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PROCUREMENT OF CRITICAL HEALTH SUPPLIES. PROGRESS REPORT

In response to Resolution XX approved by the Executive Committee at its 86th Meeting (1981), the Director continued his study of the issues involved regarding appropriate methods for the procurement of critical supplies and the establishment of an information system concerning such supplies.

The study supports the preliminary findings reported to the Executive Committee last year and is consistent with the Plan of Action for the implementation of the Regional Strategies to attain HFA/2000, namely, that the promotion of technical cooperation and dissemination of information rather than the expansion of PAHO's procurement operation represents a more appropriate use of the Organization's limited resources. Thus it recommends that the Organization:

- a) Continue and expand its program of technical cooperation aimed at ensuring the availability of essential drugs through the development and strengthening of national and subregional supply systems;
- b) Promote intercountry mechanisms to assist in addressing common problems utilizing the resources and experience available in the Region;
- c) Collaborate with WHO and UNICEF in providing general information on the prices of essential drugs;
- d) Develop, on a trial basis, a limited information system to provide information on prices and sources of supply relevant to the particular needs of interested countries in the Region.

PROCUREMENT OF CRITICAL HEALTH SUPPLIES

Introduction

The Executive Committee at its 86th Meeting (1981) examined Document CE86/6 on expanding PAHO's role in the procurement of critical health supplies. The report contained a preliminary study of the issues involved in establishing a revolving fund or other mechanisms for the acquisition of critical health supplies. The study concluded that the development within the Organization of a considerably expanded procurement operation may not be the most appropriate use of its limited resources due (a) to financial constraints that preclude establishing a revolving fund such as that for the Expanded Program on Immunization (EPI), and (b) to the desirability of promoting technical cooperation, rather than procurement per se, as the most appropriate course for the Organization to pursue.

The conclusions and recommendations presented in Document CE86/6 are consistent with the Organization's approved Plan of Action for the implementation of the Regional Strategies to attain the goal of health for all by the year 2000. This Plan addresses the need to ensure the availability of critical health supplies and equipment, and provides a framework for achieving this objective.

On the basis of the study and the ensuing discussion, the Committee approved Resolution XX, which in its operative paragraphs urged Member Governments to strengthen national and subregional systems for the procurement of essential drugs and other health supplies. The resolution also requested the Director to: a) assist in this endeavor; b) undertake further studies and consultations regarding appropriate methods for the procurement of such supplies; c) pursue the possible development of an information system concerning critical health supplies; and d) report to the 88th Meeting of the Executive Committee on the progress made. This document has been prepared in keeping with the resolution.

Current and Planned Activities to Strengthen Pharmaceutical Supply Systems

During the Executive Committee's discussion of Document CE86/6 it became apparent that it would not be feasible for the Organization to establish a revolving fund for the procurement of health supplies other than vaccines and that, therefore, it would be more beneficial for the countries to strengthen their national and subregional systems for the procurement of critical health supplies. Consequently, the Organization has undertaken or planned the following activities to help individual governments to strengthen their supply systems:

1. Operational studies on the management and supply of drugs in the basic health services were carried out in five Latin American countries to document the existing situation in selected rural and urban health posts and centers. The findings have highlighted deficiencies at the various levels, from the process of selection and procurement through distribution and utilization.

2. A Regional Working Group on the Management and Supply of Essential Drugs was held at PAHO Headquarters in October 1981 to examine the findings of the above-mentioned studies and to review the situation in the Region with government officials responsible for drug selection, procurement and/or regulation from the participating countries. The Working Group's recommendations stressed the importance for Governments to include within their national health programs an appropriate sub-program for the procurement, distribution and utilization of essential drugs, with adequate management and financial support. The Group recommended that PAHO focus its collaboration in the areas of information, program development and quality control laboratories.

