedule is mentioned in this document.*]
- (e) The Performance Security required from the Company pursuant to Section 6.2\* shall have been executed and delivered to [name of organization or local government] and shall be in full force and effect. [*\*Section or section names will depend on the final document developed by the user. This note should be applied whenever a specific section or schedule is mentioned in this document.*]
- (f) Certified true copies of certificates of insurance coverage evidencing compliance with the requirements for insurance needed to be in force as of the Effective Date shall have been delivered to [name of organization or local government].
- (g) The representations and warranties of the Company contained or incorporated herein by reference shall be true and correct in all material respects on and as of the Effective Date and [name of organization or local government] shall have received a certificate to that effect dated as of the Effective Date and signed by the corporate secretary of the Company.
- (h) No Legal Requirement shall have been enacted, entered, promulgated, or enforced by any Government Authority having jurisdiction over the matter that restrains, prohibits, or declares illegal the consummation of the transactions contemplated in the Agreement and no action, suit, inquiry, or proceeding shall have been instituted or threatened that seeks to restrain, prohibit, or declare illegal the consummation of the transactions contemplated by this Agreement. Each Party, through its respective corporate secretary or chief legal officer, shall issue a sworn statement to this effect.
- (i) Certified true copies of resolutions adopted by the Provincial Board\* of the [name of organization or local government] authorizing the execution, delivery, and performance of this Agreement shall have been delivered to the Company. [*\*This term may change depending on the name of the local or provincial board where the PPP project should defer or report to.*]
- (j) Possession and control over the Leased Premises is turned-over to the Company.
- (k) [Name of organization or local government] shall have submitted to the Company an irrevocable letter of credit or bank guarantee callable on demand in the sum of [amount] effective for [number of years] years.

## 2.2 Reasonable Efforts to Satisfy Conditions Precedent

- (a) Each Party shall use all reasonable efforts to satisfy the conditions enumerated in Section 2.1 within [number of days in words and figure] days from Signature Date. On each date that a Party believes that any of the conditions precedent has been satisfied, it shall promptly give written

notice of that fact to the other Party together with copies of all relevant documents that satisfy that condition.

- (b) Without prejudice to the rights of the Parties to terminate this Agreement pursuant to Section 21.2, if the occurrence of the Effective Date is delayed by a Force Majeure Event, the Parties shall confer on the effects of such delay and may mutually agree to extend the period for compliance with Section 2.1. The Parties shall endeavor to reschedule activities and resume the performance of their obligations in a way that will avoid or minimize any further delay.

## 2.3 Non-Occurrence of Effective Date

### 2.3.1 Termination due to Non-Occurrence of Effective Date

- (a) *[Name of organization or local government]* may extend the period for the Company to comply with its obligations under Section 2.1 or may terminate this Agreement with immediate effect by giving written notice thereof to the Company if any of the conditions precedent set forth in Sections 2.1(a) through (h) inclusive has not been satisfied in fifteen (15) days' period after the Signature Date.
- (b) The Company may extend the period for *[name of organization or local government]* to comply with its obligations under Section 2.1 or may terminate this Agreement with immediate effect by giving written notice thereof to *[name of organization or local government]* if any of the conditions precedent set forth in Sections 2.1(h) to (j) has not been satisfied in fifteen (15) days' period after the Signature Date.

### 2.3.2 Consequences of Termination

If this Agreement is terminated by *[name of organization or local government]* pursuant to Section 2.3.1 due to the failure of the Company to comply with its obligation under 2.1, then *[name of organization or local government]* can call on the full amount of the bid bond posted by the Company, then this Agreement shall have no further effect. The Parties shall have no further rights and shall be released from all their obligations under this Agreement except in respect of any rights or obligations arising before the termination occurred.

## 2.4 Specific Provisions Effective on the Signature Date

The following sections shall be binding and effective on the Signature Date and the Parties' rights or obligations under those clauses shall not be conditional on the occurrence of the Effective Date:

- (a) Section 1 (*Definitions, Principles of Interpretation, and Priority of Documents*);
- (b) Section 2 (*Conditions Precedent to Effective Date*);
- (c) Section 12 (*Representations and Warranties*);
- (d) Section 14 (*Force Majeure*);
- (e) Section 15 (*Indemnity*);
- (f) Section 17 (*Limitation of Liability*);
- (g) Section 19 (*Assignment of Rights; Ownership of the Company*);
- (h) Section 20 (*Dispute Resolution*); and
- (i) Section 22 (*General Provisions*).

10

/12

(Note: As this document shares selected provisions only, sections 14 – 22 are no longer shared here. However, their titles are retained to give users an idea on what are the recommended clauses for a PPP in pharmacy contract.)

## ARTICLE II TERM OF THE AGREEMENT

### 3 TERM OF THE AGREEMENT

#### 3.1 Contract Term

Subject to Section 2.4 (*Specific Provisions Effective on the Signature Date*), the term of this Agreement runs from the Effective Date until the Termination Date.

#### 3.2 Provisions In Force

From the Signature Date until the Effective Date, the provisions enumerated in Section 2.4 (*Specific Provisions Effective on the Signature Date*) shall be in full force and effect. From the Effective Date until the Termination Date, all of the provisions of this Agreement shall be in full force and effect.

