

LEVERAGING SUPPLY TO GAIN BETTER RESULTS FOR PROGRAMME

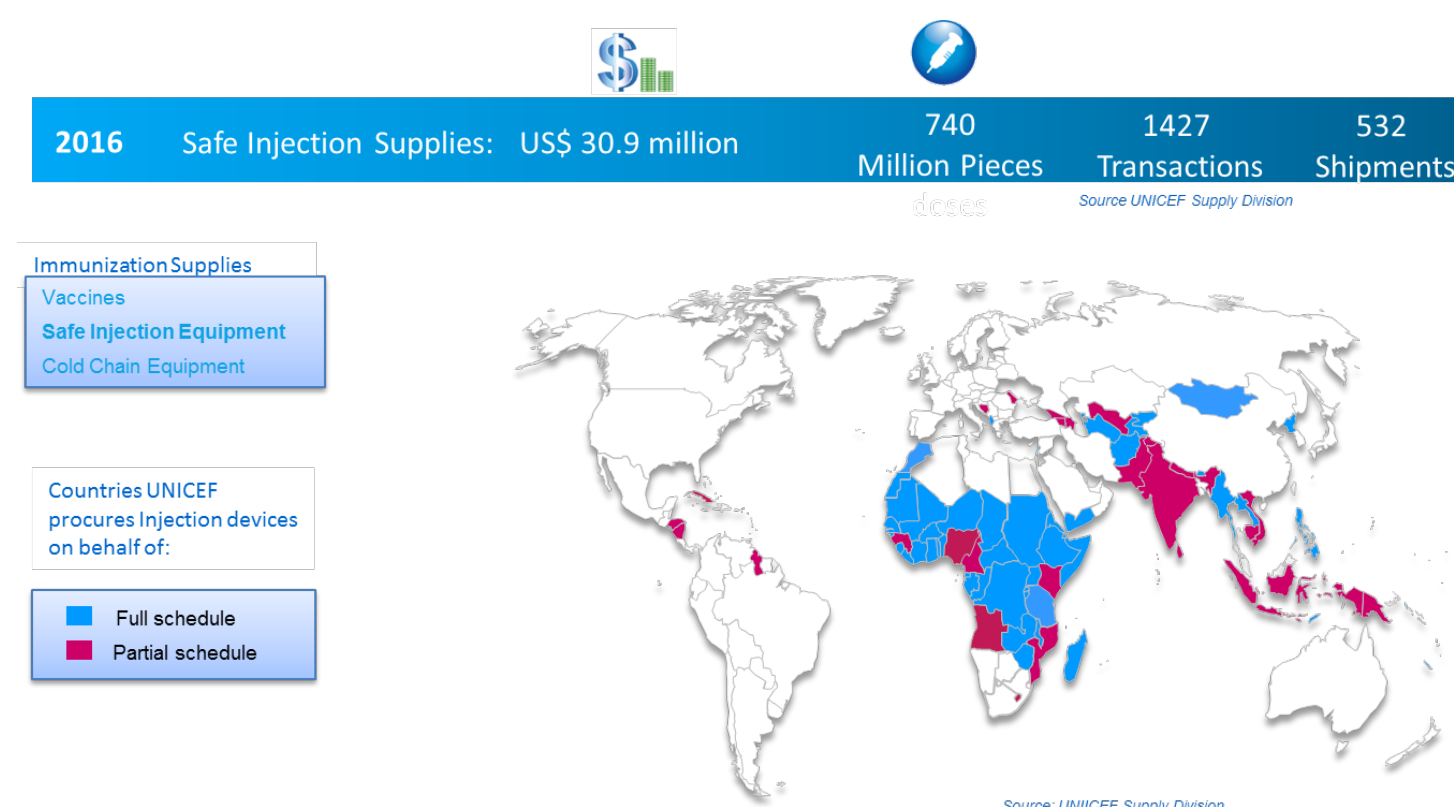


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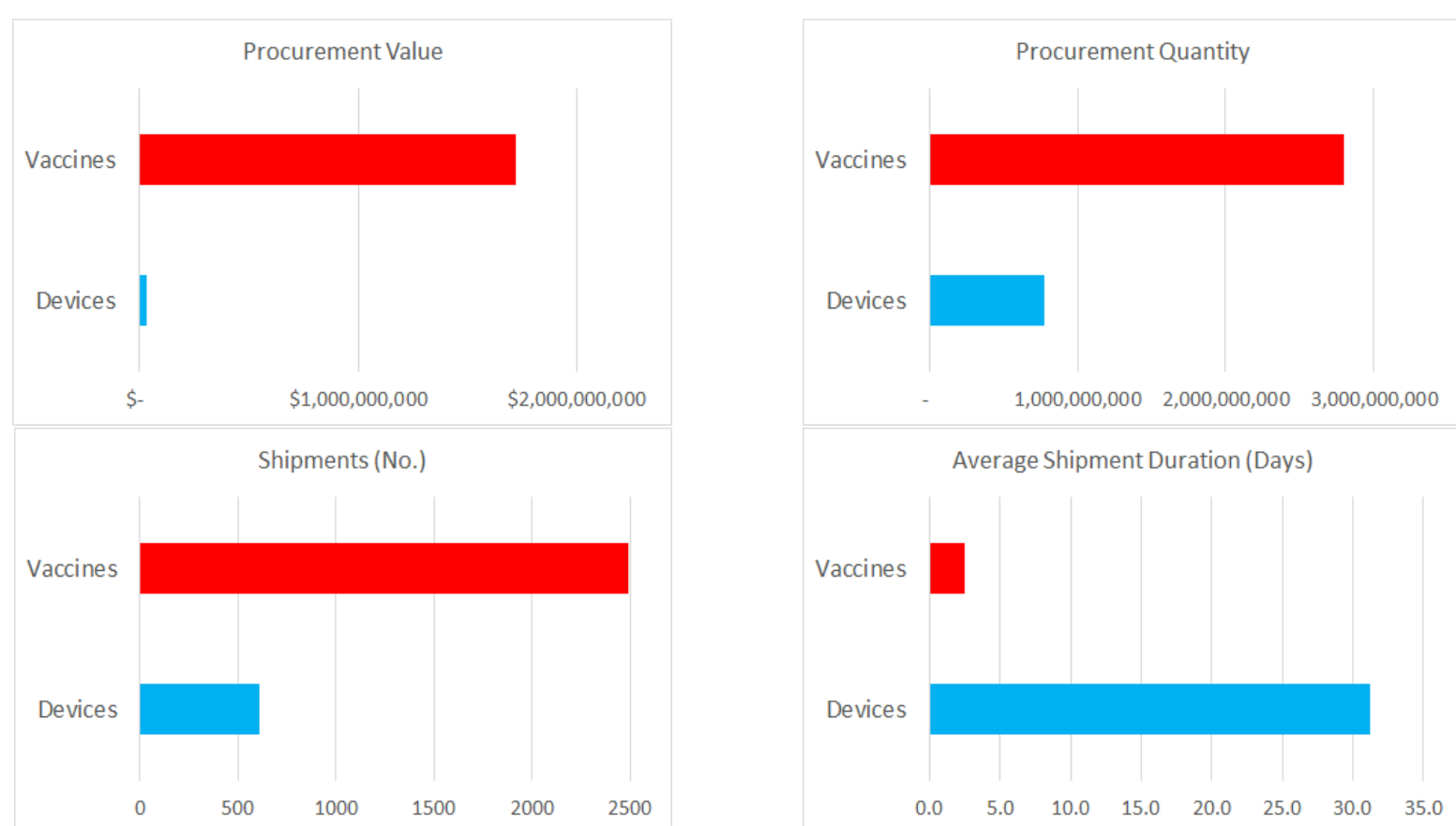
Introduction

- Every year, UNICEF supports the procurement of vaccines, safe injection equipment (SIE), cold chain equipment and other immunization supplies, on behalf of some 100 countries.
- Auto disable (AD) syringes are the main device used in immunization programmes. UNICEF procurement of 0.5 ml AD syringes represents 47% of the total market share, based on volume or 70% market share excluding India demand.



Source: UNICEF Supply Division

- Compared to vaccines, the procurement value of SIEs is small. However, delays in delivery have a significant negative impact on programmes.



\$1.7 Billion, 2.8 Billion doses of vaccines – cannot be used without the associated safe injection equipment (Rota, OCV, OPV excluded)

Source: UNICEF Supply Division

- A major challenge in SIE delivery is the long lead time for shipping. Reducing transportation times reduces risks (and increases cost effectiveness) in delivery.