3. An extensive study on the management of pharmaceuticals by the Ministries of Health in ten countries of the Commonwealth Caribbean was completed in late 1981. The examination of unit prices paid for 202 dosage forms of essential drugs revealed variations ranging from less than 5% to over 1000%. Extreme under-utilization of the CARICOM master contract scheme was reported, even though the prices offered through the scheme were generally competitive or lower than those obtained directly by the countries studied. Factors contributing to this situation included the irregular timing of the publication of the CARICOM master contract and its incomplete distribution to all pharmaceutical procurement officers.

4. A Caribbean Working Group on the Management and Supply of Basic Drugs is being organized to discuss the findings and recommendations of the above study. The advantages offered to the smaller territories by the CARICOM master contract will be stressed.

5. The Organization continues to provide Member Countries with technical cooperation for the development of updated national therapeutic formularies, aimed at rationalizing the selection and utilization of drugs. Most recently, the health authorities of Panama have published and distributed their formulary, and in Bolivia, government and PAHO staff are actively engaged in developing a similar publication adjusted to the needs of that country.

6. The Organization continues to send an increasing number of consultants and advisors to those Member Countries requesting technical collaboration in strengthening their national drug regulatory systems, and improving their analytical laboratories for quality control.

Contacts with International Organizations and other Agencies

The results of consultations and communications with a number of organizations, such as IDB, OAS, World Bank and FIFARMA, were reported to the Executive Committee in the 1981 paper (CE86/6). Additional contacts and updated information are given below:

WHO

The results to date of the Action Program on Essential Drugs have been disappointing with regards to one of its main objectives: the supply of basic drugs for the extension of health coverage and disease control in developing countries. The establishment in February 1981 of a UNICEF/WHO Joint Program on Provision of Essential Drugs for Primary Health Care in Developing Countries has not yet produced any direct benefit to the African countries specifically targeted for this program. This is due in large part to the lack of funds, both within the countries and the international organizations, to adequately finance a pooled procurement scheme.

WHO has recently proposed to each Regional Office that it start in at least one country a joint comprehensive program on essential drugs in conformity with the World Plan of Action. The Region of the Americas has responded favorably to the proposal and is awaiting further details from WHO Headquarters prior to developing a pilot project in the Region.

WHO's Action Program on Essential Drugs has recently negotiated an agreement with a non-profit research institution based in the United States of America, under which the institute will provide WHO with "information on alternative suppliers of selected bulk drug products, price trends, utilization patterns and general market characteristics in so far as they are known."

UNICEF

The UNICEF Executive Committee examined in May 1981 the above mentioned UNICEF/WHO Program and recognized that the provision of drugs for primary health care (PHC) in developing countries was an enormous problem and that UNICEF could expect to make only a modest contribution to its solution. Budgetary and other resource constraints that have recently taken effect make UNICEF even more reluctant to try to considerably expand its activities in this field.

UNICEF, a UN agency with extensive procurement experience, operates a Packing and Assembly Center (UNIPAC) in Copenhagen, where it maintains a range of approximately 4,600 standard stock items. UNICEF purchases these stock items in bulk directly from manufacturers and therefore obtains significant price reductions. Standard items and their cost are listed in the UNIPAC catalog.

Member Governments may order these items from UNIPAC on a reimbursable basis (cost of goods, insurance and transportation plus 3 per cent packing and processing charge), either directly or through the UNICEF or PAHO field office. Purchases from UNIPAC require an advance deposit of funds in US dollars or other convertible currency acceptable to UNICEF or PAHO.

The 1982 UNIPAC catalog lists over 50 drug items with a total range of approximately 100 dosage forms. UNICEF is now reviewing its present range of drug items in the light of the WHO List of Essential Drugs and plans to expand its coverage of these items in the near future, with emphasis on primary health care products. Thus, UNICEF offers Member Governments a good source for the procurement of an increasing number of basic drugs.

