Informal Consultation on Pooled Procurement of Pharmaceuticals for Pacific Island Countries

Suva, Fiji
29–30 March 2007
REPORT

INFORMAL CONSULTATION ON POOLED PROCUREMENT
OF PHARMACEUTICALS FOR PACIFIC ISLAND COUNTRIES

Suva, Fiji
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NOTE

The views expressed in this report are those of the participants on the Informal Consultation on Pooled Procurement of Pharmaceuticals for Pacific Island Countries and do not necessarily reflect the policy of the World Health Organization.

Keywords:

Pharmaceutical preparations – supply and distribution / Pacific Islands

This report has been prepared by the World Health Organization Regional Office for the Western Pacific for governments of countries and areas in the Region and for those who participated in the workshop.
1. INTRODUCTION

1.1 Background information

The Informal Consultation on Pooled Procurement of Pharmaceuticals for Pacific Island Countries was held in Suva, Fiji, from 29 to 30 March 2007.

Strengthening the pharmaceutical sector has been a long-term priority for the Pacific island countries and areas based on the recommendations of the meetings of Ministers and Directors of Health for the Pacific Island Countries held in Yanuca Island, Fiji (March 1995), Rarotonga, Cook Islands (August 1997), and Palau (March 1999).

At the conference in Yanuca Island in 1995, it was recognized that improvements in the quality, safety, efficacy, availability and cost effectiveness of drugs in the Pacific island countries and areas could be achieved through a bulk purchasing scheme for pharmaceuticals. Collaboration in bulk procurement schemes should contribute to higher standards of health care through the rational use of medicines, not merely reduce costs. Meanwhile, the meeting of the Ministers of Health for Pacific Island Countries held in Rarotonga, Cook Islands on 6–7 August 1997 recognized various obstacles to bulk purchase and it was recommended that smaller countries or a group of countries should consider joining existing purchasing schemes with other countries or groups of countries. The Palau action statement, 1999 reviewed the progress in the bulk procurement scheme and encouraged countries' collaboration for joint procurement of pharmaceuticals. A number of activities have been implemented following the recommendations of the Ministers' meetings related to supply and management.

At the Workshop on Pharmaceutical Policies and Access to Good Quality Essential Medicines in Suva, Fiji from 30 August to 1 September 2006, some Pacific island countries raised the idea of exploring the possibility of pooled procurement as this has been one of major activities in the Pacific Plan for Strengthening Regional Cooperation and Integration. It was agreed to further pursue this issue, and the need for a feasibility study was highlighted. The World Health Organization has therefore provided support, at least partially, for a study to explore the feasibility of pooled procurements for Pacific island countries and areas to establish whether such pooled procurement would offer an additional advantage over the existing supply system in each country.

The feasibility study was undertaken by a WHO consultant from 19 March to 11 April 2007, in collaboration with counterparts representing the Pacific island group with the objectives of: analyzing the strengths and weaknesses of various options of medicines pooled procurement scheme for Pacific island countries; undertaking a feasibility study to define the potential savings and cost for pooled procurement based on a basket of agreed indicator drugs; recommending the most feasible and cost effective options for pooled medicines procurement scheme for Pacific island countries; and to recommend the systematic steps and requirements to pursue the scheme.

The consultation was attended by seven participants from four Pacific island countries - Fiji, Samoa, Solomon Islands and Tonga (Annex 1).
1.2 Objectives

The objectives of the consultation were:

(1) to conceptualize the idea of pooled medicines procurement for Pacific island countries; and

(2) to discuss possible pooled medicines procurement options and recommend the most feasible and cost effective options for pooled procurement scheme for Pacific island countries.

2. PROCEEDINGS

2.1 Opening

In the opening, Dr Chen Ken, WHO Representative in the South Pacific said that strengthening the pharmaceutical sector, including the medicines supply and quality assurance system, has become a long-term priority for the Pacific island countries as reflected in the recommendations of the meetings of Ministers and Directors of Health for the Pacific Island countries. WHO is committed to providing support to Member States to strengthen their medicines supply and management system. He emphasized that an efficient medicines supply system is crucial for ensuring the availability of good quality essential medicines. Small island states lack such a system. In order to correct this problem, a collaborative pooled procurement is very important for Pacific island countries. He urged participants to reach clear outcomes and agree on the most feasible options for a pooled pharmaceutical procurement scheme for Pacific island countries with a view to further improving the availability and affordability of essential medicines and the health of the Pacific island people.

2.2 WHO pharmaceutical programme for Pacific island countries

Dr Santoso Budiono, WHO Western Pacific Regional Adviser in Pharmaceuticals, presented the pharmaceutical programme for Pacific island countries which focuses on improving quality and supply of essential medicines through pool procurement. A pooled procurement of pharmaceuticals has been an interest for Pacific island countries for some time, as recognized by the Yanuca Declaration, 1995, Rarotonga Agreement, 1997 and Palau Action Statement, 1999.

