



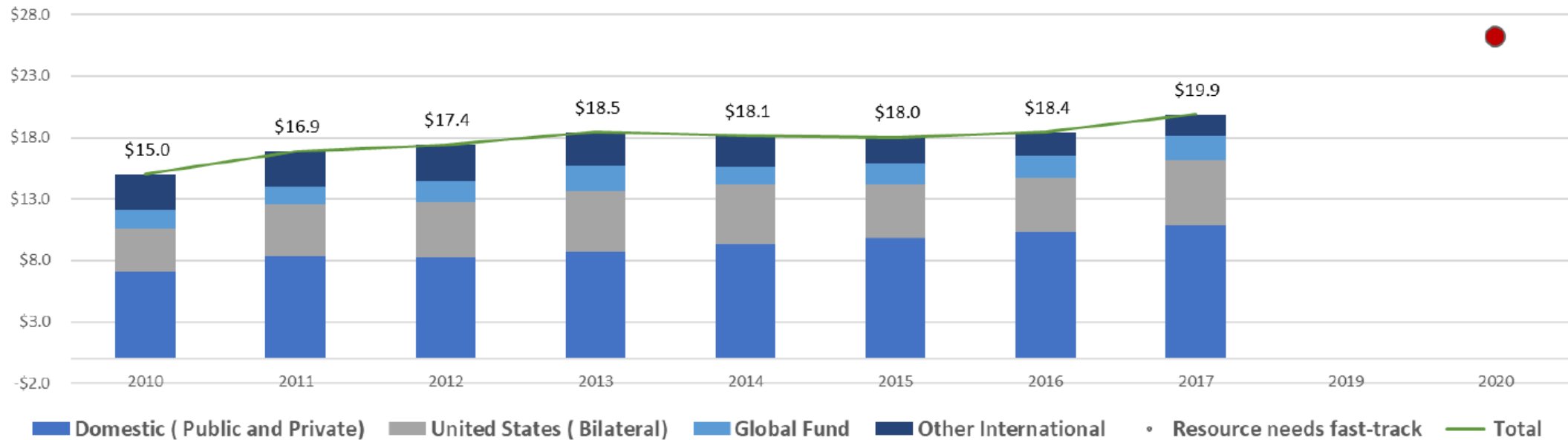
## Overview of procurement mechanisms used globally for ARVs