## ARTICLE III CONDITIONS AFTER EFFECTIVE DATE

### 4 IMPLEMENTATION

#### 4.1 Scope

The Project shall comprise the lease, management, and operation by the Company of the Hospital Pharmacy during the term of this Agreement, including the transfer or turnover of the possession thereof upon the Termination Date, in accordance with this Agreement and all applicable laws. *[Name of organization or local government]* shall have the option to purchase all or a portion of the remaining Inventory of the Pharmaceutical Products and Non-Pharmaceutical Products of the Company upon Termination Date at a price to be mutually agreed upon by the Parties.

#### 4.2 Grant of Rights

On the terms and subject to the conditions set forth in this Agreement, *[name of organization or local government]* hereby grants to the Company in compliance with all Legal Requirements the sole and exclusive right and responsibility during the term of this Agreement to:

- (a) exclusively sell and dispense Pharmaceutical Products and Non-Pharmaceutical Products at the Hospital except for donated products which may be dispensed by *[name of hospital]* free of charge to patients; and
- (b) use, occupy, operate, and manage the Hospital Pharmacy.

11

/12



### 4.3 Consents and Approvals

Except for the Consents that *[name of organization or local government]* is required to secure in accordance with Schedule G (*Consents*), the Company shall at its cost be responsible for obtaining all other Consents required for the lease, operation, and management of the Hospital Pharmacy.

### 4.4 Title and Risk of Loss

Risk of loss of the stocks and Inventory of Pharmaceutical Products and Non-pharmaceutical Products after Effective Date shall be borne by the Company during the Operating Period.

The existing Inventory of all medicines and drugs prior to Effective Date shall be disposed of by *[name of organization or local government]* in a manner it may deem appropriate and in compliance with Legal Requirements.

## 5 LEASE OF THE HOSPITAL PHARMACY

### 5.1 General Responsibilities of the Company

The Company shall lease the current space occupied by the Hospital Pharmacy consisting of *[number]* square meters, more or less, (the “Leased Premises”), the location, area, and boundaries of which is attached in Schedule C, in compliance with:

- (a) prudent Utility Practice, and
- (b) all applicable Legal Requirements.

### 5.2 Further Responsibilities Related to the Leased Premises

For the purpose of performing its obligations under Section 5.1 (*General Responsibilities of the Company*), the Company shall:

- (a) be responsible for paying the costs of electrical, water, telephone, and other utility charges, including the cost of installation and deposits related thereto, which are separately and exclusively used and consumed within the Leased Premises;
- (b) use the Leased Premises exclusively for the operation of a pharmacy. – The Company and its employees shall use the Leased Premises in a professional manner;
- (c) construct or make any alterations, improvements, or changes in any part of the Leased Premises, including electrical installations, plumbing and other fixtures, only after securing the prior written consent of *[name of organization or local government]*, which consent shall not be unreasonably withheld. The costs of any construction or alteration on or within the Leased Premises shall be borne by the Company. Upon Termination Date, *[name of organization or local government]* shall have the option to either appropriate any permanent improvement introduced or within the Leased Premises, without any right of reimbursement to the Company, or demand the restoration of the Leased Premises to its original condition when first delivered to the Company, at the expense of the Company;
- (d) not sublease the Leased Premises, nor allow any person or corporation to occupy the same, in whole or in part, nor shall the company assign, in whole or in part, any of its rights under this

12

/12

Agreement, without the prior written approval of *[name of organization or local government]*; and

- (e) take the necessary measures for the maintenance, cleanliness, security, and upkeep of the Leased Premises, and to protect people and property, avoid unnecessary interference caused by people and equipment, and prevent any other nuisance and unreasonable disturbance.

## 6 OPERATION AND MAINTENANCE

### 6.1 Operation and Maintenance Responsibilities of the Company

The Company shall be responsible for all the aspects related to the management and operation of the Hospital Pharmacy from the Effective Date until the Termination Date and shall ensure during such period that the Hospital Pharmacy operate in accordance with all Legal Requirements, Prudent Utility Practice, and the Contract Performance Standards.

### 6.2 Performance Security

Within *[number of days in word and figure]* Days from the Signature Date, the Company shall provide and deliver to *[name of organization or local government]* a Performance Security in the form of cash, manager's check, irrevocable letter of credit, or bank guaranty in a form acceptable to *[name of organization or local government]*, callable on demand and issued by a universal bank as security for the performance by the Company of its obligations under this Agreement from the Effectivity Date until the Termination Date (the "Performance Security"). The Performance Security shall have a value equivalent to *[amount]*.

### 6.3 Company Staff

- (a) The Company shall ensure that a sufficient number of its personnel possess the necessary license, qualifications, expertise, and experience most appropriate to operate the Hospital Pharmacy, and are on duty on the days and during the hours needed to meet the Performance Standards and as called for by Prudent Utility Practice.
- (b) It is understood that staff provided by the Company for the purpose of performing all services under this Agreement are the employees of the Company or its subcontractors, and under no circumstances will be considered employees of *[name of organization or local government]*.
- (c) The Company shall give first preference and priority to hiring any qualified employee of the *[name of hospital]* that may be affected by virtue of this Project. In the selection and hiring of its employees, the Company shall likewise give priority to qualified applicants who are residents of *[name of province]*. This provision shall not be construed as a limitation on the Company's prerogative in the selection and hiring of its employees.