In response to the ministers’ meeting, WHO has provided technical support to undertake a feasibility study on pooled procurement in 1996 Yeap Boon Chye and in 1997 by Dzulkifli Abdul Azak and to organize a series of workshops on medicines supply. Support has also been provided for strengthening the Fiji Bulk Purchasing Scheme for Small Island States (Cook Islands, Kiribati, Tuvalu, Nauru and Niue) and for national procurement scheme and drug information exchange scheme between Pacific island countries.

However, essential criteria and procedures, such as the development of an essential list, procedures for bidding, selection of suppliers and purchasing cycle that require harmonization were never developed. The lack of harmonization was due to the absence of follow up and high-level political commitment which did not develop administrative, legislative, and technical processes or designate a coordinating secretariat to facilitate the process. Harmonization is essential for an effective pooled procurement scheme. Pooled pharmaceutical procurement is still
one of the regional activities of the Pacific Plan for Strengthening Regional Cooperation and Integration (2005) as stated under “strategies for bulk purchasing, storage and distribution of key imported commodities: petroleum and pharmaceuticals for 2006–2008”.

The current feasibility study on pooled pharmaceutical procurement is being undertaken by a WHO Consultant in consultation with experts representing Pacific islands countries. The Terms of Reference are as follows:

- to review relevant information and various available options;
- to analyze strengths and weaknesses of each option;
- to develop a detailed methodology and undertake a feasibility study of cost efficiency based on some medicines;
- to recommend the most feasible and cost effective options; and
- to recommend systematic steps and requirements.

The following are expected recommendations from the current study:

- defined feasible options;
- identified strengths and weaknesses of the possible options;
- possible potential savings and efficiency of pooled procurement in comparison to individual procurements;
- requirements for each option for participating countries and external partners;
- recommended most feasible option; and
- proposed steps for implementation, coordination and organization of the most feasible option.

Possible options for the pooled procurement of pharmaceuticals:

- improving and expanding the current Fiji Bulk Purchasing Scheme for Small Island States;
- new pilot scheme involving a few bigger countries; and
- limited list of specific medicines e.g. tuberculosis drugs, antimalarials, and non communicable diseases medicines. The other possible options will be detailed on completion of the study.

The next step for pursuing feasible option is the development of a proposal and workplan to be submitted to governments. The results of the study will be discussed at a Regional Workshop on Pharmaceutical Policies which is planned in August 2007.
2.3 **Pooled procurement for Pacific island countries**

Ms Dardane Arifaj, a short-term consultant, presented possible options for regional pooled procurement for Pacific island countries and the strengths and weaknesses of each option. She summarized critical factors for pooled procurement based on the two success stories of Golf Cooperation Council (GCC) and the Organization of Eastern Caribbean States (OECS) as follows:

- Political will and organizational commitment
- Permanent and autonomous procurement secretariat
- Harmonization/standardization (drug list, therapeutic guidelines)
- Good pharmaceutical procurement practices
- Secure payment mechanisms
- Quality assurance

As for Pacific island countries, there is political commitment stated in the Pacific Plan in order to justify regional economic political integration. Generally, pooled procurement scheme of pharmaceuticals can reach economies of scale, improve procurement practice, transparency, and sustain the supply chain. As for demand side, it harmonizes registration, quality control, essential medicines list and treatment guidelines and standardization of same items and same therapeutic formulations which in turn improve quality assurance and treatment guidelines as well as save money.

The following options for pooled procurement are introduced for Pacific island countries:

1. Explore and expand on the current Fiji Bulk Purchasing Scheme;
2. Establish a new pooled procurement scheme with the participation of big Pacific island countries; and
3. Streamline only the procurement of specific items for vertical programmes (e.g. TB, HIV/AIDS, Malaria)

Advantages and disadvantages of each option were identified as below.

**Option 1** Its advantages are: procurement strategies in place, trained staff, adequate storage and data information system, established relationship with Small Island States (SIS). However, the disadvantages are that only SIS benefit, bigger countries not likely to join and the system functions more like a Selling Scheme and less like a Bulk Purchasing Scheme.

To operationalize the option: SIS should become equal partners in the scheme, roles of each member should be clearly identified, standard operating procedures in place, harmonization of Essential Medicines List (EML), guidelines and performance metric developed, current 20% mark-up should be changed into a service/membership fee, and a transparent information system should be in place.
**Option 2** The advantages could be: economies of scale; improved supply system benefits more people; improved registration; and quality assurance; and greater political impact to promote regional integration.

However, the following issues were highlighted. It requires a strong and continuous political and financial commitment and serious financial preparations need to be in place before the scheme starts. Needs a Permanent Procurement Secretariat to be established and human resources should be secured.

**Option 3** Prevents duplication of separate procurement for each disease category thus reducing operational costs.

Some disadvantages of this option are: Based on the epidemiology of the Pacific island countries benefits will be very limited; highest burden is noncommunicable diseases (80% of morbidity) and difficult to justify the action to policy-makers.

In addition to the above-mentioned options, a combination of option 1 and option 2 is most feasible.