09 September 2019

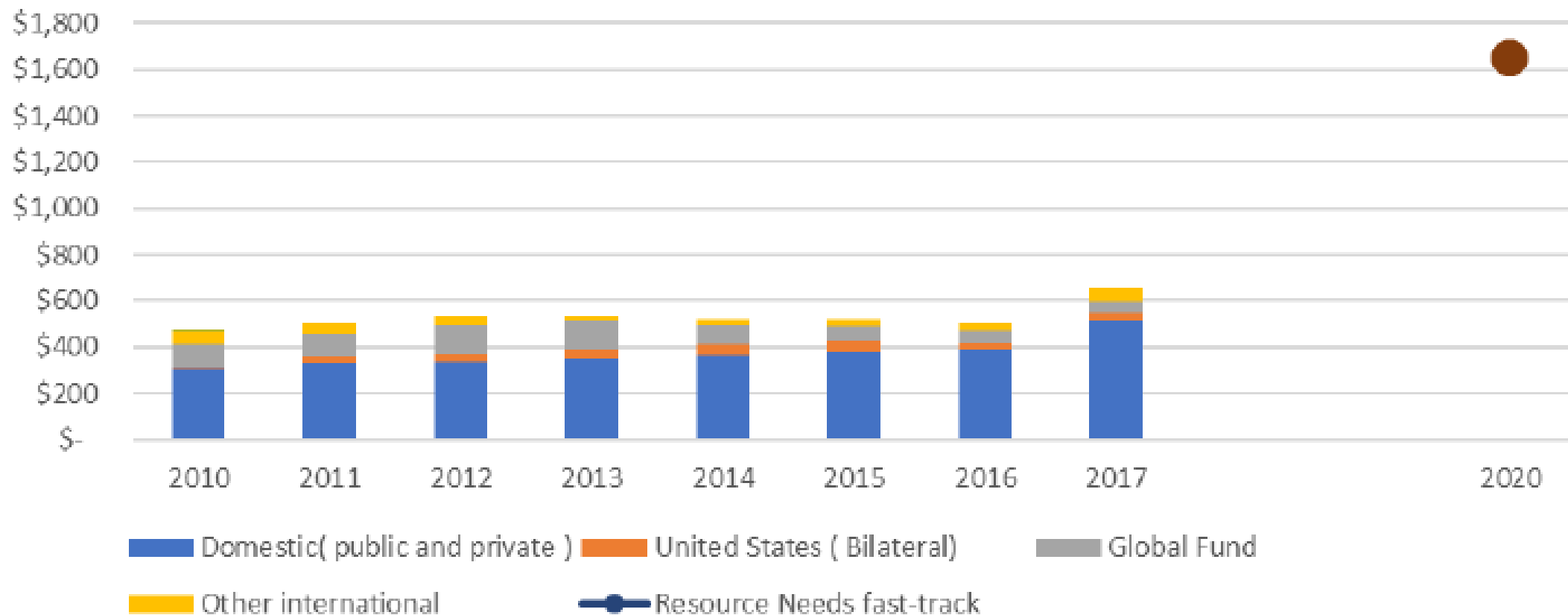
Wesley Kreft

# Global Resource Availability for HIV in Low- and Middle-Income countries, 2010-2017

HIV resource availability for HIV in low-and middle-income countries, 2010-2017 and 2020 fast-track resource needs (Constant 2016 dollars)

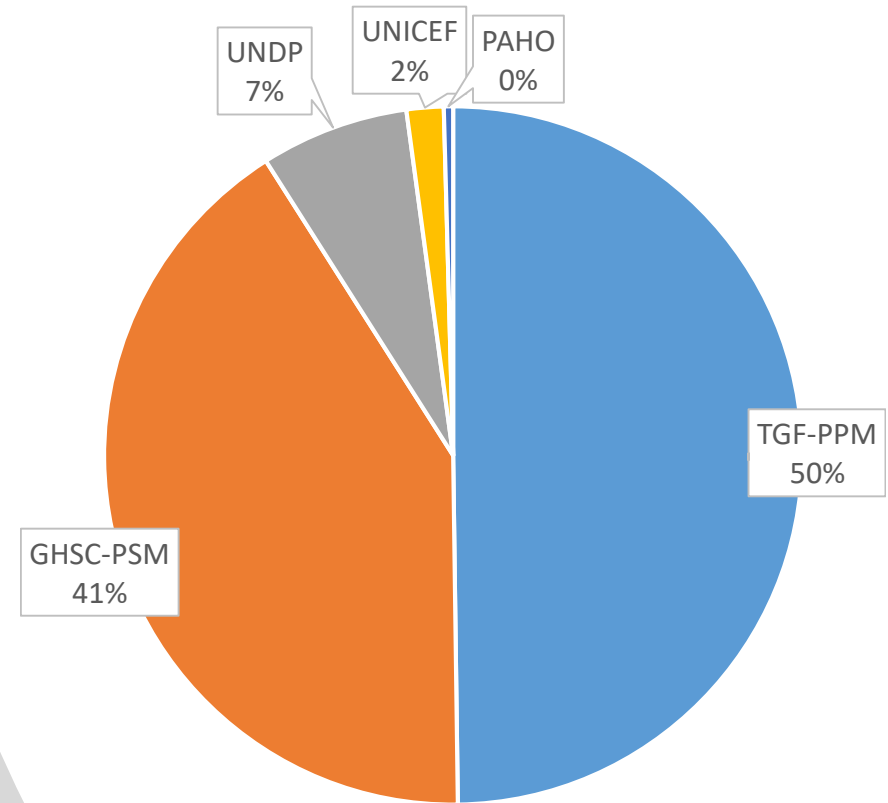


## Eastern Europe and Central Asia



# Global Procurement Mechanisms for ARVs

- The Global Funds - Pooled Procurement Mechanism
- PEPFAR/USAID - Global Health Supply Chain-PSM
- United Nations Development Programme (UNDP)
- United Nations International Children's Emergency Fund (UNICEF)
- Pan American Health Organization (PAHO)



# Pooled Procurement Mechanism



The Pooled Procurement Mechanism is a Global Fund strategic initiative that aggregates order volumes on behalf of participating grant recipients to negotiate prices and delivery conditions with manufacturers. In 2018, the Pooled Procurement Mechanism managed approximately US\$1 billion in orders, serving grant implementers in 63 countries.