## 7 OPERATION AND MANAGEMENT OF THE HOSPITAL PHARMACY

### 7.1 Company Responsibilities

The Company shall, at its cost, perform and be responsible for, for the duration of the Agreement, the following:

13

/12

**7.1.1 General Operations**

- (a) At its expense, manage and operate the Hospital Pharmacy and assume full responsibility for its management and operations;
- (b) make available on twenty-four (24) hours and seven (7) days a week basis all the Pharmaceutical Products and Non-Pharmaceutical Products, including intravenous fluids, listed in the *[name of province]* Therapeutic List and included by the Therapeutics Committee of the *[name of hospital]* where applicable;
- (c) secure and maintain all appropriate licenses and permits for the operations and management of the Hospital Pharmacy and its pharmacy personnel; and
- (d) prepare Pharmaceutical Products for Inpatient and Outpatient dispensing, in accordance with pertinent laws, rules and regulations, and *[name of social health insurer]* accreditation guidelines at all times, and advise and coordinate with the management of *[name of hospital]* on such matters.

**7.1.2 Inventory**

- (a) Purchase and maintain for its account sufficient inventories of Pharmaceutical Products and Non-pharmaceutical Products listed in the *[name of province]* Therapeutic List *[or relevant document]* for the Hospital Pharmacy;
- (b) prepare monthly reports for submission to *[name of organization or local government]* on the composition and size of inventories in accordance with the *[name of province]* Therapeutic List and historical consumption patterns of *[name of hospital]*;
- (c) As soon as possible, make available additional Pharmaceutical Products and Non-Pharmaceutical Products necessary due to any or a combination of the following:
  - (i) emergency situations resulting from an unusually large number of Inpatients or Outpatients,
  - (ii) sudden increase in demand by retail customers,
  - (iii) unforeseen or unavoidable circumstances, or
  - (iv) any other cases of extreme urgency requiring immediate purchase.

**7.1.3 Pricing and Billing**

- a) Sell or dispense Pharmaceutical Products and Non-Pharmaceutical Products at locally competitive prices consistent with pertinent laws. The Selling Prices shall be posted conspicuously within Hospital Pharmacy premises. For purposes of this Agreement, Selling Prices shall be no higher than the average of the three (3) leading drugstores in *[name of province]* for comparable drugs and medicines, preferably from the same manufacturer.

14

/12

- b) Prepare and issue the charge slips (for Inpatients) or sales invoices (for Outpatients) and issue the corresponding receipts for cash sales.
- c) Implement a pharmacy management and cash receipting system as well as an electronic and real time point of sale monitoring system for the Hospital Pharmacy that reflect the Selling Price and are compatible with the *[name of hospital]* and *[name of social health insurer]* accounting systems.

#### 7.1.4 Other Responsibilities of the Company

In addition to the responsibilities set forth above, the Pharmacy Manager shall:

- (a) manage, audit, and implement procedures that will help in capturing information on Inpatient and Outpatient sales and utilization on a daily basis;
- (b) submit monthly reports to the *[name of hospital]* with such information and in such format as may be required by the latter's policies and procedures, and such other reports as may be reasonably required by the *[name of hospital]* from time to time;
- (c) coordinate with the appropriate committees and departments of the *[name of hospital]* to ensure adherence to quality assurance and thus improve patient outcome;
- (d) abide by, and cause its personnel to comply with, any and all laws, rules and regulations, policies and guidelines that may be adopted from time to time by the management of the *[name of hospital]*; and
- (e) report adverse drug reactions to the Therapeutics Committee of the *[name of hospital]*.

#### 7.1.5 Dispensing to Indigents Who Have Exceeded *[name of social health insurer]* and Other Government Assistance Limits

The Company shall be under no obligation to sell or dispense Pharmaceutical and Non-Pharmaceutical Products to patients who have exceeded their *[name of social health insurer]* or other government assistance limits.

### 7.2 *[Name of organization or local government]* Responsibilities

- (a) Pay for the Pharmaceutical Products and Non-Pharmaceutical Products dispensed to indigents or other deserving cases not covered by *[name of social health insurer]*, as endorsed by *[name of organization or local government]*, and subject to limits to be set by *[name of organization or local government]*;
- (b) Pay for the Pharmaceutical and Non-Pharmaceutical Products dispensed by the Company for extremely urgent cases and for which no prior endorsement by *[name of organization or local government]* could be reasonably obtained;

