



## Small Island Developing States pooled procurement initiative in the WHO African Region

From declaration to actions and results



# **Small Island Developing States pooled procurement initiative in the WHO African Region**

**From declaration to actions and results**

# Table of contents

Background .....	4
The problem .....	5
A solution .....	6
Progress with the SIDS pooled procurement initiative .....	7
Pooled procurement enabling factors .....	7
Challenges faced by the SIDS initiative .....	10
Lessons learnt .....	11
Next steps .....	11
Conclusion .....	12



## Background

**Small Island Developing States (SIDS) in the African Region face challenges related to the procurement of medical products due to their individual small population sizes, limited production capacity, limited knowledge of procurement methods and weak negotiating and bargaining power with suppliers.** This situation underscored the need for a mechanism for affordable, sustainable and efficient procurement of medical products, as some patients face high out-of-pocket costs for medicines, many of which are lifesaving. Accordingly, WHO has been supporting African SIDS countries including Madagascar to establish a pooled procurement mechanism, which takes into account the specific nature of the participating countries. There are 57 (fifty-seven) Small Island Developing States (SIDS) in the world, located in the Indian, Pacific and Atlantic Oceans, as well as the Caribbean and South China Seas. They make up less than 1% of the world's population, and share similar physical and geographical environments.

**As islands, they also share similar challenges, including the effects of climate change such as rising water levels leading to flooding, coastal erosion and destruction of health and other essential infrastructure.** They suffer a high and increasing burden of noncommunicable and vector-borne diseases. They also incur high costs for medicines as they are unable to negotiate affordable prices due to the small quantities required for their small populations.

**There are six SIDS in Africa, located in the Indian Ocean (Comoros, Mauritius, Seychelles) and Atlantic Ocean (Cabo Verde, Guinea-Bissau, Sao Tome and Principe) with a total population of 4 million people.** They have formed a group (the SIDS Group) and meet at least once every two years to discuss and find solutions to their common problems. Madagascar, a vast island of 28 million people, located in the vicinity of Comoros, is also part of the Group and participates in the joint discussions.

**In September 2017, health ministers of the SIDS Group met in Seychelles to discuss the problem of the high cost of medicines. Due to their small individual population sizes, the quantities required are small and they have little bargaining power on the international market.** During the meeting, WHO presented pooled procurement as one way of improving procurement efficiency and reducing costs. The ministers adopted the Seychelles Declaration in which they committed to implement pooled procurement. WHO also committed to support the initiative by hosting its secretariat and providing technical support for its implementation.

**This document is the story of the SIDS pooled procurement initiative in the African Region. It highlights its genesis, achievements and challenges.** It also offers lessons to inform ongoing similar continental initiatives, with the hope that they will inspire other groups of countries with comparable challenges.





## The problem

### **The SIDS in the African Region face challenges in procuring medicines.**

The quantities they require are small due to their small individual population sizes. As a result, they have little bargaining power with international suppliers, including manufacturers. The procurement of medicines is therefore unsustainable as government budgets are expected to cover increasingly expensive medicines to cater for an increasing burden of noncommunicable and other diseases.

### **The increasing burden of noncommunicable and other diseases is driving the need for medicines in these countries,**

along with diagnostics, long-term treatment and care as well as assistive technology. In addition, the SIDS are at high risk of the effects of climate change and its impact on health, from mental health problems, childhood illnesses to outbreaks of vector-borne diseases.

### **Improving access to safe and affordable medicines is therefore imperative if the SIDS have to make progress towards achieving universal health coverage (UHC).**

It is also imperative if they have to achieve the goals of the WHO Global action plan for the prevention and control of noncommunicable diseases 2013–2030. More than anything else, essential medicines save lives, reduce suffering and improve health. Universal health coverage can only be achieved when people have continued access to affordable safe, quality and effective medicines.



## A solution

**Pooled procurement of medicines is a strategic approach in which several entities or countries procure their requirements together.** They consolidate their needs and thereby increase their bargaining power. Pooled procurement has the potential of reducing medicine procurement costs, improving the sourcing of reliable suppliers, and enhancing the quality of the products procured. Recognizing this potential impact on medicine prices, pooled procurement was floated as a possible solution to the high medicine prices paid by the SIDS, in order to secure a sustainable supply of medicines, increase access, mitigate the risk of stock-outs and improve overall procurement efficiency.

**Several successful pooled procurement initiatives are in operation since the 1970s.** The Gulf Joint Procurement Program run by the Gulf Health Council started in 1976 with six countries: United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain and Kuwait, later joined by Yemen in 2003. Today, the programme meets 80% of their collective needs. Its success has been attributed to readily available funding, use of a common language among the participating countries, similar culture and socioeconomic policies, and a well-structured and functional secretariat.