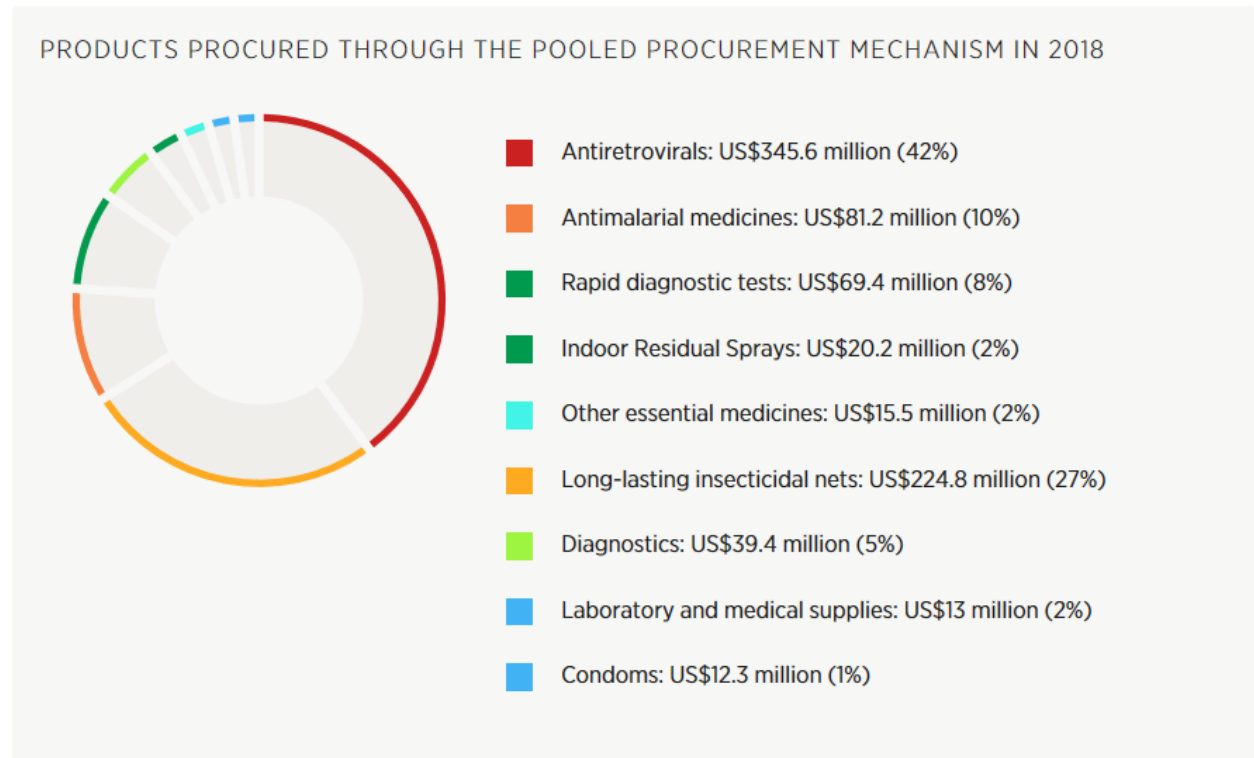
The mechanism:

- Provides access to competitive market terms and prices no matter the size or value of the order
- Eliminates procurement delays due to complicated tendering processes
- Supports timely grant expenditure
- Ensures that quality assured goods and medicines reach those most in need in a timely manner
- Since 2015 TGF established 3-year long term agreements with ARV suppliers

# Pooled Procurement Mechanism

Core health products available through the mechanism include:

- Antiretrovirals
- Antimalarial medicines
- Long-lasting insecticidal nets
- Viral load tests
- Rapid diagnostic tests





# Global Health Supply Chain - PSM

The USAID Global Health Supply Chain Program-Procurement and Supply Management (GHSC-PSM) project enhances the health care experience in the communities we serve through transformative supply chain solutions.

The project is supported with funding from the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the U.S. President's Malaria Initiative (PMI), USAID's family planning and reproductive health (FP/RH) program, and USAID's maternal and child health (MCH) program, which equitably share the cost of the project.

GHSC-PSM purchases and delivers health commodities, strengthens national supply chain systems, and provides global supply chain leadership to ensure lifesaving health supplies reach those in need, when they need them. By working closely with country partners and suppliers worldwide, the project aims to promote wellbeing and help countries on their journey to self-reliance

The project supports five health areas: HIV/AIDS, malaria, voluntary family planning and reproductive health (FP/RH), maternal and child health, and emerging public health threats such as Zika and Ebola, and hinges on three key objectives:



# Global Health Supply Chain - PSM

Key objectives:

## **Commodity Procurement**

Ensuring the continued availability of quality public health commodities on time and at best value to save lives and provide the most health for the money.