15

/12

- (c) Pursue province-wide *[name of social health insurer]* coverage for its constituents for the duration of the Operating Period;
- (d) Actively ensure proper and immediate processing by *[name of social health insurer]* of reimbursement claims and promptly remit the same to the Company upon receipt;
- (e) Provide, from time to time, training of the Company's staff on the regulations, policies, and service standards of the *[name of hospital]*;
- (f) Allow a representative of the Company to participate in relevant meetings of the *[name of hospital]* committees and departments, including the Therapeutics Committee, to ensure that the Hospital Pharmacy is attuned to the needs and aligned to the initiatives of these units;
- (g) Inform the Company of the *[name of social health insurer]* and other third party payors' or insurance companies' status of patients, their drug payment allowance, and receipt of drug reimbursements;
- (h) Assist the Company in securing permits for utilities;
- (i) Require doctors employed by *[name of hospital]* to give first preference to the Hospital Pharmacy when prescribing Pharmaceutical and Non-Pharmaceutical Products;
- (j) Monitor prescribing patterns of doctors employed by *[name of hospital]* to ensure they prescribe only Pharmaceutical Products listed in the (*[name of province]* Therapeutic List) and included by the Therapeutics Committee of the *[name of hospital]*;
- (k) Orient *[name of hospital]* staff on the Pharmacy Manager's operating systems, regulations, policies and processes especially those that interrelate with pharmacy operations and those affecting or regulating drug dispensing procedures;
- (l) Provide the Pharmacy Manager with the *[name of province]* Therapeutic List *[or relevant document]* and the respective Pharmaceutical Products and Non-Pharmaceutical Products of the *[name of hospital]*;
- (m) Grant exclusive rights to sell Pharmaceutical Products and Non-Pharmaceutical Products listed in the *[name of province]* Therapeutic List *[or relevant document]* within the *[name of hospital]* to the Pharmacy Manager.

### 7.3 Contract Performance Standards

The Company shall operate and manage the Hospital Pharmacy in a manner that shall at all times meet or exceed the Contract Performance Standards as referred to in Schedule F. If the Company fails to operate and manage the Hospital Pharmacy in line with the Contract Performance Standards set in this Agreement, *[name of organization or local government]* shall impose a penalty provided for in Schedule F and enforce payment by offsetting payments due to the Company representing the Company's revenue share, or through the Performance Security if the Company is unable to pay the penalty when due.

### 7.4 Quality Assessment

16

/12

The Company shall implement a quality assessment and monitoring system which meets the requirements of Prudent Utility Practice to ensure that the Pharmaceutical Products and Non-Pharmaceutical Products sold and dispensed at Hospital Pharmacy are available, and that the Hospital Pharmacy is operated and managed in a way that satisfies or exceeds all Contract Performance Standards.

## 8 WARRANTIES

### 8.1 Specific Warranties

In the operation and management of the Hospital Pharmacy, the Company specifically warrants that:

- (a) All Pharmaceutical Products and Non-Pharmaceutical Products to be supplied, sold and dispensed by the Company are registered with the appropriate regulatory agency, of good quality, genuine, not expired, included in the *[national drug formulary]*, and carry the necessary warranties from their manufacturers;
- (b) The Pharmaceutical Products and Non-Pharmaceutical Products listed in the *[name of province]* Therapeutic List *[or other relevant document]* to be supplied, sold, and dispensed by the Company shall be in sufficient quantities, and shall at all times be available twenty four (24) hours a day, seven (7) days a week;
- (c) The Pharmaceutical Products and Non-Pharmaceutical Products sold and dispensed therewith, shall be fit for the purpose for which they are provided;
- (d) The Company's management and personnel assigned to perform services under this Agreement are qualified, diligent, and morally fit to perform all the services required in this Agreement to the satisfaction of *[name of organization or local government]*, and that each of them shall have the proper skill, training, and background to perform the services to which they are assigned in a competent, efficient, and professional manner; and
- (e) The Company will promptly respond to all service requests coursed through the agreed problem determination, problem analysis, and warranty service request procedures established by the Company and accepted by *[name of organization or local government]*.

### 8.2 Failures Not Applicable to Warranties

In this Agreement, the warranties do not apply if failures are due to:

- (a) an Event of Loss or other accidental damage or loss,
- (b) a Force Majeure Event,
- (c) a *[name of organization or local government]* Event of Default, or
- (d) misuse or other acts committed by *[name of organization or local government]* that void an applicable warranty or warranties.

## 9 RENT AND REVENUE SHARE

17

/12



### 9.1 Monthly Rent

The Company shall pay a monthly rent of *[amount]* per square meter for the Leased Premises, net of all taxes, which shall be for the account of the Company.

The monthly rent shall increase by *[annual percentage increase, for example, 5%]* yearly starting on the second year of the Effectivity Date until Contract Termination.

### 9.2 Revenue Share

The Company shall also be entitled to a \_\_\_\_ % share in the monthly Net Sales derived by the Company from the Hospital Pharmacy.

### 9.3 Invoices

Within *[number of days in word and figure]* days after the end of each Billing Month, *[name of organization or local government]* shall submit to the Company an invoice (each, a “*[name of organization or local government]* Invoice”) showing the monthly rent under Section 9.1 and revenue share under Section 9.2 payable from the Company to *[name of organization or local government]* for such Billing Month.

Within *[number of days in word and figure]* days after the end of each Billing Month, the Company shall submit to *[name of organization or local government]* an invoice (each, a “*Company Invoice*”) showing the Net Sales to patients covered under Section 7.2.a and 7.2.b of this Agreement.

