GUIDELINES FOR THE PROCUREMENT OF MEDICINES & MEDICAL
CONSUMABLES AT DISTRICT AND HOSPITAL LEVEL

As per the New Drug Policy the purchase of most of the medicines has been
centralised, however, to maintain an uninterrupted supply of medicine and to
supplement the centralised supply, local purchase ought to be made at the district
and facility level.

The following guidelines are being issued to supplement the “Guidelines for
purchase under the consolidated user funds” being issued separately:

A. Guidelines regarding Budget allotment for the procurement of medicines &
medical consumables to District Health and Family Welfare Society under
NRHM.

1. The earlier allocation of 15% of NRHM budget for making local purchase of drugs
and consumables has been increased to 30%, for the last quarter to be kept at the
disposal of District Health and Family Welfare Societies for the procurement of
medicines.

2. 50% of this budget is to be distributed to the District Hospitals which would be
deposited in the same bank account of SKS user fee. However a separate NRHM
account is to be maintained in the ledger. Same procedure for procurement for this
NRHM fund would be followed, as specified for the purchase under the consolidated
user fee fund by the Civil Surgeon/PMO/SMO/MS.

3. The balance of 50% budget is kept at the disposal of District Health and Family
Welfare Society (DHFWS) for the procurement of medicines and medical
consumable for the health facilities other than District Hospitals. The DHFWS has an
option to further disburse this amount to the lower level facilities like SDH, CHC,
PHC, UHCs, and Dispensaries etc.

4. The expenditure under NRHM may be booked under FMR code B.16.2.5.2 General
Drugs and Supplies for Health Facilities.

5. Before making any local purchase Civil Surgeon should review the stock of
medicines of all the facilities in their districts through online web portal and
redistribute the medicines in Health Institutes rationally if required. The NRHM
Funds as well as the Consolidated user money funds should be utilized to make local
purchases of Drugs and consumables in the conditions mentioned in the following paragraphs:

i. Drugs and consumables exclusively for local purchase. (details indicated in the drug portal);

ii. Drugs and consumables on EDL for which rate contract is still pending (finalization indicated separately under the link RC Pending in the drug portal);

iii. Drugs and consumables which are on EDL and on rate contract and order have been placed but supply is awaited*

iv. Drugs and consumables have not been supplied by the warehouse as per demand received from each Health Facility due to limited stock of warehouses*; and

v. Drugs and consumables which have not been issued to the Health Facility due to non-availability of the same in the warehouses. *

* (expected date of receipt can be viewed from the Drug Portal)

B. Procedure for Local Purchases of Drugs and Consumables:

As per the revised guidelines for “Purchase under the Consolidated User Fee Funds” the SKS have been authorized to make local purchases up to Rs. 20 lacs per month for hospitals 200 bed and above (including Panchkula) and upto Rs.10 lacs/month for District hospitals between 100-200 beds and upto Rs. 7 lacs for other hospitals.

Further they shall make the purchases as under:

i. Drugs and consumables exclusively for local purchase: Purchase may be made for appropriate period (3 months to 1 year) depending on requirement, as per the procedure laid out below:

The purchases are of two kinds viz. Recurring and non-recurring.

**Recurring Items:** These are items which are required repeatedly during the year.

In case of recurring items, tender would need to be invited where the estimated annual demand for each item is more than One Lac.
In case the estimated annual demand is less than Rs. 1 lac, then purchases can be made by inviting quotations. The tender/quotations thus finalized should be valid for a period of 1 year from the date of finalization so that repeated orders can be placed on the vendor, during the period of validity.

**Non-Recurring Items:** These are items which are required on a particular occasion.

In case of non-recurring items purchase is to be made by way of press tenders, if on a particular occasion value of an item is more than Rs1 lac, otherwise (for item below 1 lac) purchases will be made through quotations.

For, the recurring items, the purchasing authority at district or hospital level should estimate the demand of each item at the beginning of each financial year and if the annual value of item exceeds Rs 1 lac then tender should be invited and supplier and rate fixed. In case the annual demand is estimated to be less than 1 lac then quotations should be called as per procedure.

2. **Drugs and consumables for which rate contract is still pending:**

   To make local purchases for the items whose RC is still pending, local purchase can be made at the district and hospital level as per local purchase guidelines as mentioned supra, till such time as rate contracts are finalized and information is available on Web Portal that the supply of such items will be made from the warehouses on a particular date.

3. **Non supply or part supply from warehouse:**

   I. Drugs and consumables which are on rate contract and orders have been placed but supply is awaited at the warehouse : or

   II. Drugs and consumables have not been supplied as per indent received from each Health Facility due to limited stock in warehouse : or

   III. Drugs and consumables which have not been issued to the Health Facilities due to non-availability of the same in the warehouses :
In all the conditions referred in 3 (I), 3 (II) and 3 (III), period of local purchase in such cases should be from date of non supply of such items (against indent placed with the warehouse) till the due date of next indent. In case such drugs and consumables are not available in Warehouses even on the date of next indent further repeat order can be made after recording proper justification of requirement of items.

The procedure for local purchase in such cases should be only through quotations irrespective of the amount involved (i.e even if the amount exceeds Rs. 1 lac/item) so that uninterrupted supply chain can be maintained by making local purchases.

C. Monitoring of Drugs by Civil Surgeon/PMO/MS:-

The availability of these drugs in the warehouse must be constantly monitored on the drug portal under the link “Local Purchase – Availability of Drugs”. Constant monitoring of drugs should be done of all the Health Institutions and District Hospitals by the respective Civil Surgeons and PMOs/SMOs/MSs so that no drug expires due to over-stocking. It must be ensured that any drug in excess quantity in any health institution within the district is properly re-distributed and if quantum of drug is high and will not be consumed within the district - then process of transfer of that drug must be ensured to other warehouses.