**The Pan American Health Organization (PAHO) Revolving Fund for Access to Vaccines** that began in 1977 and has greatly improved the Region's purchasing power, lowered vaccine prices, and contributed to the sustainability of national immunization programmes. Gavi, the Vaccine Alliance, set up in 2000 with international partners, including WHO, is another initiative that has negotiated affordable vaccines. Today, Gavi provides vaccines for more than half of the world's population.

**Similarly, the PAHO Strategic Fund for Medicines has been operating for the past two decades for the benefit of 34 countries in the Americas.** The Organization of Eastern Caribbean States (OECS) has been operating since August 1986 for the benefit of its nine participating countries: St Lucia, St Vincent and Grenadines, St Kitts and Nevis, Antigua and Barbuda, British Virgin Islands, Anguilla, Dominica, Montserrat and Granada. The Southern African Development Community (SADC) is at an advanced stage of implementing pooled procurement, while three other African economic groups are preparing for it: the Central African Economic and Monetary Community (CEMAC); the Economic Community of West African States (ECOWAS) and the East African Community.

# Pooled procurement enabling factors

Looking at the ongoing pooled procurement initiatives, there are a number of enabling factors that create a conducive environment for the success of pooled procurement:

- Political Will at the highest level of government through the signing of a formal agreement.
- Clearly defined goals and objectives for the initiative
- Setting up of a permanent, autonomous and competent secretariat responsible for the day-to-day technical management of the initiative.
- Adequate and sustainable financing generally from participating countries and subsequently sustained through a revolving fund with the financial gains from the initiative.
- Goods procurement and quality assurance practices agreed upon by the participating entities.
- Standardization and harmonization of requirements, specifications, processes, and procedures among participating entities.
- Sustainable financing to fund the procurement and operational costs.



## Progress with the SIDS pooled procurement initiative

The Seychelles Declaration of 2017 set the stage for a series of activities by WHO and the SIDS in preparation for the first pooled procurement tender. Consultations on the architecture and functioning of the initiative were held throughout 2018.



“The African Region is witnessing a growing burden of NCDs along with the rising prevalence of related risk factors in the wake of rapid socio-economic transition ... Access to medicines within the pursuit of UHC and financial risk protection should not be a source of financial hardship and should not come at the expense of other basic needs [like] education and adequate nutrition.” – **Mr A. Nundoochan, Officer in-Charge, WHO Mauritius Country Office, during opening ceremony of first technical meeting in Mauritius, 16 July 2019.**



In July 2019, the first technical meeting was held in Mauritius to discuss technical and regulatory requirements for pooled procurement, criteria for the selection of priority medicines and drafting of a pooled procurement agreement. The meeting **afforded the opportunity to build consensus on the way forward and lay the foundation for full implementation of the initiative**. It was attended by directors of pharmaceutical services, heads of pharmaceutical regulatory bodies as well as heads of procurement agencies from each SIDS.

**Health ministers of the African SIDS held their seventh meeting in December 2019 in Cabo Verde, in the presence of the WHO Regional Director for Africa, Dr Matshidiso Moeti.** They gave further guidance on the finalization of the pooled procurement agreement, which was signed in September 2020 in the presence of the WHO Director-General and the Regional Director for Africa. The Agreement formalized the establishment of the SIDS pooled procurement initiative, outlined its goals, objectives and guiding principles and provided for the governance structure of the initiative comprising the following:

**Council of Ministers:** A final decision-making body for the initiative to provide policy and strategic guidance.

**Secretariat:** responsible for the day-to-day running and management of the initiative and reporting to the Council of ministers;

**Technical Committee:** responsible for establishing the requirements to ensure the safety, efficacy and quality of medicines procured through the initiative;

**Procurement Committee** responsible for implementing a pooled procurement mechanism as well as policies and operating procedures to ensure transparent operations during the procurement process.



“This agreement to pool efforts will make medicines and other lifesaving pharmaceutical products more affordable and more readily available. This is particularly important as island countries in Africa are at the forefront of the continent’s crisis of chronic diseases, which require many years of treatment and are placing a heavy burden on patients and health services.” – **Dr Matshidiso Moeti, WHO Regional Director for Africa, during the signing of the pooled procurement agreement, 29 September 2020**

**In May 2022, a list of priority medicines comprising 67 formulations, complete with specifications, quantities, technical and regulatory requirements, was adopted** during a meeting of the technical and procurement committees in Cabo Verde. The selection criteria included the following: products on the SIDS national essential medicines lists; products with high public health impact; products that are expensive and difficult to source; and medicines for noncommunicable diseases.