The Company shall institute a process that is compliant with the relevant laws to ensure that there is proper identification and documentation in the grant of legally mandated discounts, like senior citizen's discounts.

### 9.4 Payment

Each of the Parties shall pay the Invoice amount due to the other Party within thirty (30) Business Days from the date of receipt thereof. If the last day for payment is not a Business Day, then payment shall be made on the next Business Day.

### 9.5 Manner of Payment

All sums payable by *[name of organization or local government]* under this Agreement shall be paid in *[local currency]* and remitted in same-day funds on the due date to an account maintained in a bank doing business in *[name of province]* to be specified in writing by the Company to *[name of organization or local government]*.

### 9.6 Value-added Tax

Any value-added tax on the sale of Pharmaceutical Products and Non-Pharmaceutical Products, if applicable, shall be shouldered by the *[name of entity that pays the taxes]* and shall be separately stated in the Company Invoices.

### 9.7 No Set-Off or Deductions

18

/12

All payments made by *[name of organization or local government]* under this Agreement shall be made free and clear of and without deduction for or on account of any setoff, counterclaim, Taxes, or otherwise, except those particularly allowed under the Civil Code of the *[country]* or deductions required by Legal Requirements.

#### 9.8 Penalty for Late Payment

Any amount due which is not paid by *[name of organization or local government]* or received by the Company within the period indicated in this Section 9, shall bear interest at the Penalty Rate from the due date until payment is received by the Company.

#### 9.9 Disputed Invoices

- (a) If either Party disputes an amount or a computation in an Invoice, such Party shall: (i) send a written notice to the other Party informing it of such fact and detailing the basis for the dispute, and (ii) pay the undisputed portion not later than its due date.
- (b) The Parties shall endeavor to settle the billing dispute within *[number of days in word and figure]* days after receipt of such notice following the steps for the settlement of disputes provided in Section 20. The amount disputed shall bear interest at the Penalty Rate from the original due date until payment is received.

### 10 CONTRACT MANAGEMENT, MONITORING AND EVALUATION

#### 10.1 Contract Management Body

Within five (5) Business Days after the Signature Date, each Party shall form a contract management body, either through the appointment of a contract manager or the creation of a contract management unit, which shall be responsible for monitoring, managing, and evaluating the operation and management of the Hospital Pharmacy ("Contract Management Body"). Within two (2) Business Days from its creation, each Party shall immediately send written notice to the other naming the members of its Contract Management Body.

#### 10.2 Project Reports

- (a) Within fifteen (15) Business Days from receipt of the notice referred to in Section 10.1, the Contract Management Bodies of the Parties shall meet and agree on the form of the report which the Parties shall use as a tool to exchange information and to monitor, manage, and evaluate the implementation of the Agreement ("Project Report"). At the same meeting, the Parties shall also agree on:
  - (i) the method for monitoring and obtaining the information required,
  - (ii) the Party responsible for monitoring and reporting on each of the indicators, and
  - (iii) the frequency that each indicator should be monitored and reported.
- (b) The Parties shall ensure that the Project Report will have the following basic information:

- (i) the Performance Standards to determine the Company's compliance with its obligations under the Agreement,
- (ii) relevant performance indicators to determine *[name of organization or local government]*'s compliance with its obligations under the Agreement,
- (iii) the Selling Price of the Pharmaceutical Products and Non-Pharmaceutical Products measured against the price at which the same product is sold in the three (3) leading drug stores and pharmacies in *[name of province]*,
- (iv) any information required by relevant Government Authorities including government oversight agencies and public regulators in accordance with applicable Legal Requirements,
- (v) significant contract management actions taken by each Party,
- (vi) any event or condition that has occurred which materially affects the a Party's ability to comply with its obligations under the Agreement or if any of the representations made or warranties given by a Party ceases to be true in any material respect, and
- (vii) all other material information that may be included by the Parties.

### 10.3 Monitoring and Reporting Obligations

- (a) The Parties shall comply with their monitoring and reporting obligations mutually agreed upon pursuant to this Section 10 and embodied in the Project Report.
- (b) For this purpose, the Company shall establish appropriate monitoring and reporting systems to obtain data and perform calculations in order to measure compliance with the Contract Performance Standards provided in this Agreement and the Project Report.
- (c) Performance of the Hospital Pharmacy and compliance with the Contract Performance Standards shall be measured on a monthly basis. The Company shall gather the results and make them available to the Contract Management Bodies.
- (d) The Project Reports shall be prepared in English and shall be submitted within *[number of days in word and figure]* Business Days after the end of the calendar month to which they apply. Source data applicable to a Project Report shall be retained by the Parties for a period of at least *[number of months in word and figure]* months after the report is submitted and shall be furnished to the other Party upon demand. All reports and source data for purposes of validation shall also be stored electronically by the Parties.
- (e) Where a Project Report shows that the operation of the Hospital Pharmacy is below the Contract Performance Standards, the company shall also separately submit with the report:
  - (i) a full explanation of the reasons for the below-target performance,
  - (ii) the steps that it has or will be taking to ensure that performance is improved to meet the standard, and

20

/12

(iii) the timeframe for their implementation. In case the cause of the below-target performance is not entirely the responsibility of the Company, it shall include a recommended solution in its report that identifies the proposed steps to remedy the other factors that contributed to the below-target performance.

