

# **Pooled Procurement of Medicines & Allied Commodities**

**Joint WHO, WIPO, WTO Technical Symposium  
Access to Medicines: Pricing and Procurement Practices**

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**16<sup>th</sup> July 2010, Geneva**



**World Health  
Organization**

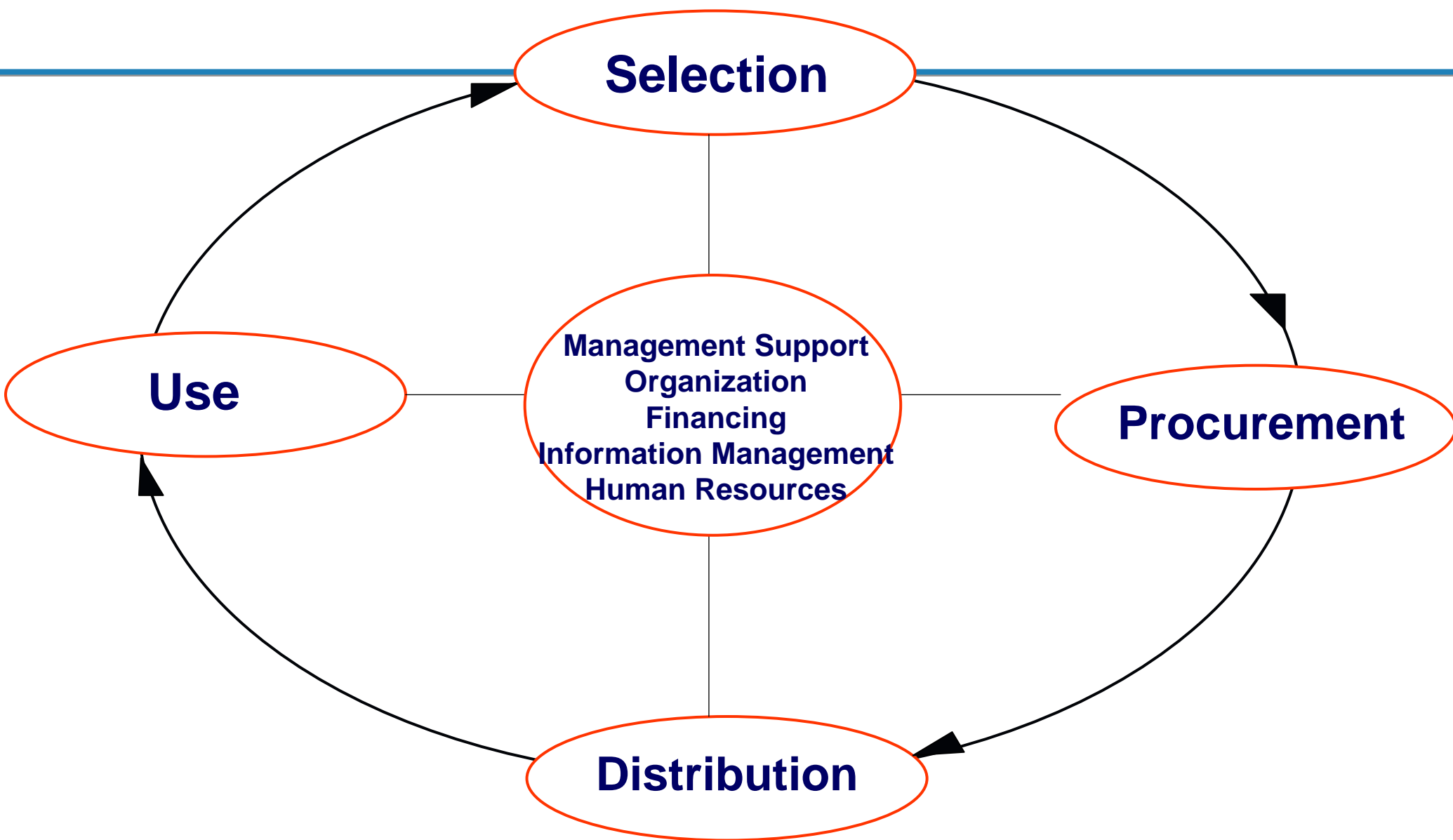
# The Presentation

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- 1. Introduction**
- 2. Regional pooled procurement initiatives**
- 3. Group Purchasing Program in the Gulf Cooperation Council**
- 4. Challenges**



# Medicines Supply Management Cycle



# Pooled Procurement

## Introduction

- Also called Group Purchasing or Group Contracting (monopsony)
- Creates economy of scale which result in low transaction costs and better leverage in pricing negotiations and terms of contract
- Can take place in public sector; private sector and not-for-private sector – many models exist
- Can be at any level – few health facilities in a district, regional (intra-country or **inter-country**), global procurements



# From Economic Theory Perspective

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- **Monopsony**

- One buyer for many sellers

- **Monopoly**

- One seller for many buyers

- **Both are regarded as examples of imperfect competition**



# Regional pooled procurement

- PAHO Strategic Fund for Essential Public Health Supplies
- PAHO Strategic Fund for Vaccines
- African Association of Central Medical Stores (ACAME)
- Gulf Cooperation Council/ Cooperation Council of the Arab States
- Organization of Eastern Caribbean States (OECS/PPS)
- Pacific Island Countries





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### What is the Strategic Fund

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## What is the Strategic Fund?