- “Bigger” countries (i.e. Fiji, Samoa, Solomon Islands, Tonga and Vanuatu) interested and committed to increasing their efficiencies through pooled procurement, could join and create a new regional scheme for “Group Contracting” - Central buying, direct delivery in country, contracting and suppliers’ payment in country.

- Small countries without sufficient storage and management capacities can still choose to participate in the scheme individually or pay a “membership fee” only to Fiji Pharmaceutical Service Centre (FPSC) to purchase on their behalf and use FPSC’s storage, contracting and distribution capacities, as in option 1.

A successful pooled procurement scheme requires careful planning and preparation. There are essential pre-requisites such as: the willingness to participate in the pooled procurement scheme should be expressed by countries; a working group to explore and decide on the best model; harmonizing the Essential Medicines List and standardize standard operating procedures, guidelines and regulations; agreement upon the establishment of a Permanent Procurement Secretariat and a decision on its funding; and governance and securing sufficient trained staff on medicines regulation and procurement. It is potentially disastrous to rush to start the scheme without developing a detailed business plan and harmonizing first the basic requirements.

2.4 **Country perspectives**

Participants reached a common understanding of pooled procurement pharmaceuticals. They appreciated the pooled procurement scheme and agreed that countries’ concerns on medicines supply and procurement system could be solved through a regional pooled procurement system. This could bring about improvements in quality assurance of medicines (counterfeit medicines) and lead time of procurement process and registration. It would lead to better transparency by standardization of supplier selection criteria and prequalification, by a decrease of batches consolidation, harmonization of standards of prequalification and regional regulation. Written standard operating procedures and clearly defined functions and ownership would be present.
The pooled procurement can also lessen current administrative (procurement) burdens on pharmacists, improve cost efficiency, and ensure quality of product and treatment and results in non-cost benefits. However, it should be kept in mind that a pooled procurement scheme will not solve in-country problems related to drug distribution, storage, i.e. infrastructure problems. A translation of political commitment into administrative and regulatory requirements in technical areas (for example common list of products) is crucial to establishing the scheme.

3. CONCLUSIONS

Participants concluded that the establishment of a pooled pharmaceutical procurement scheme is crucial for ensuring the availability and affordability of good quality essential medicines for the population of Pacific island countries.

The consultation came to several general and specific conclusions and agreements, which follow below.

1. To establish: (a) a steering committee which consists of chief pharmacists from Fiji, Samoa, Solomon Islands, Tonga, Vanuatu, Nauru, Kiribati and Tuvalu and (b) a working group on pooled procurement of the four countries participating in this consultation, of which Fiji is a focal point.

2. Implementation of technical preparatory work needs to be started as soon as possible. The following should be accomplished before the 7–9 August 2007 meeting (Annex 2).

- Harmonization of Essential Medicines List used for the first pooled procurement
- Assessing current commitment, procurement, supply management
- Preparation for a study tour (expected outcomes, develop questionnaires)
- Collect existing documents and materials
- Prequalification criteria
LIST OF PARTICIPANTS

1. PARTICIPANTS

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### Table: Preparatory work to be accomplished by August 2007.

<table>
<thead>
<tr>
<th>Work description</th>
<th>Responsibility</th>
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<tbody>
<tr>
<td>Define the most suitable option</td>
<td>WHO STC</td>
</tr>
<tr>
<td>Harmonization of Essential Medicines List</td>
<td>Yes</td>
</tr>
<tr>
<td>Assessment of current supply and procurement system</td>
<td>Yes</td>
</tr>
<tr>
<td>Study tour to GCC and Caribbean</td>
<td>Yes, Yes</td>
</tr>
<tr>
<td>Send a letter to governments to explore their interest in the pooled procurement option</td>
<td>Yes</td>
</tr>
<tr>
<td>Collection of existing documents and guidelines that would be needed for the establishment of such system</td>
<td>Yes</td>
</tr>
<tr>
<td>Consolidate a list of suppliers and create a ranking system</td>
<td>Yes</td>
</tr>
<tr>
<td>Present study results and preparatory work to August workshop</td>
<td>Yes, Yes</td>
</tr>
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</table>

(1) Steps of the preparatory work. Participants agreed to act on the following:

- Define the most suitable option based on the consultant's report;
- Send a letter to governments to explore their interest in the pooled procurement option;
- Present the study results to August workshop participants;
- The expected outcome from the August meeting will be an agreement on:
  - the best model for pooled procurement;
  - the Essential Medicines List to be used in first procurement; and
  - the initial criteria to be used in prequalification of suppliers.

(2) Development of a detailed plan/proposal on a pooled procurement scheme, which will be presented to the ministers, and carry out advocacy work on pooled procurement.

The consultation reached consensus on the following specific action points:

(a) the most feasible option for pooled procurement to be elaborated in the consultant's report;

(b) implementation of the preparatory work to start as soon as possible (before August 2007);
(c) a business plan (road map) to be developed by October 2007 after the meeting;

(d) advocacy on pooled procurement is crucial to secure political agreement on the scheme.