World Bank

At the time of drafting this report, the World Bank is reviewing its stand regarding funding of primary health care programs, particularly with respect to pharmaceuticals and pharmaceutical supply systems. The process of formulating a policy in this area is expected to be completed by the Spring of 1982.

There is a wide range of activities that can be pursued with the support of the Bank. For example, the Bank can provide assistance in setting up facilities for the local production of essential drugs and for their proper storage throughout the distribution system, as well as providing the initial capital required for purchasing minimum stocks of drugs for primary health care.

A formal commitment of the World Bank to become more actively involved in promoting the availability of essential drugs would constitute an important contribution to programs for the extension of health care.

CARICOM Secretariat

As mentioned above, the CARICOM master contract scheme has not yet lived up to its full potential. PAHO, in collaboration with the CARICOM Secretariat, intends to evaluate the constraints that have limited the scheme's usefulness at a Caribbean Working Group on Essential Drugs planned for 1982.

Distribution of Information

Therapeutic Information

The Organization sponsors, through the Pan American Health and Education Foundation (PAHEF), the publication and distribution in Latin America of the Boletín de Medicamentos y Terapéutica (Spanish version of Drug and Therapeutics Bulletin). The publication provides updated information appropriate for continuing medical education programs. The Boletín is made available to the medical profession through participating national organizations responsible for the reproduction and local distribution of the material received from PAHEF.

Drug information in Spanish, with emphasis on regulatory decisions concerning safety and efficacy, is also available on a quarterly basis in a special section ("Información Farmacológica") of the Organization's Boletín, which receives a wide distribution in Latin America.

The Government of Spain has expressed interest in increasing its technical collaboration with the Region of the Americas. Among the activities proposed is the distribution, through PAHO, of the bulletin published by the Government's "Centro de Información de Medicamentos": Información Terapéutica de la Seguridad Social.

Information on drug use is also being incorporated in the national drug formularies prepared with the technical collaboration of PAHO. Further, WHO is preparing information sheets on the drugs considered to be essential by the WHO Expert Committee on the Selection of Essential Drugs.

Thus, therapeutic information, particularly on essential drugs, is becoming increasingly available. The PAHO/WHO Field Offices can provide interested governments with examples of the existing materials.

Price Information

Before WHO informed its Regional Offices that it was negotiating an agreement with a private institution to obtain data on suppliers and price trends of selected bulk drugs, PAHO, in consultation with UNICEF, had examined the possibility of developing a system for disseminating price information concerning critical health supplies. Several factors bearing on the establishment and the effectiveness of such a system were considered.

The Organization lacks information on the actual requirements of Member Countries in terms of specific items, quantities and time of delivery. These data are essential in order to provide pricing information relevant to the needs of each particular country.

It is not feasible to generate accurate and reliable price information that would be generally applicable to all Member Countries. Price information of relevance to a particular country should be developed in response to the specific needs of the country. Prices are affected by quantity, dollar value of the purchase, annual volume of purchases, credit rating of the purchaser, time of delivery and prevailing market conditions. Market conditions may, for example, cause a supplier to vary prices, notwithstanding published price lists, for reasons such as to maintain volume of sales, increase volume in order to facilitate the purchase of raw material in more economical quantities, clear inventories, or simply to meet competition.

The primary sources of price information for the Organization are the purchases made by PAHO, WHO and UNICEF to fulfill specific country requirements. However, the prices taken from these orders are subject to the variables already mentioned, and may or may not be valid for a particular country if applied at a different time and under different circumstances. Further, the range of items covered by these purchases is limited and at best would coincide only in part with the range of items of interest to a country.

Valid price information is derived through specific requests for bids or quotations or from published price lists applicable to the particular country and its category of purchasing. Price information such as that available from PAHO, WHO and UNICEF for items purchased throughout the year in a worldwide market and for destinations in all parts of the world may serve as the basis for budget estimates or as indicators of price trends, but such information has to be used with a degree of caution. This information could be unreliable and misleading unless the items are purchased from the same sources in approximately the same quantities.