The first pooled procurement tender was floated on 13 July 2022. It was an open tender published on the United Nations Global Market Place platform



following WHO procurement procedures, and 37 bidders made submissions.

The technical and financial evaluation was done with the participation of three SIDS (Cabo Verde, Comoros and Mauritius) and led to the selection of six suppliers from five countries: China, India, Kenya, the Netherlands and Turkey.

**The tender results showed cost savings on factory prices (ex-works) irrespective of the volumes forecasted by each one of them.** For 47 formulations covering 34 denominations historically purchased by the SIDS, there was an average cost reduction of 56% (ranging from 3% to 94%). The reduction was above 50% for 21 denominations, while the reduction was less than 50% for 13 products. These gains were in relation to prices paid by the SIDS on the same products during the period 2021–2022.

**In order to implement the tender results, long-term agreements (LTA) were signed between the SIDS and the suppliers.** The agreements defined the general and specific terms of the transactions between the two parties and in particular the following: agreed prices; shipping conditions (air/sea); delivery times; product shelf life; packaging; and payment modalities. The agreements provided for the blocking of product prices for a period of two years renewable for one year. WHO assisted the SIDS in finalizing and signing the agreements to pave the way for the signing of supply contracts.

**WHO is currently hosting the secretariat of the initiative, but it is necessary for one of the SIDS to host it for complete ownership.** Criteria for the selection of a host country were developed and approved by the ministers in August 2022. An expression of interest was floated. Two countries, Cabo Verde and Mauritius, expressed interest and were evaluated in April 2023. Based on the evaluation report, ministers selected Mauritius as the future host for the secretariat in March 2024. WHO is supporting Mauritius to enable the country undertake its host country responsibilities and develop a transition plan which will see Mauritius gradually take over the secretariat and all its functions.

On Monday 27 May, on the sidelines of the Seventy-seventh World Health Assembly held in Geneva, Switzerland from 27 May through 1 June 2024, Mauritius signed a long-term agreement with Angel Biogenics Pvt Ltd for the supply of pharmaceutical products under the umbrella of the Small Island Developing States (SIDS) Pooled Procurement Initiative.

Mauritius was the first country to finalize the LTA development process and the signing of this agreement was a significant step towards reducing medicine procurement costs and improving access to quality and efficacious medicines among the SIDS populations.



“We are taking a significant step towards alleviating the financial burden on our health care system and ensuring that essential medicines remain within the reach of every Mauritian,” **says Dr Kailesh Jagutpal, Mauritian Minister of Health, on signing of a medicines supply agreement.**

“Signing this Agreement is a huge milestone. It is the first such agreement, and I hope other countries will follow soon. I encourage you to maximize this opportunity by using the offered prices, valid for two years and renewable for another year.” **said Dr Matshidiso Moeti, WHO Regional Director for Africa.**



## Challenges faced by the SIDS initiative

In the process of establishing and implementing the initiative, there were challenges that affected the progress of the implementation of the initiative and solutions had to be found to ensure the success of the initiative:

- Unlike other similar initiatives, the SIDS initiative had no start-up funds. WHO mobilized internal resources to kick-start the initiative. WHO also initiated the development of a fundraising strategy which is yet to be approved and implemented.
- The COVID-19 pandemic slowed down the implementation of the initiative, with travel restrictions preventing some essential missions from taking place. In certain cases, virtual interactions helped to overcome this obstacle.
- Some SIDS still charge taxes and duties on imported medicines and this erodes some of the gains from pooled procurement. Countries are encouraged to remove or drastically reduce all such taxes and duties and regulate price mark-ups.
- Geographically, the SIDS are almost at two opposite sides of the African continent. Four are in the Indian Ocean and four on the other side in the Atlantic Ocean. As such, travel between them is not optimum.
- Learning trips to successful initiatives would provide an opportunity for information exchanges. A visit to Saudi Arabia [Gulf Council Pooled Procurement Program] was endorsed by ministers but could not take place due to funding challenges.

