

Potential roles for IHP in the area of Procurement and Supply Management

Paper for IHP+ Steering Committee, 12 November 2014.

In June 2014 the IHP+ Steering Committee requested the Core Team to bring the issue of procurement and supply management (PSM) to the next Steering Committee for discussion. This note identifies possible roles for IHP+ in PSM.

Why is IHP+ considering getting involved (again) in PSM issues?

PSM is particularly important in the health sector given the need for drugs, equipment and supplies in health service delivery, the technical nature of some health procurement and the importance of efficient national systems and effective regulation to ensure value for money and public safety.

Procurement is a core element of the aid effectiveness agenda and was included in the Paris Declaration in 2005. The Busan declaration restated the importance of use and strengthening of country systems, and use of jointly agreed diagnostic tools. The IHP+ seven behaviours include as behaviour 4: *“Procurement/supply systems harmonised and aligned; parallel systems phased out, country systems strengthened and used with a focus on best value for money. National ownership can include benefitting from global procurement.”*

Strengthening country procurement and supply management is not only important for safeguarding and ensuring value for money of external funding: in most countries the bulk of procurement uses domestic funds, both from public expenditure and from the private pharmaceutical and medical sectors. Ensuring that commodities are purchased efficiently and that quality is assured will make a major difference to enabling access to effective health care.

Issues that came up in some of the IHP+ intensified action visits in 2013-14 included:

- in **Senegal**, the national procurement system was described as functioning but complex and slow, with only two international funders using the national system. DPs use different rules for equipment purchase. It was suggested that procedures for accessing global procurement mechanisms could be simplified and made more responsive to country needs.
- In **Ethiopia**, an increasing number of DPs use national procurement systems, particularly for health commodities purchased through the Pharmaceuticals Fund and Supplies Agency (PFSA). There is room for more harmonised technical support to PFSA from different partners. Some DPs conduct their own, separate procurement assessments of PFSA.
- In **Burundi**, most DPs continue to use their own procurement arrangements with limited efforts to harmonise, apart from between UN agencies.

Possible roles for IHP+ in procurement and supply management

Following review of current initiatives and discussion with some agencies, suggested roles are:

1) Progress towards joint assessments, harmonised support and use of national PSM systems

Various IHP+ partners are actively investing in multiple aspects of PSM, in many cases focussed on commodities for specific diseases or target groups, although some work across the health sector. PSM experts from major agencies involved in procurement have convened the Inter-agency Supply Chain Group (ISG), an informal group at global level, with the vision that *“global development partners will collaborate in support of countries’ efforts to reach the goals of universal health coverage through sustainable access to quality essential health commodities and supplies through cost-effective and efficient procurement and supply systems”*.

ISG members reviewed the ‘landscape’ of different partners supporting PSM and concluded that “investments are strong but coordination could be better”. The ISG has identified priorities for work on improving the efficiency of supply chains, including human resources, information systems, distribution and incentives. They propose to work on strengthening national PSM plans and harmonising how international partners work, including harmonising PSM performance indicators and conducting joint assessments¹. Joint working to coordinate support for strengthening supply chains is starting in Nigeria and DRC.

Given the ISG initiative, and assuming it will address equipment as well as medical commodities, it is suggested that IHP+ does not need to advocate, take the initiative or develop new approaches to address inadequate harmonisation at country level. **A possible role for IHP+ could be to review how efforts to harmonise PSM support and increase use of country systems are playing out at country level.** In particular:

- monitoring whether there is increasing use of joint assessments and common assessment tools, and whether this reduces the use of separate assessments by each agency and helps ensure coordinated support to national plans for improving PSM.
- Monitoring whether there is progress in reducing parallel systems and inconsistent standards (e.g. for information systems) as part of the harmonisation of support to PSM systems, and whether this shows an impact on supply chain performance.
- Identifying where there is increased use of national systems for procurement and how this is linked with ongoing systems strengthening of relevant institutions. .

This could involve case studies in selected countries or asking for feedback from the ISG.

2) How global procurement mechanisms are playing out at country level

Global procurement mechanisms have been established with multiple objectives, often including using the funders’ substantial market power to ensure good value for money in terms of prices and product quality in the short term, and to influence the market longer term (e.g. to ensure competition and reduce risks of supply disruption). See annex 1 for a summary of various global mechanisms. The newest initiative is Global Fund’s changing procurement arrangements for key commodities, intended to increase value for money and address supply constraints. It includes direct contracting by GF for procurement of nets, ACTs and ARVs, with payments from GF to manufacturers. An electronic marketplace for ordering commodities online is being developed.

These mechanisms tend to be designed by the agency concerned and vary in their operational details. The resulting mix of mechanisms can create complexity for PSM at country level, as reported in Senegal. **A potential role for IHP+ would be to provide a mechanism for feedback from countries on how the combination of PSM initiatives play out at country level and ways to improve their responsiveness to country needs.** For example, by commissioning country case studies.

Questions for discussion:

- Are these the most relevant issues for IHP+, given other work underway around procurement and supply management, including by the ISG?
- Which are the highest priority issues for IHP+ to look at?
- If any of the suggested roles are agreed, how should IHP+ take forward the work? E.g. the core team to commission case studies with support from a steering group of IHP+ partners?

¹ From presentation on PSM to IHP+ Steering Committee, June 2014 and *Inter-agency Position Paper towards in-country supply chain strengthening, convergence and sustainability*, presented to RMNCH Steering Committee in September 2014.