Price information alone provides only a limited basis upon which to make purchase decisions. A simple comparison of prices will not necessarily support a buying decision. There are other competitive factors which affect true value--differences in quality, service, reliability, cost of transportation, shelf life and other factors.

The PAHO resources required to collect, organize and disseminate price information and subsequently explain it to recipients would be considerable in relation to the anticipated utility of such information.

Price information of similar value for planning, estimating and price trend evaluation purposes could be readily obtained by Member Countries from standard reference publications such as the following:

U.S.A.:	The Red Book - Annual Pharmacists Reference
France:	Dictionnaire Vidal
West Germany:	Rote Liste
Switzerland:	Codex Galenica
Italy:	L'Informatore Farmaceutico
Great Britain:	MIMS (Monthly Index of Medical Specialities)

All of these publish retail prices, except MIMS which provides manufacturers' prices. The Red Book contains both retail and wholesale prices. In the other publications, retail prices are higher than manufacturers' prices for large quantity buys by about 63 per cent, therefore, the estimation of a manufacturer's price for budgetary purposes is possible without requesting quotations. The UNIPAC Catalogue Price List published annually by UNICEF serves as a source of price information for items stocked at UNIPAC, Copenhagen.

The Organization does not consider it feasible, on its own, to collect and disseminate price information on a current and continuous basis in view of the resources which the operation of such a system would entail and, as discussed above, the somewhat limited utility of such information. It does, however, consider it feasible to develop a system for disseminating price information on a periodic and selective basis. Under such a system a list of essential drugs applicable to all Member Countries and limited to approximately 200 line items could be developed and distributed to Member Countries. This list, then, would be returned to PAHO semi-annually, in January and July, indicating quantities and time of delivery for each item. Based on this specific information, PAHO would provide applicable prices and indicate possible sources of supply for the required items.

Utilization of PAHO's Procurement Services

The PAHO Procurement Office has extensive experience in the procurement of health supplies in the worldwide market. It can assist Member Governments by reviewing and making recommendations regarding their present procurement practices and procedures and assist in developing tendering systems that will provide them with pricing information relevant to their procurement needs.

The Organization will also continue to make available procurement services to purchase health supplies on behalf of Member Countries in accordance with reimbursable procurement procedures established in accordance with Resolution XXIX approved by the Directing Council at its V Meeting (1951).

Conclusions and Recommendations

1. The Organization should continue and expand its program of technical collaboration aimed at ensuring the availability of essential drugs and other critical health supplies through the development and strengthening of national and subregional supply systems. As outlined in the Plan of Action for the Implementation of the Regional Strategies, this calls for, inter alia:

- definition of national priorities;
- preparation of basic lists and specifications;
- development of quality, price and cost control mechanisms;
- strengthening of procurement processes;
- optimization of inventories and distribution processes.

2. Intercountry support mechanisms should be developed to assist Member Countries in addressing common problems. The resources and experience already available, for example, in the Central de Medicamentos (CEME) in Brazil and the Drug Service in Barbados, can provide an excellent basis for promoting programs of economical and technical cooperation among developing countries.

3. PAHO should work with WHO and UNICEF to provide general information on the availability and prices of essential drugs. In particular, the list of items available through UNICEF's Packing and Assembly Center (UNIPAC) and their cost should be widely disseminated. For this purpose, a copy of the UNIPAC catalog should be distributed to all PAHO field offices and national procurement agencies.

4. The dissemination of specific price and source of supply information relevant to the particular needs of each interested country in the Region would further increase the government's capacity for obtaining the most favorable prices. Thus, PAHO should proceed to develop, on a trial basis, the limited information system described in the previous section. It should be strongly emphasized that the success of the proposed system depends on the quality and timeliness of the information to be submitted by the participating countries.

5. Member Governments should continue to make use of PAHO's procurement services for ad hoc and emergency purchases in accordance with established procedures.