## **Health Systems Technical Assistance**

Fostering resilient and sustainable in-country supply chains that harness practical, cutting-edge solutions in order to maximize the availability and high-quality management of public health commodities.

## **Global Collaboration**

Engaging partners throughout the world to promote adoption of global standards, security of health commodities and the markets that support them, and the use of data to guide effective decision-making by all who provide public health commodities.



# Different models of procurement systems

1. Procurement by Ministry of Health (or other Ministry)
2. Outsourced Services
3. Private Sector use of Group Purchasing Organization

## Procurement by Ministry of Health (or other Ministry)

Government funded procurements for all health products managed via a unit within the Ministry of Health or Ministry of Finance.

Unit is often tasked to manage procurement across many health categories and disease areas.

Direct control by Minister over supplier selection and alignment with country policy.

Long process times to ensure transparent process.

## Procurement by Ministry of Health (or other Ministry)

Unified procurement rules across health programs are implemented with lack of knowledge about the market dynamics for ARVs.

Limited leverage over suppliers due to size of the procurement of ARVs (with the exception of South-Africa, Kenya and Ethiopia).

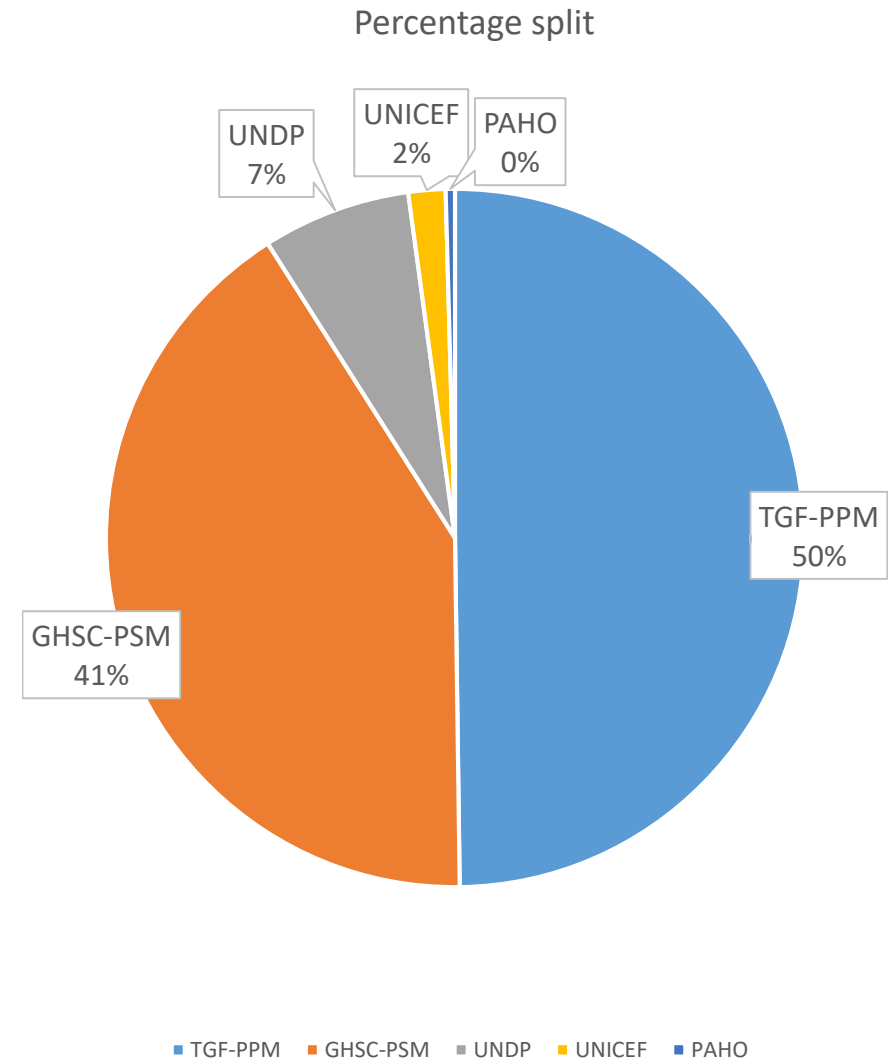
Procurement via local distributor or wholesaler.

Relatively high percentage of branded ARVs from originators.