Objective

- Supply Security, influencing the market to ensure an uninterrupted, sustainable supply of affordable, quality assured safe injection equipment
- Achieve delivery efficiencies and improve programme implementation

Major activities and findings

Methodology

- An innovative procurement approach for SIEs was applied in the UNICEF tender covering the 2016 – 2017 demand. UNICEF actively engaged different levers including (i) changed procurement modalities, (ii) engaging industry and (iii) large volume commodities within the procurement strategy to achieve the objective.

Key results

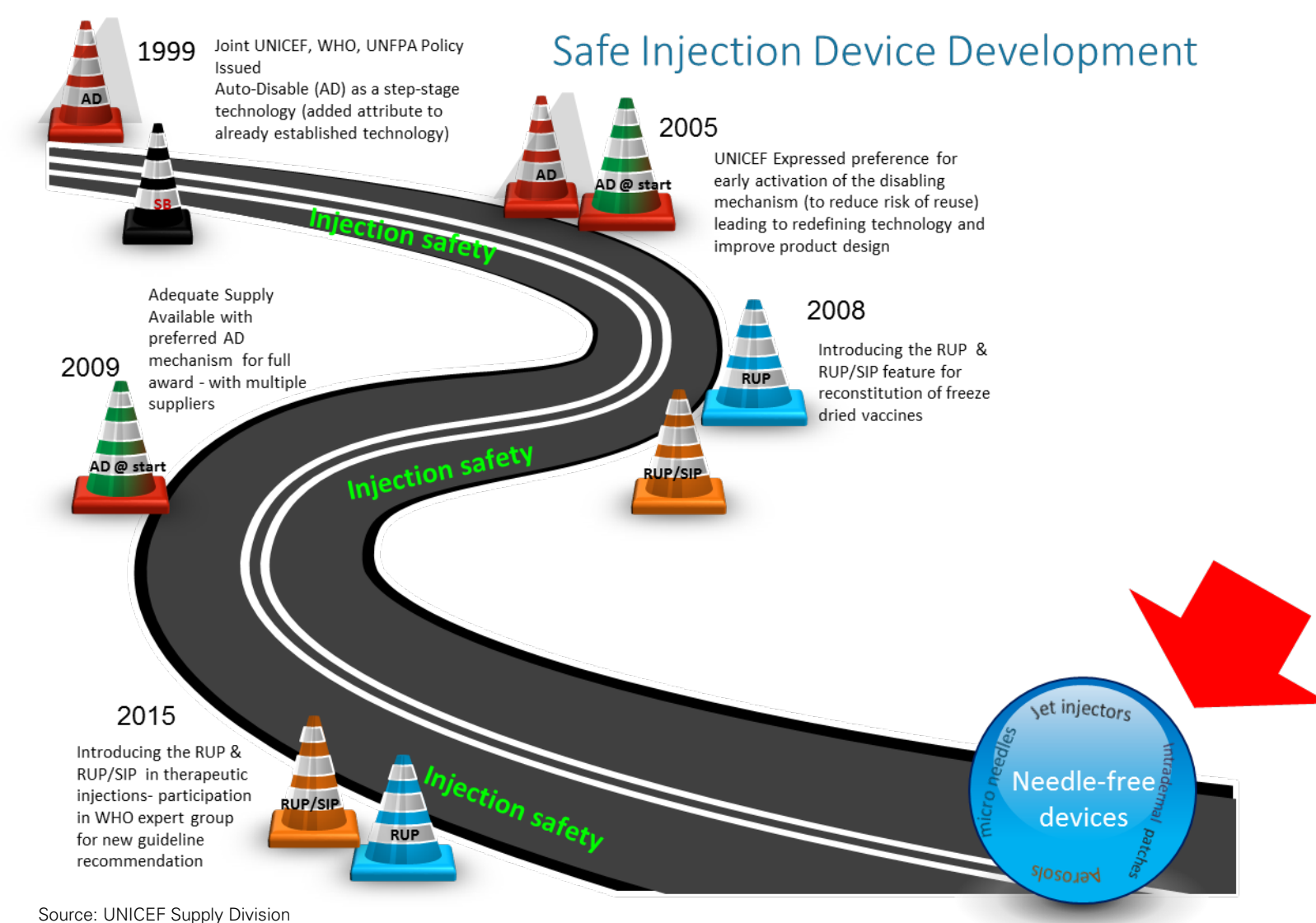
The awards made resulted in:

- A 9% reduction in the weighted average price (WAP) resulting in anticipated savings of over \$5.50 million for programmes.
- Healthier markets for key commodities.
- Improved delivery and transaction efficiency through the bundling of syringes and safety boxes (in 40% of the awards made).