Annex: Summary of selected global procurement initiatives in health

This table aims to summarise major initiatives and players in procurement at global level that provide health products for low and middle income countries, either through global purchasing and provision in kind or enabling countries to order at globally agreed prices. Note it focuses on commodities (and in some cases equipment), not on services (such as technical assistance) or supply chain strengthening in countries.

| Title, management & funding | Objectives and scope | Eligible countries and organisations |
|---|---|--|
| <p>Global TB Drug Facility Under Stop TB Partnership/WHO. Funding by UNITAID, GF grant recipients, others. Running since 2001.</p> | <p>Ensure access to high quality TB drugs and diagnostics at lowest possible prices. With TA to support drug management. 2 channels: Direct Procurement Service - users pay for products they order. Grant service – grants to countries with inadequate funding, to fund first line TB drugs.</p> | <p>Direct procurement – governments, donors and NGOs who can pay but lack capacity to procure high quality commodities. Grants – governments and NGOs can apply for 1 year grants.</p> |
| <p>Procurement for Impact Global Fund is establishing this. Implemented from 2014</p> | <p>Strategic procurement approach for main products purchased with GF grants, to improve value for money and assure sustainable markets. Starting with ACTs, nets, diagnostics, ARVs. GF agrees framework contracts with negotiated prices; countries select from these; GF pays manufacturers. Plan to develop a comprehensive online ordering system for public health products.</p> | <p>GF grant recipients can opt in to the system for use of GF funds. Increasing pressure to opt in. Planned electronic marketplace could be used by Governments, NGOs and other donors as well.</p> |
| <p>AccessRH Funding currently from BMZ, EU, Gates Foundation Started 2011. With backing from RH supplies coalition, TA from USAID</p> | <p>Innovative procurement and information mechanism that aims to improve access to quality, affordable reproductive health (RH) commodities and reduce delivery times. Buyers order directly through the online system, at negotiated prices. UNFPA assures quality and negotiates prices for commodities. Manufacturers hold a stock of standard products for UNFPA, to reduce problems of long production lead times. Products include contraceptives, emergency RH kits, medical supplies and medicines.</p> | <p>LIC and MIC governments and NGOs (not for profit, local & international), international financial institutions and other UN agencies. Over 100 NGOs since 2011, \$35m of RH supplies.</p> |
| <p>Global Programme to enhance reproductive health commodity security (GPRHCS) Started 2007, UNFPA run. Funders in Phase 2 (2013-2020) include DFID, Netherlands</p> | <p>Procures contraceptives, plus maternal life-saving commodities & HIV tests, based on country requests. Also funds capacity building (33% of spend in first 5 years) e.g. to support joint forecasts and integrated supply chains.</p> | <p>46 countries have access, LICs and some MICs.</p> |
| <p>GAVI vaccine procurement GAVI funded, with centralised procurement managed by UNICEF and PAHO.</p> | <p>Aims to ensure sufficient and secure supply of vaccines, and innovation, with multiple suppliers for each vaccine, and reduction in prices to more affordable levels for developing countries (including through tiered pricing). Strategy and arrangements tailored to each vaccine market.</p> | <p>53 GAVI eligible countries with income per capita up to \$1,570 per capita (LIC & some LMIC on latest World Bank data). Negotiate to make low prices also available to graduating countries.</p> |

| Title, management & funding | Objectives and scope | Eligible countries and organisations |
|---|--|---|
| <p>UNICEF supply division (SD)</p> <p>UNICEF, donor and government funds used for procurement by UNICEF Supply Division.</p> | <p>UNICEF procures quality assured medicines and commodities to meet needs of under-served children.</p> <p>2,000 products available including for nutrition, clean water, diagnostics, drugs.</p> <p>About half of procurement value (of total \$2.8 bn procurement in 2013) is for vaccines, including global purchase of polio vaccines and for GAVI.</p> <p>Countries can order through SD using donor funds or their own resources, plus SD procures for UNICEF programmes.</p> | <p>Governments, NGOs (not for profit), universities, UN agencies.</p> |
| <p>USAID DELIVER project</p> <p>Funded by USAID. Procurement is centrally managed.</p> | <p>Commodity security initiative that includes procurement, warehousing and freight services and quality testing.</p> <p>For contraceptives, public health products, malaria commodities, medical equipment.</p> <p>Objectives for malaria include improving global supply and long term availability of malaria commodities.</p> <p>Also includes logistics support and TA to strengthen supply chains.</p> | <p>For all USAID FP support and for condom procurement in non-PEPFAR focus countries.</p> |
| <p>Supply Chain Management System</p> <p>Procurement of commodities for HIV/AIDS commodities funded by the Office of the Global AIDS Coordinator for PEPFAR programmes, managed through USAID.</p> | <p>Procurement of HIV/AIDS commodities primarily for USG funded programmes. (Also for GF in past).</p> <p>Long term supply agreements with suppliers.</p> <p>SCMS can provide technical support to planning and forecast procurement needs.</p> | <p>PEPFAR countries only</p> |
| <p>IDA Foundation</p> <p>Not for profit agency that procures essential medicines on behalf of governments, international funders and some others.</p> | <p>Procurement and supply of quality assured essential medicines and medical devices, as required by customers. Including procurement for the TB GDF (see above).</p> <p>Negotiates prices and assures quality, with 3,000 products available.</p> | <p>Mainly supplies public sector organisations but can also supply non- government and private organisations.</p> |