High prices paid for ARVs

# Outsourced Services Providers for ARVs

- **International Procurement Service Agencies**
  - i+solutions (outsourced service provider for TGF-PPM and individual countries)
  - Chemonics (outsourced service provider for GHSC-PSM)
  - Crown Agents, IDA Foundation, PFSCM (outsourced service provider for some individual countries)
- **UN-Agencies**
  - UNDP
  - UNICEF
  - PAHO





# Procurement at UNDP

As a public organization entrusted with donor funds and committed to supporting developing economies, UNDP works to improve access to quality assured supplies in a cost effective and reliable way. They do this by abiding the following principles:

**Best Value for Money**, which consists of the selection of the offer that best meets the end-users' needs and that presents the best return on investment. Best Value for Money is the result of several factors, including quality, experience, the vendor's reputation, life-cycle costs and benefits, and parameters that measure how well the good or service allows the organization to meet its social, environmental or other strategic objectives.

**Fairness, Integrity and Transparency**, which ensures that competitive processes are fair, open, and rules-based. All potential vendors should be treated equally, and the process should feature clear evaluation criteria, unambiguous solicitation instructions, realistic requirements, and rules and procedures that are easy to understand.

**Effective International Competition**, understood as giving all potential vendors timely and adequate information on UNDP requirements, as well as equal opportunity to participate in procurement actions, and restricting them only when it is absolutely necessary to achieve UNDP development goals; and

**In the best interest of UNDP**, which means that any business transactions must conform to the mandates and principles of UNDP and the United Nations.

# Procurement at UNICEF

The objective of Procurement Services is to offer UNICEF's knowledge, purchasing capacity and logistics expertise to their development partners, so that they can use their own financial resources and donor funds to procure life-saving supplies for children. In this way, partners can use and learn from UNICEF's expertise in their own efforts to help and ensure equity for children. Procurement Services is built on partnerships and is not for profit. Procurement Services combines global reach with local knowledge, managed from UNICEF's Supply Division in Copenhagen, in collaboration with the organization's country offices covering 190 countries and territories around the world.

**Global network, local knowledge,** UNICEF is active in 190 countries and territories globally. In addition to our main warehouse in Copenhagen, regional supply hubs are located around the world. We are in a unique position to work locally with global standards.

**Integrity,** UNICEF applies the most rigorous and fair standards to our procurement processes, and follow stringent ethical principles.

**Value for money,** The UNICEF position as market leader in the procurement of basic child vaccines, mosquito nets, etc. gives us unparalleled leverage in negotiating the lowest prices with suppliers. We have long-term arrangements in place with suppliers for hundreds of products, ensuring quality items at highly-competitive prices.

**Quality,** while price is always an issue, we do not compromise on the quality of the items we procure. The Division's inspectors inspect all supply shipments arriving at the UNICEF warehouse and evaluate samples submitted with bids. Pharmaceuticals and vaccines must comply with Good Manufacturing Practice (GMP) guidelines and WHO standards and requirements. We can also arrange for independent quality control, if requested.

**Supply related services,** To ensure the efficient, effective storage and flow of supplies from the port of entry to the household level, UNICEF can provide related services, if required



# Procurement at Chemonics

## Health Commodity Procurement and Freight Forwarding

Using integrated logistics strategies, Chemonics adapt proven commercial methods for procurement and tools to optimize supply chain performance. These efforts allow Chemonics to build country-level capacity to improve operations along local and global supply chains. The Chemonics approach to health commodity procurement involves:

- Subcontractor management
- Strategic sourcing
- Supply and demand forecasting.

Chemonics dedicate expert technical assistance to the logistical management of health commodities, including storage and delivery.

## Procurement at i+solutions

### **Procurement & supply services**

As procurement and supply chain management specialists, i+solutions buy and distribute essential medicines and health products on behalf of many organizations, including The Global Fund and national Ministries of Health.

i+solutions ensures that patients have uninterrupted access to high quality, affordable medicines, as well as contraceptives, laboratory supplies and equipment.