UNICEF role in Influencing market

1. Product development

In the past 20 years, UNICEF and partners focused on safe injection within immunization by creating injection safety policy and implementing safety standards.

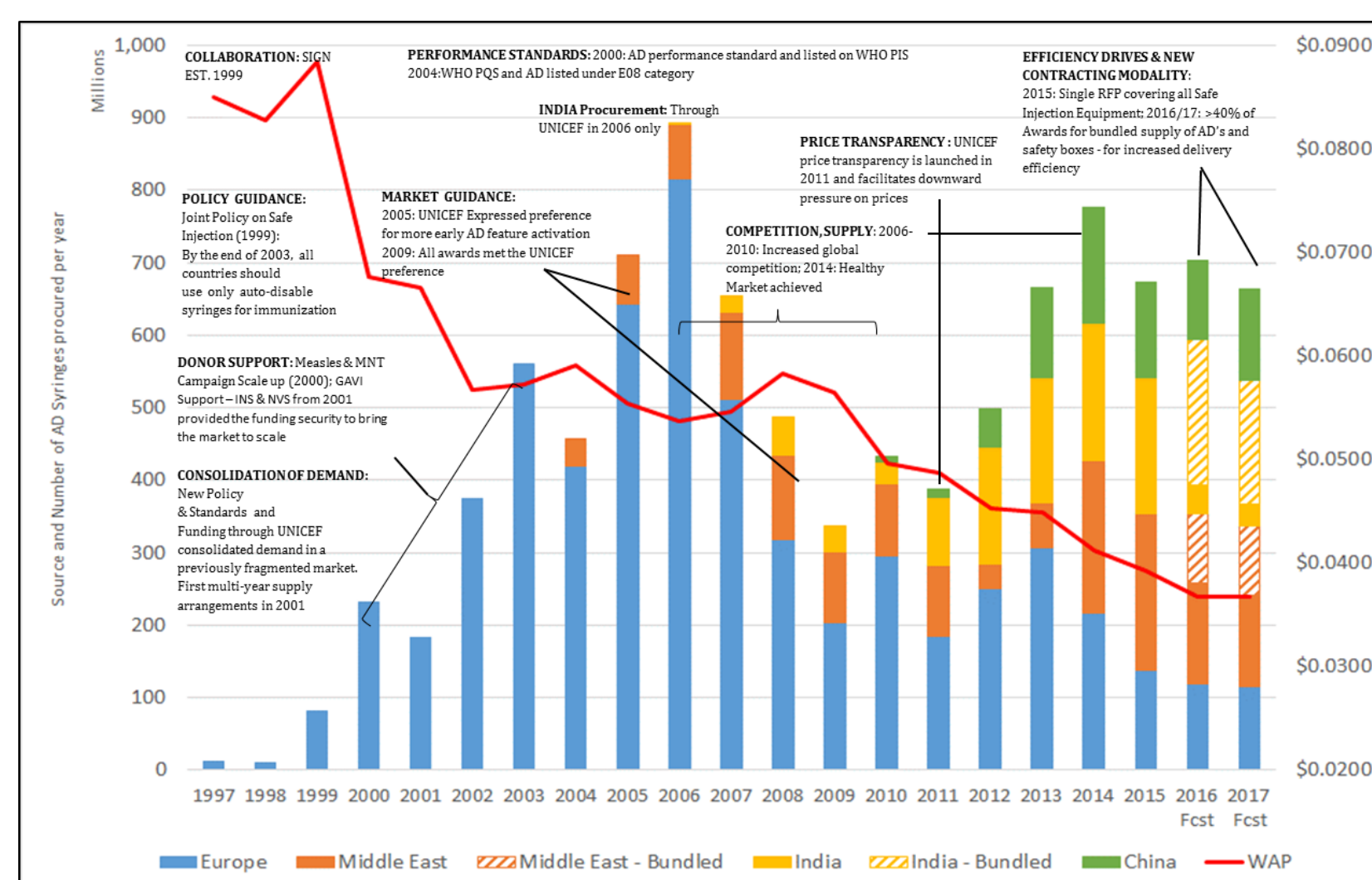


Source: UNICEF Supply Division

2. Scale-up

Since 1999, UNICEF has worked with key partners to develop the AD syringe market and expanded its supplier base. UNICEF sought to move away from a near sole-source market to one characterized by multiple suppliers with WHO prequalified products

