

New Rules for State Medical Purchases

By [Anatoly Medetsky](#)

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The government Thursday approved more stringent rules for price and quality of medical equipment in state tenders, as it plans to spend more than \$3 billion over the next two years to buy mostly foreign equipment for an extensive health care upgrade.

Prime Minister Vladimir Putin also said the government should insist that foreign producers of medical equipment set up local manufacturing units if they want to benefit from the purchasing spree.

The federal government plans to allocate a combined 100 billion rubles in the next two years for regional authorities to buy state-of-the-art equipment for out-patient clinics and hospitals. The money is part of the additional revenues the government hopes to raise from the increased social tax. Putin appeared Thursday to still be betting on the higher tax rate, despite President Dmitry Medvedev's statement Wednesday that the tax should be reduced by next year.

One of the new rules — or amendments to the law on state acquisitions — would require

government agencies to substantiate the starting price they ask during tender, said Economic Development Minister Elvira Nabiullina. "These amendments are really long overdue," she said after the Presidium meeting.

President Dmitry Medvedev has said the government loses a whopping 1 trillion rubles annually due to various types of fraud at these tenders.

If passed by the parliament and signed by the president, the amendments will require officials to refer to historical prices, producer list prices and market research as reasons for setting a certain starting bid, Nabiullina said.

In another change, government agencies would be entitled to demand warranties on equipment and include such variables as price of maintenance, installation and staff training required to use the hardware, she said.

Also, the Cabinet would have the chance to issue additional requirements for individual tenders for high-tech products, Nabiullina said. These rules would apply to all state purchases done through such tenders, she added.

Putin, opening the Presidium meeting, called on the State Duma to pass the amendments in the next few weeks. He said foreign suppliers of medical equipment would receive special treatment.

"It's necessary to make it a condition that foreign companies open production units in Russia," he said, adding that companies should also localize production.

The plan is to buy more than 100,000 pieces of equipment, Putin said. Russian producers now account for a mere 11 percent of medical equipment purchases by the state, he said.

The two-year health care upgrade plan, funded by the social tax increase, envisages the spending of a total of 460 billion rubles over this and next year. The money will also pay for renovations of hospital buildings.

Nabiullina said the government would discuss other potential innovations in government acquisitions, such as the option for officials to tear up contracts with companies that violate the terms. Another is for the Cabinet to pre-qualify bidders.

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