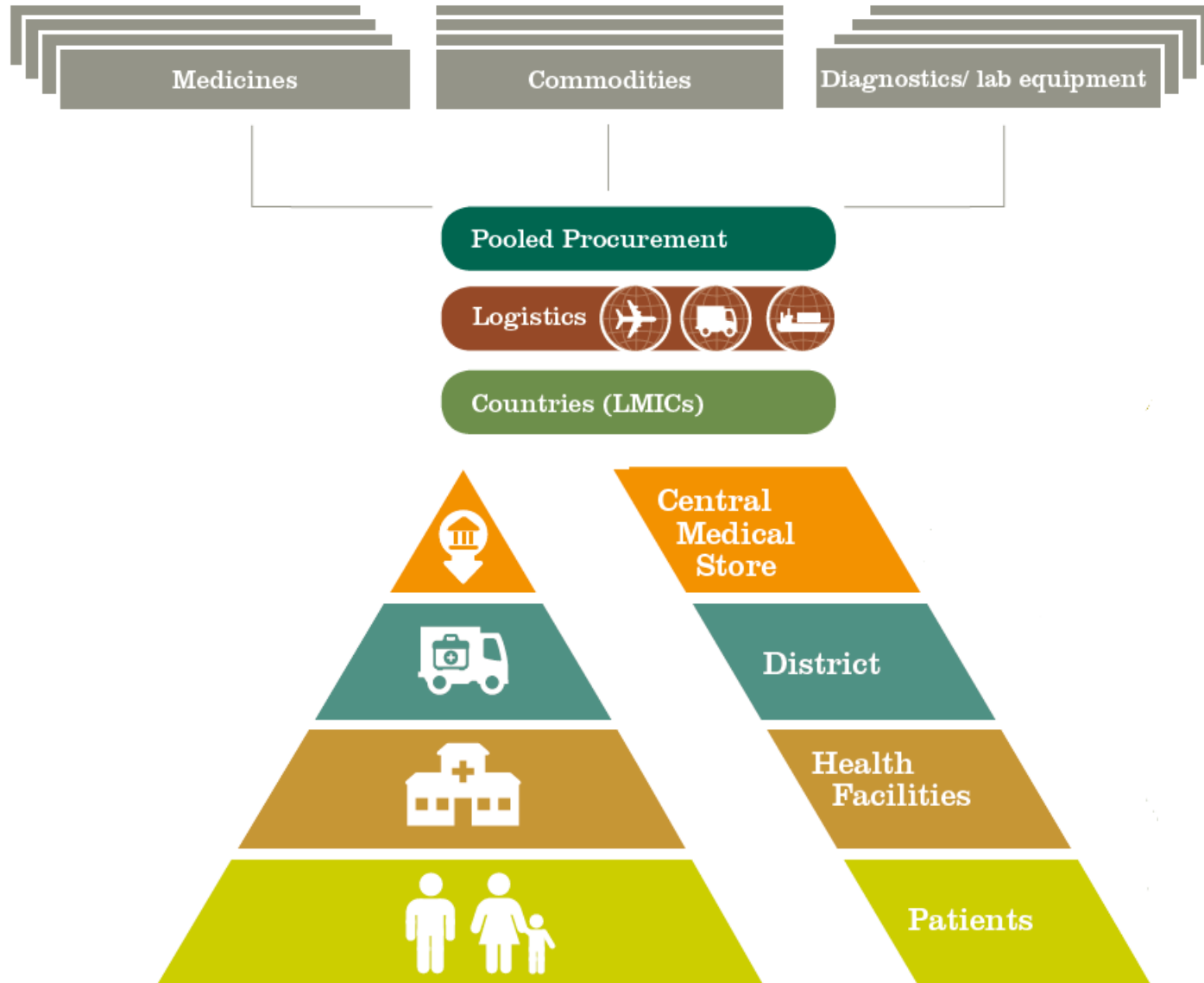
**Procurement Support:** Give advice on quantification, forecasting, requirement planning, procurement, distribution and evaluation

**Procurement & Supply Chain Management Services:** comprehensive services based on the use of modern IT tools and methods, in order to achieve transparency and obtain favorable contract conditions. Logistical support and input to ensure that products arrive in good condition at the desired location.

**Project design and implementation:** improving national pharmaceutical supply chain management, in particular for HIV/AIDS, Malaria, Tuberculosis and Reproductive Health programs.



# Procurement at i+solutions



# Outsourced Procurement in the public sector overview

Outsourced procurement is a procurement strategy that leverages power in numbers to achieve process improvements and reduced costs of procurement.

This strategy works by partnering with third party agents from either the public or private sector to manage the procurement process in a particular region, country, state, or program. The third party agents may be responsible for a variety of activities, including planning, contracting, and/or purchasing of goods. These procurement agencies may charge service fees at a percentage of the procurement costs.

Procurement agents typically have greater resources and capacity to ensure that manufacturers or suppliers adhere to Good Manufacturing Practice (GMP) guidelines and are well situated to obtain the highest quality commodity at the lowest price possible.

This expertise helps ensure that countries or programs are not overcharged for the procurement of goods and provides an important service for locations with limited technical capacity in specific procurement activities. In addition, greater enforcement and adherence to established policies by the third party agents may help to ensure that the procurement process functions as intended and that the number of emergency orders needed is kept to a minimum.