- (f) At the request of *[name of organization or local government]*, the Company shall prepare and submit supplemental reports related to the performance of the Hospital Pharmacy or compliance with the Contract Performance Standards.

## 10.4 Financial Reports

### 10.4.1 Fiscal Year; Accounting Principles

The Company shall have a fiscal year ending on 31 December of each year. The Company shall at all times comply with the Accounting Principles and maintain proper books and records in accordance with applicable Legal Requirements.

### 10.4.2 Financial Reports

- (a) The Company shall keep accurate records of all receipts and expenses related to the operation of the Hospital Pharmacy.
- (b) It shall prepare unaudited quarterly financial statements for the Hospital Pharmacy in accordance with the Accounting Principles consistently applied. The quarterly unaudited financial statements shall be duly signed by the Company's chief accountant and shall be submitted to *[name of organization or local government]* within *[number of days in word and figure]* Business Days after the end of each quarter for the duration of the Operating Period.
- (c) The Company shall prepare audited annual financial statements for the Hospital Pharmacy in accordance with the Accounting Principles consistently applied. The annual financial statements shall be audited by the Auditors. Within *[number of days in word and figure]* Business Days after the end of each fiscal year for the duration of the Operating Period (including the fiscal year in which the Termination Date occurs), the Company shall submit to *[name of organization or local government]* an annual report on the management, operations, and finance during the preceding year, including copies of the audited financial statements with the Auditors' notes and comments.
- (d) In addition to the foregoing reports, the Company shall provide *[name of organization or local government]* at its request and on a timely basis all financial information in respect of the Company's operations reasonably required to permit *[name of organization or local government]* to satisfy its financial, tax, and other reporting requirements.

## 10.5 Other Reporting Requirements for Public Audit

The Company acknowledges that *[name of organization or local government]* is subject to public audit by the Commission on Audit (COA).<sup>\*</sup> For this purpose, the Company shall provide on a timely basis pertinent information as may be requested by *[name of organization or local government]* or COA for purposes of such audit. [<sup>\*</sup>"COA" or "Commission of Audit" may be changed by the user depending on the name of the agency in-charge of auditing in his or her country.]

21

/12

## 10.6 Regular Meetings

The Contract Management Bodies of the Parties shall meet once a month or more frequently if necessary to discuss the progress of the Project, in particular:

- (a) the Contract Performance Standards and other material information covered by the Project Report,
- (b) any problems or issues in the implementation of the Agreement and preventive or remedial actions that should be taken,
- (c) methods for managing significant risks, and
- (d) lessons learned from carrying out the Project and any adjustments that are necessary or can be made in its implementation to help improve Project outcomes.

## 10.7 Right to Inspect and Monitor

- (a) [Name of organization or local government] shall be entitled to inspect and monitor the Hospital Pharmacy at any time. The purpose of such monitoring shall be to determine whether the Hospital Pharmacy is being operated and managed in accordance with the terms of this Agreement.
- (b) The Company shall allow [name of organization or local government] or their duly authorized representatives to conduct such inspection and monitoring during normal business hours upon reasonable prior written notice to the Company. The monitoring and review shall be conducted in the presence of a duly designated representative of the Company. All costs incurred by [name of organization or local government] in exercising its monitoring rights pursuant to this Section shall be borne solely by [name of organization or local government].
- (c) The Parties shall use all reasonable efforts to minimize any disruption to the operation of the Hospital Pharmacy during inspection.
- (d) The Company shall ensure that [name of organization or local government] or its agent or representative is given sufficient access to any part of the Hospital Pharmacy to carry out the inspection. For this purpose, the Company shall:
  - (i) provide assistance and make available equipment or materials as may be reasonably required,
  - (ii) not make any part of the Hospital Pharmacy inaccessible, and
  - (iii) promptly correct any deficiency identified by [name of organization or local government] or its agent during such inspection.

## 11 INSURANCE

### 11.1 Required Insurance Policies

22

/12

- (a) The Company at its cost shall obtain and maintain or cause its subcontractors to obtain, at a minimum, all-risks insurance coverage and policies for the Leased Premises, equipment, and inventory of Pharmaceutical Products and Non-Pharmaceutical Products to cover the full replacement costs. The Company may procure additional insurance coverage not called for under this Agreement.
- (b) The insurance policies required to be obtained by the Company shall be issued by reputable and financially sound insurers or reinsurers duly licensed by the Insurance Commission and reasonably acceptable to *[name of organization or local government]*.

#### 11.2 Insurance Certificates

The Company shall provide *[name of organization or local government]* with true and certified copies of insurance policies or certificates of coverage required to be obtained in accordance with this Agreement *[number of days in word and figure]* Days after the date such insurance policies are obtained or renewed.