Development of the AD Syringe Market 1997 – 2016



Source: UNICEF Supply Division

Efficiency gains achieved

UNICEF identified that there were efficiency gains to be achieved through:

- Awards of bundled supplies of syringes and safety boxes per supplier.
- Changing the business processes to reduce the number of deliveries to countries as well as the reducing transactional workload.
- Changing the approval framework, reducing the transactional work load by up to 51% for GAVI funded SIE procurement transactions.

1. Through bundled awards of SIE per supplier

Bundling awards of SIE per supplier provides the opportunity to ship all goods from one supplier to a country instead of having multiple deliveries from various suppliers. By awarding bundled contracts, the purchase orders are reduced resulting in reduction of workload at Supply Division and a subsequent decline in the overall number of shipments to countries.

Impact of Bundled Awards

PO Placement Year	2011	2012	2013	2014	2015	2016
No of Items requested	1008	1084	1149	1242	1276	1350
No. of items placed on PO	1041	1116	1187	1271	1316	1427
No. of PO's issued	625	726	770	849	900	806
No. of shipments (adjusted)	556	641	634	618	627	532
Procurement Quantity	432,508,075	590,955,425	749,237,475	871,616,550	773,605,300	733,196,075
Procurement Value	\$ 22,871,891	\$ 34,182,380	\$ 38,892,829	\$ 41,822,578	\$ 36,424,747	\$ 30,776,162

The transactional workload is based on the number of requested received (Sales orders and items per Sales order). This fluctuates from year to year.

The efficiency of how we action these can be assessed by how many resultant Purchase orders and Shipments to countries occur.

Since the absolute numbers vary from year to year, it is proposed that an Indicator for the efficiency changes can be based on the net difference between the percentage variances of the originating requests and the resultant POs issued and resultant shipments to countries.

Metric	2012	2013	2014	2015	2016	2016 vs 2013 Baseline
	No of Items requested	8%	6%	8%	3%	6%
No. of items placed on PO	10%	6%	7%	4%	8%	20%
No. of PO's issued	16%	6%	10%	6%	-10%	5%
No. of shipments (adjusted)	15%	-1%	-3%	1%	-15%	-16%
Procurement Quantity	37%	27%	16%	-11%	-5%	-2%
Procurement Value	49%	14%	8%	-13%	-16%	-21%