# Utilize Managed Service Providers to outsource specialized task

**Across many sectors and industries, outsourcing can yield great benefits for a private or public entity.**

Globally, the most common benefits of outsourcing include:

- Frees-up human capital to focus on core business functions for overall performance improvements
- Cost-savings, reduced operation cost and overheads
- Improve efficiency and performance of complex operational business activities
- Create down-the-line advantages; new investments, agility to adapt to market changes

**REDUCE COSTS | MINIMIZE STOCKOUTS | INCREASE CAPACITY**

# How do Governments and public health departments benefit from Outsourced Procurement and Logistics?

1. Pooled Procurement, international bulk buying and negotiation power
2. Expertise in navigating the regulatory procurement environment
3. Intermediary between countries/Governments and suppliers
4. Compliant, global best practices and standards
5. Advisor and partner
6. Access to a Digital Supply Chain visibility Platform
7. Integrated Supply Chain

# How do Governments and public health departments benefit from Outsourced Procurement?

## 1. Pooled procurement, international bulk buying and negotiation power

Through the grouping of individual orders, countries/governments can have access to a sustainable supply of products, greater control over demand forecasting, lower transaction costs or reduced product prices.

Owing to their international buying power, experience in formulating and managing framework agreements and large long-term agreements with major manufacturers, they can negotiate best-prices for non-standard products as well.

- ✓ **Negotiating power with vendors**
- ✓ **Greater flexibility in contracting process**
- ✓ **Negotiating lower prices even for small quantities**
- ✓ **Joint tenders allow the procurement of larger quantities of products, reducing the number of order placed and reducing procurement time**

# How do Governments and public health departments benefit from Outsourced Procurement?

## **2. Expertise in navigating the regulatory procurement market**

Procurement from manufacturers who comply with country specific requirements, however, where such resources are scarce, they can help countries to access a wider network of vendors through add-on supplier contracts where suppliers comply with country requirements and mark-up between manufacturer and supplier is not over-inflated.

They also prequalify and audit local manufacturers, distributors and suppliers to expand the in-country vendor network. This increases the number of compliant vendors, strengthens supply chains and grows local economies.

They can negotiate solutions for some of the unique procurement challenges faced by small countries. This can range from mass procuring for in-country repackaging to negotiating rates for language specific packaging.

# How do Governments and public health departments benefit from Outsourced Procurement?

## **3. Intermediary between countries/governments and suppliers**

Governments will have access to more vendors as suppliers are more confident in partnering with procurement agents who have experience in managing logistics and importation documentation. Suppliers are also more likely to partner with procurement agents as the payment risk is somewhat mitigated.

## **4. Compliant, global best practices**

They bring global best practices to governments by managing procurement units in accordance with country requirements and global best procurement practices.

## **5. Advisor and partner**

They specialize in building long-term partnerships through which governments can save money and secure high quality products. This approach ensures significantly better service levels. They aim to transfer knowledge to enable governments to manage their own procurement and to adapt to ever changing global public health environment.

