



Directive No. 1120/2025

**Ethiopian Pharmaceutical and Supply Service
Pharmaceutical Committed Demand and Supply
System Directive**

December/2025

Whereas it is necessary to respond to good governance issues by engaging health facilities to quantify their demand for Pharmaceuticals supported by a committed quantity and budget timely, as well as by reducing delays in the procurement and distribution of pharmaceuticals and minimizing shortages and wastage.

Whereas it is necessary to enhance the pharmaceuticals supply capacity of the Service by implementing the Committed Demand and Supply System and reducing receivables to be collected from Health Facilities.

Whereas it is necessary to ensure a sustainable and equitable supply of medicines to the public, thereby improving society's health by addressing the challenges of accurately forecasting and supplying essential medicines in the required quantities and at the right time to health institutions to meet the increasing demand for health services resulting from the expansion of health insurance implementation.

Whereas it is necessary to implement a quality pharmaceutical quantification system in Health Facilities and establish a procurement contract and execution system based solely on an endorsed budget.

NOW, THEREFORE, this Directive is hereby issued, pursuant to the authority vested to the Service under Article 24(2) and 28(2) of the Ethiopian Pharmaceuticals Supply Service and Fund Establishment Proclamation No., 1354/2024.

Section One

General

1. SHORT TITLE

This directive may be cited as “**The Pharmaceutical Committed Demand and Supply System Directive number 1120/2025**”

2. DEFINITIONS

In this Directive, unless the context requires otherwise:

- 1) “**Proclamation**” means the Ethiopian Pharmaceuticals Supply Service Establishment Proclamation No. 1354/2017.
- 2) “**The Service**” means the Ethiopian Pharmaceuticals Supply Service.
- 3) “**Health Administration**” means the Ministry of Health, Regional Health Bureaus, Zonal Health Departments, Woreda Health Offices, City Administration Health Departments, and Sub-city Health Offices.
- 4) “**Committed Demand and Supply System**” means a budget-supported quantification system in which pharmaceuticals will be supplied to health facilities based on the contract they entered with the Service in advance;
- 5) “**Stakeholders**” means the Ministry, Ministry of Finance, Regional Health Bureaus, Zonal Health Departments, City Administration Health Departments, Woreda Health Offices, Health Facilities, Regional, Zonal, and Woreda Finance Bureaus, Development Partners, Community Based Health Insurance, Banks, and other bodies involved in the implementation of this directive.
- 6) The terms and phrases defined in the Proclamation shall also apply to this Directive.

3. SCOPE

This directive shall be applied on any transaction to be conducted based on Pharmaceutical Committed Demand and Supply System

Section Two
Pharmaceutical Committed Demand and Supply System

4. Execution of pharmaceutical Committed Demand and Supply System

- 1) Health facilities shall be served only based on the list of quantified pharmaceuticals and included under the Committed Demand and Supply System.
- 2) Notwithstanding the provision of Sub-Article 1 of this Article, Pharmaceutical that are not included in the Pharmaceutical Committed Demand and Supply System; can be accommodated through an additional agreement between the Health Facilities and the Service as long as the health facilities need them.
- 3) Based on this Article, the Service shall supply Pharmaceuticals to health facilities through the Committed Demand and Supply System on an advance payment, cash or credit payment modalities.

5. Conditions under which health facilities are served pre financing mechanism

- 1) Whereas the detailed implementation shall be determined by the pre-financing contract agreement entered between the Service and the Health Facilities, the service shall supply pharmaceuticals based on a budget-supported list of essential medicines for those Health Facilities, that have paid in Advance.
- 2) The service shall establish an incentive package for health facilities that make advance payments.
- 3) For the implementation of Sub-Article 1 of this Article, the service shall, in coordination with the Ministry of Finance or the relevant regional finance bureau, develop a procedure for the health facilities' advance payment of budgets for the purchase of pharmaceuticals and ensure that the account for the supplied essential medicines is properly reconciled.

6. Conditions under which health facilities are served on cash payment

Health Facilities can purchase Pharmaceuticals that are included in the Committed Demand and Supply System by paying cash.

7. Conditions under which health facilities are served on Credit

- 1) Whereas detailed implementation shall be determined by the credit agreement entered between the Service and the Health Facilities; according to Article 10, Sub-Article 14, and Article 23 of the proclamation, the Service shall supply pharmaceuticals to the health facilities based on a budget-supported list of essential medicines on credit basis.
- 2) For the implementation of Sub-Article 1 of this Article, the Service shall, as necessary based on an agreement with the Ministry of Finance or Regional Finance Bureaus, supply Pharmaceuticals to Health Facilities on a credit basis and devise a system through which the debt payment of the Health Facilities shall be directly transferred to the Service's account and accordingly the account is settled and reconciled upon submission of the necessary supporting documents to the Ministry of Finance or the Regional Finance Bureaus.