### A New Perspective

The PAHO Strategic Fund is a mechanism created to promote access to quality essential public health supplies in the Americas. The Strategic Fund links the acquisition of medicines and essential public health supplies with technical processes in planning and programming. Through the Strategic Fund the procurement of essential medicines and basic public health products takes on a new perspective as it is accompanied by technical support from PAHO in supply systems management and acquisition of low cost products that meet quality standards.

The Strategic Fund is an important initiative for PAHO Member States as it provides support to overcome obstacles that countries tend to face in the acquisition of essential

# PAHO Strategic Fund

- **A renewed focus on technical cooperation: procurement and supply management of Strategic Public Health Supplies**
- **17 Countries now participating: Barbados, Belize, Bolivia, Brazil, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, Trinidad & Tobago, Surinam.**
- **For expensive products and supplies of limited availability, the Strategic Fund aims to negotiate competitive prices by consolidating demand and achieving economies of scale.**
- **To encourage member states to improve planning capabilities in the acquisition and use of supplies;**
- **To promote the implementation of appropriate quality assurance procedures in the acquisition of supplies;**





# Gulf Cooperation Council Group Purchasing Program

1. United Arab Emirates.
2. Bahrain .
3. Saudi Arabia.
4. Oman.
5. Qatar.
6. Kuwait.
7. Yemen



# Gulf Cooperation Council Group Purchasing Program

- Working since 1978, for MoH of the council states and major autonomous hospitals
- Have “saved millions of dollars for the council states”. More than 30% cost savings.
- Began with 32 items worth USD 1 million
- Currently the tender contain more than 7000 items valuing in excess of USD 600 million



# **GCC Group Purchasing Program**

## **Stated Objectives**

- Ensure continuous supply of medicines
- To get lower prices and save money
- Ensure the use of the same drugs by all member states in terms of the manufacturing company and quality.
- To be efficient through a single tender
- Exchange information among the GCC States.



# **GCC Group Purchasing Program**

## **How it Works?**

### **1. Internal Preparation**

- Medicines (items) and quantities are determined and pooled.
- Formularies are issued and they are updated every year for the following tenders:
  1. Hospital Sundries.
  2. Medical Lab. & Blood Transfusion.
  3. Rehabilitation.
  4. Orthopedic & Spine.
  5. Dental & Mouth Care.

### **2. Supplier pre-qualificaton**



# **GCC Group Purchasing Program**

## **How it Works?**

**2**

- 3. Tender Preparation Committee**
- 4. Tender Announcement**
- 5. Envelops Opening Committee**
- 6. Bids Vetting and Award Committee**
- 7. Announcement of Tender Results**
- 8. Complaints Vetting Committee**
- 9. Confirmation of final quantities**
- 10. Issuance of Award Letters**
- 11. Suppliers deliver the ordered items directly to MOHs which in turn reimburse the cost directly to suppliers.**



# Completed Tenders from 2006

Tender No. / Year	Tender Title	Qty. Items	Total Cost (Million US\$)
28 / 2006	Medicines	1231	421.5
21 / 2006	Vaccines & Sera	47	39
14 / 2006	Chemicals	30	0.537
07 / 2006	Insecticides	11	2.5
04 / 2006	Radiopharmaceuticals	34	0.313
01 / 2006	Renal dialysis solutions	27	14.5



# **Special Features**

- Submission of performance bond – 5% of total value of the bid, to be returned later
- Suppliers must pay 0.5% of their total awarded value to the HMC/GCC in favor of each country to support medical research
- Strict quality control: prequalification of suppliers; adherence to registration rules, sample testing
- Supporting local manufacturers of generic medicines



# Success factors

- Strong political will
- Dedicated secretariat and workforce
- Adherence to *Good Procurement Practices*
- Secure payment mechanisms
- Effective quality assurance





# Pooled Procurement Challenges

- Lack of political will
- Unwillingness to share the unit price for different reasons
- International competitive bidding for multi-source products – yes – sometimes it is not used.
- Collusive pricing and anti-competitive behaviour contributing to higher prices



# Pooled Procurement Challenges

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- Non-compliance with tariff rates established in regional economic agreements
- Not using international reference pricing



# Pooled Procurement IP related Challenges

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- High prices on single source, patented products
- Limited cross-licensing for combination products
- Decreased supply of generic products as more countries comply with TRIPS
- Impact on local, generic drug manufacturers
- Varying levels of compliance under TRIPS within regional bloc
- Lack of capacity in dealing with IPR regime

