

Inclusive, Sustainable, Prosperous and Resilient Health Systems in Asia and the Pacific

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Pharmaceutical Supply Chain Management in Sri Lanka:

Reforming to adopt strategic procurement

Dr. Kumari Navaratne

Senior Health Specialist - Consultant, ADB

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Sri Lanka: Pharmaceutical Supply Chain

- Sri Lanka spends 1/3 of its government health budget on Pharmaceuticals (approximately LKR 200 Billion; USD 675 million) annually and 1/3 of the pharmaceutical need is procured through 'buy back agreements'
- All pharmaceuticals are centrally procured at the Ministry of Health which ensures high value for money, ability to trace any batch of pharmaceuticals, assurance of same quality of the pharmaceuticals at all government hospitals.
- Distribution is also managed centrally via the MSD of the MOH and the cold chain via central, regional and health institution level drug stores and distribution network
- Estimation is based on historical use and is bottom up (from each health institution level) and is carried out annually.
- State Pharmaceutical Corporation is the Procurement agent for the pharmaceutical requirement of the MOH
- State Pharmaceutical Manufacturing Corporation (SPMC) produces selected pharmaceuticals locally for purchase by the GOSL and private sector.

Pharmaceutical Sector Procurement Reforms....

- From 2015, MSD directly procures locally manufactured pharmaceuticals via 'Buy Back Agreements' that provides assurance of a 'market' to local manufacturers but it by passes competitive selection
- Price control of certain drugs in the private sector was imposed/ adjusted /reimposed
- In 2019, SPMC was also authorized to engage in Joint ventures with local manufacturers, again, by passing competitive selection.

2021-2023 Economic Crisis and the reporting of pharmaceutical governance scandals

- Economic crisis led to US Dollar cash flow issues that delayed imports- orders and deliveries got postponed or cancelled.
- Local manufacturers were affected to a lesser extent and were able to deliver the requirements but were not geared to expand production lines to meet the overall short fall.
- Emergency Procurement procedures and Government to Government agreements were extensively adopted to manage the drug shortages as a short term solution.
- Emergency procurement led to purchasing of unregistered, poor quality pharmaceuticals which entered the government pharmaceutical supply chain.
- The Regular annual tenders managed by SPC were stalled / staggered or postponed.

Sri Lanka Pharmaceutical Supply Chain Assessment 2023/2024

- ADB and the MOH with support of other development partners carried out a comprehensive review of the pharmaceutical supply chain in 2023/2024
 - Challenges were defined and Pathways were recommended for further improvement.
- ADB in collaboration with UNICEF, World Bank and WHO are working with the MOH on these areas is using Results Based Lending modality to ensure timely achievement of the agreed results
 - Pathway 1: Strengthen pharmaceutical supply chain governance
 - Pathway 2: Employ strategic procurement
 - Pathway 3: Optimize storage and distribution network
 - Pathway 4: Improve data visibility and use data analytics
 - Pathway 5: Strengthen quality assurance and medicine regulatory system
 - Pathway 6: Build pharmaceutical supply chain workforce capacity
 - Pathway 7: Explore opportunities for setting up a regional mechanism for greater medicine access

Challenges that need to be addressed..

- **Governance structure** is not well demarcated on the roles of technical standards setting, policy making, and oversight, quality, blacklisting are not clearly segregated with a mechanism for ensuring accountability.
- **Long lead time** for forecasting, procurement, and supply of pharmaceuticals
- **Procurement cycle is longer than the annual budgetary cycle**
- **Gaps in Rational use of drug practices** are prevalent as we use a long list of pharmaceuticals in the EML, Priority lists and approves single patient requirements
- **Sizable portion of drug budget used to procure very small quantities of drugs** or for individual patients
- **Drug quality testing capacity and Pharmacovigilance** is inadequate.
- **Staff capacity** on Pharmaceutical supply chain is inadequate.
- **Procurement practices lack market shaping strategies and cost efficient and effective measures** like adopting Framework agreements, standard bidding document for Pharmaceuticals, procurement strategies to manage the market and use of pooled procurement.

How can Sri Lanka adopt strategic procurement practices to ensure timely delivery of high quality pharmaceuticals?

Address governance related issues

- Revise Pharmaceutical guidelines 2022 to include strategic procurement initiatives.
- Review the Pharmaceutical governance structure to reform the governance structure to ensure transparency and efficiency.
- Streamline the Buy back agreement approval and selection to ensure transparency and equal opportunity to all.
- Develop mechanisms for Buy Back agreement partners to be self sustainable with access to export markets after a defined period of assured 'buy back'.
- Define other mechanisms to provide preference to local producers while keeping competitiveness

Introduce new Procurement documents

- Framework Agreements for both international and local purchase orders
- Authorize multi year contracts
- New SBDs for Pharmaceutical and for Medical Equipment as currently Goods documents are used.
- Review the Buy Back agreement and revise as needed to protect both the Govt and the producer.

Strengthen the Supply chain

- Renovate and repair the central drug stores to be state-of-the-art.
- Provide guidance to regional and hospital stores to be inline with the central store upgrades.
- Improve technology for better cold chain maintenance
- Develop the quality assurance system including enhancing the laboratory testing capacity

Enhance Pharmaceutical sector staff capacity

- Introduce new course modules to existing staff and new recruits
- Expose teams to Stringent Regulatory Authorities, other government systems in the region or beyond.
- Use of existing data (SWASTHA IT System is operational) for better planning, monitoring and transparency
- Make changes to the drug estimation methodology used from annual estimation based on past years requirements to adopting patient morbidity, and demand based estimation methods using available consumption data from SWASTHA and other patient information data.

Going forward....

Results based indicators under the new Results Based Loan for Health sector Sri Lanka (2025 to 2030) are linked to selected pharmaceutical supply chain reforms:

- Governance reforms
- Logistics strengthening
- Laboratory quality enhancement
- Pharmaceutical quality and safety initiatives
- Procurement documents reforms
- Pharmaceutical staff capacity
- Data system (SWASTHA) strengthening and expansion

Thank you