#### 11.3 Failure to Secure and Maintain Required Insurance

If the Company fails to obtain or maintain any insurance policy or endorsement required by this Agreement, *[name of organization or local government]* shall have the right but not the obligation to procure such insurance policy or endorsement at the Company's expense. If the Company fails to reimburse *[name of organization or local government]* within *[number of days in word and figure]* Days after being notified of *[name of organization or local government]*'s payment of any insurance premium to obtain the needed insurance cover, *[name of organization or local government]* can enforce reimbursement from the Performance Security in effect at that time. If the Performance Security is insufficient, *[name of organization or local government]* shall deduct the cost of insurance from any amount due and payable by *[name of organization or local government]* to the Company under this Agreement.

#### 11.4 Application of Insurance Proceeds

If all or a portion of the Hospital Pharmacy is damaged, destroyed, or rendered unfit for normal operation, the Company shall apply the insurance proceeds (except the proceeds of business interruption insurance) in accordance with the following provisions:

- (a) If the Company determines that the Hospital Pharmacy can be rebuilt, repaired, and restored to permit operation on a commercially viable basis and the insurance proceeds are sufficient to restore such Hospital Pharmacy, then all the proceeds shall be applied toward the cost of rebuilding, repairing, and/or restoring the Hospital Pharmacy.
- (b) If the Company determines that the Hospital Pharmacy cannot be rebuilt or can only be partially rebuilt, repaired, and restored or that the insurance proceeds are insufficient to restore such Hospital Pharmacy, then either Party may elect to terminate this Agreement in accordance with *[section number]* (*title of section, e.g., "Termination by Either Party"*) and all of the insurance proceeds shall be distributed in the following order of priority:
  - (i) to the payment of any amount that may be due *[name of organization/local government]* under this Agreement; then,



- (ii) any remaining amount from such proceeds shall be given to the Company or its successors or assigns or to whomever may be lawfully entitled to receive it.

## 12 REPRESENTATIONS AND CERTIFICATIONS

Each Party represents and certifies to the other Party that as of the Signature Date and the Effective Date:

### 12.1 Corporate Existence and Authority

It is a juridical person duly organized and validly existing under the laws of [country] and it has all requisite legal power and authority to conduct its business, to own its properties, and to execute, deliver and implement this Agreement.

### 12.2 Government Consents and Approvals

All Consents required to authorize the execution, delivery, and performance of this Agreement have been obtained and are in full force and effect except for those Consents and approvals identified in Schedule G (*Consents*) that the Parties have agreed to obtain at a later time.

### 12.3 Non-Contravention of Legal Requirements

The execution, delivery, and performance of this Agreement do not conflict with any Legal Requirements applicable to such Party.

### 12.4 Validity and Enforceability of Agreement

This Agreement constitutes its legal, valid, and binding obligation, enforceable in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation, or other similar laws affecting creditors' rights, generally.

### 12.5 No Adverse Litigation

There is no litigation, arbitration, investigation, or proceeding pending, or to its best knowledge, threatened, against or affecting such Party that could reasonably be expected to materially adversely affect its ability to fulfill its obligations under this Agreement or that may affect the legality, validity, or enforceability of this Agreement.

### 12.6 Due Authorization and Non-Contravention of Other Agreements

The execution, delivery, and performance of this Agreement have been duly authorized by all requisite corporate action, and will not:

- (a) require any further consent or approval of its board of directors, shareholders, or any other third party, other than those that have been obtained; or
- (b) violate its charter or incorporation documents, or other agreement or instrument to which it is a party or by which it or its property may be bound, or violate any law, judgment, order, writ, injunction, determination, or award presently in effect and applicable to it.

### 12.7 Continuing Representations and Warranties

24

/12

The representations and warranties in Sections 12.1 to 12.6 shall be deemed to be repeated by each Party as of the Effective Date and as of 31 December of each Contract Year. Each Party shall immediately notify the other Party in writing if any of the representations and warranties given under [section(s) number] cease to be true in any material respect.

### **13 COMPANY COVENANTS**

#### **13.1 Conduct of Company**

The Company shall exercise complete control over its employees, contractors, and subcontractors and require them to comply with this Agreement, all Legal Requirements, and all applicable policies of the Company. The Company shall also require its employees, contractors, and subcontractors to conform to the highest standards of professionalism and ethical conduct. To the extent permitted by applicable Legal Requirements, the Company shall dismiss or discipline any of its employees, contractors, or subcontractors who do not conform to such standards and shall take immediate action at its own expense to correct any violations of such standards.

#### **13.2 Compliance with Legal Requirements and Consents**

The Company shall comply with applicable Legal Requirements and shall comply in all material respects and shall keep in full force and effect all Consents required to be in its name for the performance of its obligations under this Agreement.

#### **13.3 Company's Employees**

##### **13.3.1 Employment of Local Residents**

The Company shall give first preference and priority to hiring any qualified employee of the [name of hospital] that may be affected by virtue of this Project. In the selection and hiring of its employees, the Company shall likewise give priority to qualified applicants who are residents of the [name of organization or local government]. The Company shall cause its subcontractors to do the same.

##### **13.3.2 Status of Company's Employees upon Termination of Agreement**

[Name of organization or local government] shall have no obligation to employ or hire any employee of the Company upon the termination of this Agreement. The Company shall be liable for all costs and expenses associated with the termination of the employment or contract of the Company's employees.