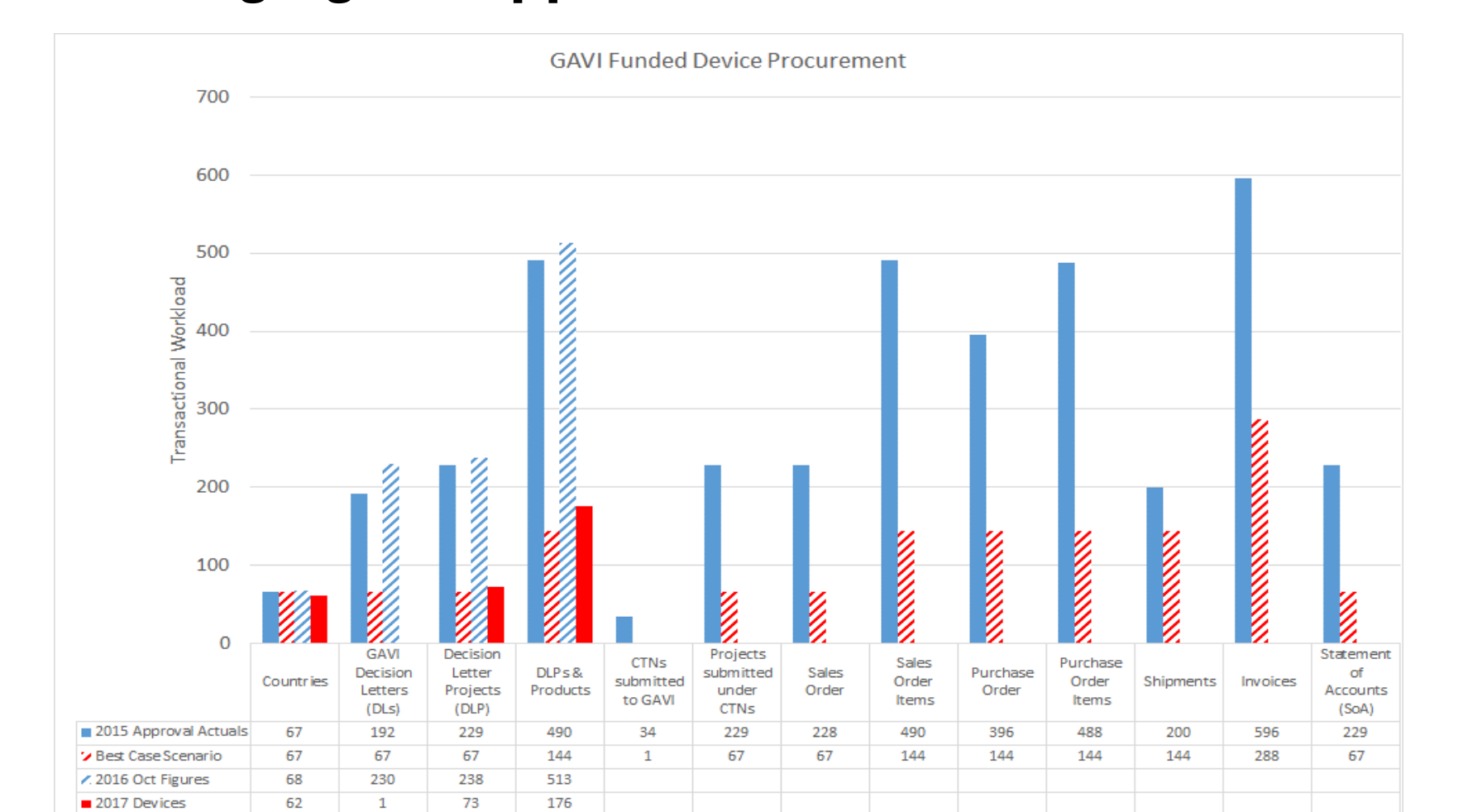
Efficiency Gain Metrics	Metric	2012	2013	2014	2015	2016	2016 vs 2013 Baseline
	Reduction in PO's issued		-9%	0%	-2%	-3%	16%
Reduction in Shipments		-8%	7%	11%	1%	21%	34%

2. Through changes in the business processes

Consolidation of orders for GAVI-funded devices has resulted in a decline in the overall number of shipments to countries. In 2015, the number of GAVI funded shipments in was reduced by over 30% (compared to 2013). While reductions were achieved in consolidating the receipt of SIEs and enabled bundled in-country distribution, the transactional workload however remains the same.

Efficiency Initiative	Country Example	Focus of change	Year	Drivers		Impact of Change			Status	
				No of Program Approvals	No of Devices (SIE) per Approved Country Program	Combination of Devices (SIE) per Approved Program	Required Purchase Orders	Number of Resultant Shipments		Delivery speed (in Days) of resultant shipments
A	Changed Business Process through Consolidation of Shipments	Original status	2013	6	2-3	15	14	9	96 days	N/A
			2015	5	2-3	12	12	4	28 days	Implemented
B	Changed Approval Framework - Device Specific Decision Letters	Original status	2013	1	3	3	3	3	< 28days	In Progress
			2017	1	3	3	1	1	0	Initiated

3. Changing the approval framework



Conclusions

- In 2016-2017, leveraging supply to gain better results for programmes resulted in: increased transactional efficiency, programme cost reduction and supply delivery efficiency.
- In the next 2018-2019 tender, UNICEF will continue leveraging supply by:
 - Changing the Approval Framework implemented by GAVI for 2017 approvals.
 - Increase bundled awards to gain greater transactional and delivery efficiency.
 - Inclusion of sustainable procurement (SP) targets.
 - Target: 20% of awards made to new local manufacturers by 2021.