# How do Governments and public health departments benefit from Outsourced Logistics and Warehousing?

## **6. Access to a digital supply chain visibility platform**

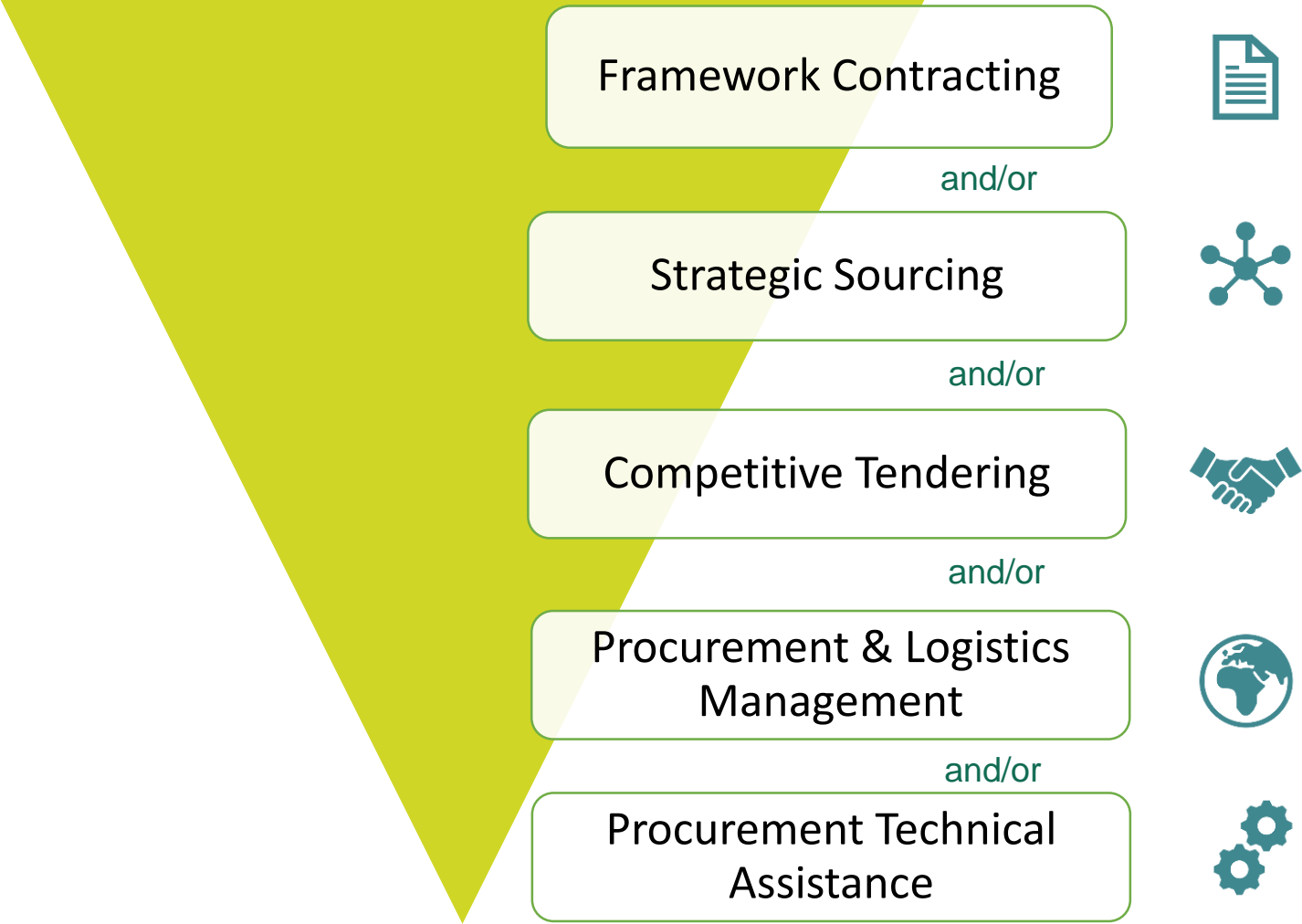
They have invested heavily in a digital supply chain platform, and provide all clients with access to their online platform. They have connected all of these stakeholders to the platform (Clients, manufacturers, logistics service providers, etc.), which then enables a real-time single-version-of-the-truth (SVOT), ensuring that all stakeholders are notified in the event of any delays or challenges.

## **7. Integrated supply chain**

- ✓ **Managing fully integrated health care supply chain operations**
- ✓ **Independent 4PL operator, at both global and local levels**
- ✓ **Market dynamics experience in the global HIV/AIDS markets**



# Layered approach to outsourced procurement services



# Private Sector use of Group Purchasing Organization

A group purchasing organization (GPO) is an entity that is created to leverage the purchasing power of a group of businesses to obtain discounts from vendors based on the collective buying power of the GPO members.

Many GPOs are funded by administrative fees that are paid by the vendors that GPOs oversee. These fees can be set as a percentage of the purchase or set as an annual flat rate. Some GPOs set mandatory participation levels for their members, while others are completely voluntary. Members participate based on their purchasing needs and their level of confidence in what should be competitive pricing negotiated by their GPOs.

Group purchasing is used in many industries to purchase raw materials and supplies, but it is common practice in the private sector health care industries. Group purchasing amongst nonprofits is still relatively new, but is quickly becoming common place as nonprofits aim to find ways to reduce overhead expenses. In the healthcare field, GPOs have most commonly been accessed by acute-care organizations, but non-profit Community Clinics and Health Centers throughout the U.S. have also been engaging in group purchasing.

# Private Sector use of Group Purchasing Organization

Group Purchasing Organizations require a critical minimum of volume before discounts can be achieved.

Group Purchasing Organizations often work with a small number of vendors to ensure they have buying power and obtain maximum discounts.

Group Purchasing Organizations employ highly skilled staff in procurement.

Thank you