## Lessons learnt

This was the first pooled procurement tender launched in the Region with WHO support. It was the result of the commitment of the SIDS and has demonstrated the power of collective bargaining in reducing prices and ensuring improved access to medicines. This outcome required **clear political will among the participating countries, as well as willingness to work together at the technical level.**

The signing of the pooled procurement agreement was essential in galvanizing the SIDS in their resolve to reduce medicine prices. A functioning secretariat initially hosted by WHO was a plus in kick-starting the implementation of the initiative. Furthermore, **an initiative of this nature can only succeed if the participating countries agree to harmonize their processes and procedures and agree not to compromise on quality, among other considerations.**

The SIDS have three official languages: English, French and Portuguese. **Planning for adequate time and resources to ensure simultaneous interpretation and translation of documents is essential.**

WHO worked closely with members of the technical and procurement committees who are also ministry of health staff. **It is important to assign dedicated staff to the implementation of the pooled procurement activities, where possible, or ensure that adequate time is allocated** for the tasks, particularly during data collection on priority products, quantities, historical prices and other ongoing programmatic issues.

**Development of standard operating procedures, guiding documents and meeting records is important** to ensure continuation of activities in case of changes in staff or committee members.

## Next steps

The initiative has demonstrated the potential of pooled procurement to reduce medicine costs. Having started with 67 formulations only, **the initiative should be scaled up for more financial gains.** In preparation for the next tender, work has started to increase the number of products on the priority list of medicines, review product specifications as well as the technical and regulatory requirements based on the experience of the first tender. These changes will be discussed and adopted at the next technical meeting scheduled for July 2024.

The initiative is not exclusive to SIDS countries, and **other Member States in the Region may express interest to join it**, to benefit from economies of scale and reduced prices.

Seven years of WHO support has produced results. WHO will continue to support the initiative as it gradually takes charge of its secretariat and assumes greater responsibility in running its affairs.

Furthermore, **WHO will continue and extend its technical support to pooled procurement initiatives in other subregions which are at various levels of development and implementation**, such as the following: Economic Community of West African States (ECOWAS); Southern African Development Community (SADC); East African Community (EAC); and the Central African Monetary and Economic Community (CEMAC). This is in addition to continued support to the continental pooled procurement initiative, which is now led by Africa CDC.

All the above fits into the creation of a continent-wide pooled procurement initiative as decided by African Leaders in February 2024 at the African Union Summit in Addis Ababa, Ethiopia, with the involvement of Africa CDC. WHO's strategy in this regard is **to advocate a bottom-up approach and support pooled procurement initiatives that are based on a public health approach, are patient-oriented and respond to the priority needs of Member States.**





## Conclusion

**Pooled procurement has the potential of reducing medicine costs and improving overall procurement efficiency. For this to happen, certain things must be firmly in place for the successful implementation of the programme: clear goals and objectives for the initiative;** openly expressed political will confirmed by the signing of an agreement; a functional secretariat for the day-to-day management of the initiative; sustainable financing to fund procurement and operational costs; and harmonization of standards and procedures across the participating countries to ensure the quality of products under the initiative.

**Countries need to continuously look for strategies to improve procurement efficiency, including pooled procurement, and to reduce procurement costs for medicines and other health products.** WHO will continue to provide technical assistance to new and ongoing initiatives aimed at reducing costs in order to improve availability and access to lifesaving quality medicines and assistive technology.





Ministers of Health from Small Island Development States (SIDS) in the African Region with the WHO Regional Director for Africa, Dr Matshidiso Moeti, at the 8<sup>th</sup> Ministerial meeting that took place in Seychelles, 25–27 March 2024

## The WHO Regional Office for Africa

The World Health Organization (WHO) is a specialized agency of the United Nations created in 1948 with the primary responsibility for international health matters and public health. The WHO Regional Office for Africa is one of the six regional offices throughout the world, each with its own programme geared to the particular health conditions of the Member States it serves.

### Member States

Algeria	Lesotho
Angola	Liberia
Benin	Madagascar
Botswana	Malawi
Burkina Faso	Mali
Burundi	Mauritania
Cabo Verde	Mauritius
Cameroon	Mozambique
Central African Republic	Namibia
Chad	Niger
Comoros	Nigeria
Congo	Rwanda
Côte d'Ivoire	Sao Tome and Principe
Democratic Republic of the Congo	Senegal
Equatorial Guinea	Seychelles
Eritrea	Sierra Leone
Eswatini	South Africa
Ethiopia	South Sudan
Gabon	Togo
Gambia	Uganda
Ghana	United Republic of Tanzania
Guinea	Zambia
Guinea-Bissau	Zimbabwe
Kenya	

### World Health Organization

Regional Office for Africa

Cité du Djoué

PO Box 6, Brazzaville

Congo

**Telephone:** +(47 241) 39402

**Fax:** +(47 241) 39503

**Email:** [afrgocom@who.int](mailto:afrgocom@who.int)

**Website:** <https://www.afro.who.int/>