Section Three

Responsibilities of Service and Health facilities

8. Responsibilities of the Service

- 1) Prepare a List of Medicines to be supplied through the Committed Demand and Supply System and notify the Health Administration and Health Facilities.
- 2) By assessing the current market price, prepare and provide the estimated Price List of pharmaceuticals to be supplied through a pharmaceutical committed Demand and Supply System and make them accessible to Health Facilities.
- 3) Entering into Agreements with Health Facilities or Relevant Health Administration annually based on the Budget-Supported list of Pharmaceutical Submitted by the Health Facilities.
- 4) Consolidate the annual pharmaceutical Demand of Health facilities based on the committed demand and supply agreement.
- 5) Supplying essential medicines, whose quality, safety, and efficacy are ensured, based on the contract agreement.
- 6) Supplying Pharmaceuticals to Health Facilities within the time frame specified in the contract and based on the agreed-upon supply planning Schedule.

- 7) Notify the healthcare facility to either pay the difference or modify the demand if the total cost of purchase request is greater than/exceeds the total approximate price stated in the contract before the drug is delivered.
- 8) Deliver pharmaceuticals directly to health facilities based on the agreement with the health facilities or health administration.
- 9) Evaluate the performance of health facilities quarterly to ensure - they receive what they have quantified, and report to the relevant Health Administration.
- 10) Without prejudice to Sub-Article 9 of this Article, if the health facility has paid in advance, it is the Service's obligation to fulfil the demand of the Health Facility
- 11) Conducting awareness-creation activities for Health Facilities and participating in technical Support activities.

9. RESPONSIBILITIES OF THE HEALTH FACILITIES

- 1) The Health Facilities shall prepare and approve a list of pharmaceuticals based on priority set according to the prevalence of diseases in their respective local areas and the national essential medicines list.
- 2) The health facilities will prepare an annual budget supported demand and obtain approval from the management of the health facility, which should be signed by the head of the health facility, and submit it to the Service and the relevant health administration by the end of April each year.
- 3) Based on the list of medicines specified in the Pharmaceutical committed Demand and Supply agreement, the health facility shall enter into a contract with the service or have it signed by the appropriate health administration
- 4) Health Facilities must Submit their quarterly supply plan to the Service on quarterly bases; first quarter Hamle 15, for the second quarter by Tikimt 15, for the third quarter by Tir 15, and for the fourth quarter by Miazia 30.
- 5) Obligated to receive the quantity of medicines on the contract agreement.
- 6) Without prejudice to the provisions of sub-article 6 of this Article, if the actual price exceeds the total approximate price, before the delivery of the medicine, Health facility either pay the difference or adjust the amount of the demand.
- 7) Receive medicines based on the procurement plan specified in the pharmaceuticals committed demand and supply system contract agreement.

- 8) Make timely payments as scheduled in the pharmaceuticals committed demand and supply system contract.
- 9) Report on the performance of the Pharmaceutical Committed Demand and Supply System under the contract to the health administration bodies on a quarterly basis.

Section Four

Miscellaneous Provisions

10. Monitoring and evaluation

- 1) The Service shall develop performance indicators to evaluate the effectiveness of the Committed Demand and Supply System
- 2) The Committed Demand and Supply system shall be part of the Service's Monitoring and Evaluation Framework, and its effectiveness shall be evaluated quarterly. and the necessary improvement measures will be taken accordingly.

11. Signing of the Pharmaceutical Committed Demand and Supply System Contract

- 1) The Committed Demand and Supply agreement may be signed either health facility or with the appropriate health administration level
- 2) The Pharmaceutical Committed Demand and Supply agreement signing period will be from June 1-30 of Ethiopian Calendar.

12. Transitional provision

- 1) Any Pharmaceutical Committed Demand and supply contract agreement before this directive enters into force shall remain valid and be executed as originally agreed

13. Repealed and Inapplicable Laws

Any law or practice contrary to this Directive shall not apply with respect to matters covered by this directive

14. Effective Date of the Directive

This directive shall enter into force on the date of its registration by the Ministry of Justice and publication on the Ethiopian pharmaceutical service's website.

Addis Ababa, December /2025

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