##### **13.3.3 Education and Training**

The Company shall implement education and training programs designed to upgrade the skills of its employees to a level or standard that meets or exceeds the requirements of Prudent Utility Practice.

#### **13.4 Anti-Corruption Warranty**

The Company warrants that neither it nor its representatives have offered any officer, official, or employee of any Government Authority any consideration or commission for this Agreement nor has it or its representatives exerted or utilized any corrupt practice or unlawful influence to secure or solicit this Agreement for any consideration or commission. The Company shall not subcontract any portion or portions of its obligations under this Agreement to any public officer or [name of organization or local government].

25

/12

*government*] official or employee or to persons known by the Company to be relatives within the third degree of consanguinity or affinity of any public officer or *[name of organization or local government]* official or employee directly or indirectly involved in the award of this Agreement or the implementation of the Project. If any consideration or commission is paid to any private person, the Company shall disclose the name of the person and the amount paid. Any breach of the warranties and undertakings in this Section 13.5 shall constitute sufficient ground for the rescission or cancellation of this Agreement or the deduction of the consideration or commission paid from payments otherwise owed to the Company under this Agreement, without prejudice to the filing of civil or criminal actions against the Company and/or its representatives and officials and employees of *[name of organization or local government]* under the *[title of pertinent law such as “Anti-Graft and Corrupt Practices Act”]* and other applicable laws.

### **13.5 Transactions with Affiliates of Company**

Any contract or other transaction entered into by the Company with any of its Affiliates in connection with the Project, whether for the purchase of goods or services or otherwise, shall be entered into on an arms length basis and on commercial terms that would reasonably be expected to apply in the open market between contracting parties that are not Affiliates. Without limiting the generality of the foregoing, in no event shall the Company, directly or indirectly, pay more than the fair market value for goods or services supplied to it by its Affiliates.

## **14 FORCE MAJEURE**

### **14.1 Force Majeure Events**

#### **14.1.1 Definition of Force Majeure Event**

*[Other provisions are no longer included in this sample contract. For a PDF copy of the contract template, a request can be made through the publisher.]*

# Annex 14

## Sample Monitoring and Evaluation Form

### PHARMACY MONITORING REPORT

For the Month \_\_\_\_\_ Yr \_\_\_\_\_

Name of Hospital: \_\_\_\_\_ Address: \_\_\_\_\_  
Region: \_\_\_\_\_

(PLEASE FILL-OUT ALL ITEMS, N/A IF NOT APPLICABLE)

#### I. GENERAL INFORMATION

##### 1. Classification:

**Service Capability:** General

☐ Level 1 Hospital

☐ Level 2 Hospital

☐ Level 3 Hospital (Non-Teaching and Non-Training)

☐ Level 4 Hospital (Teaching and Training)

##### Bed Capacity or Occupancy:

Authorized Bed Capacity \_\_\_\_\_ beds

Actual or Implementing Beds \_\_\_\_\_ beds

Bed Occupancy Rate (BOR) for the month

Based on Authorized Beds \_\_\_\_\_ %

Total In-patient service days for the period\*

$\{(Total\ no.\ of\ authorized\ beds) \times (Total\ days\ in\ the\ period)\} \times 100$

\*This BOR is for a certain period – usually 1 calendar year but one can calculate for a month to compare month-to-month variations, for example.

##### Bed Count:

Number of Beds per Service based on Actual Bed Capacity

##### No. of Beds

No. of Beds per Classification:

Pay \_\_\_\_\_

Service \_\_\_\_\_

No. of Beds per Service:

Medicine \_\_\_\_\_

Obstetrics \_\_\_\_\_

Gynecology \_\_\_\_\_

Pediatrics \_\_\_\_\_

Surgery \_\_\_\_\_

Pediatrics \_\_\_\_\_

Adult \_\_\_\_\_

Others: Specify \_\_\_\_\_

**TOTAL** \_\_\_\_\_

## A. Private Pharmacy Data: General

Private Pharmacy Name : \_\_\_\_\_ Contract Valid until Date: \_\_\_\_\_

License Valid until Date: \_\_\_\_\_

## B. Summary of Personnel: Please attach

Are all pharmacists licensed and have met minimum requirements? Yes \_\_\_\_\_ No \_\_\_\_\_

Based on licensing standards, does it have a complete staffing complement?

Yes \_\_\_\_\_ No \_\_\_\_\_

## C. Pharmacy operations

Note: data can be compared from Philippine Health Insurance Corporation data

Table A14.1: Prescribing Patterns per Department (Sample)

	Number Filled by Pharmacy	Number Filled Outside	Ratio
Medicine			
Obstetrics and Gynecology			
Pediatrics			
Surgery			
Others			
<b>TOTAL</b>			

Table A14.2. Prescribing Patterns Per Doctor (Sample)  
(Attach separate sheet if necessary)

[illegible]

PNDF = Philippine National Drug Formulary

Budgeted sales vs. actual sales for the month:

Actual sales	Budgeted sales	Variance (in %)
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Amounts Receivable: (Attach pertinent documents and separate sheets if necessary)

Table A14.3: Inventory, Stocks, and Prices  
(Attach separate sheet if necessary).

[illegible]

DOH = Department of Health; MOH = Ministry of Health.