Issues related to procurement of nutrition products

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Nutrition Unit
Medicines and Nutrition Centre

Suppliers Meeting, 3 & 4 October 2011, Copenhagen
OUTLINE

* Major developments since last meeting (2009)
* What do we purchase?
* How do we purchase?
* What is market shaping?
* What challenges we face?
* Tips
Major developments

* Nutrition is on a top of agenda
# Medicine and Nutrition Center Procurement

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUTRITION</td>
<td>15.20</td>
<td>23.14</td>
<td>54.02</td>
<td>34.69</td>
<td>72.04</td>
<td>109.93</td>
</tr>
<tr>
<td>ESSENTIAL MEDICINES</td>
<td>47.95</td>
<td>39.11</td>
<td>31.52</td>
<td>44.97</td>
<td>68.67</td>
<td>33.99</td>
</tr>
<tr>
<td>HIV and MALARIA MEDICINES</td>
<td>35.49</td>
<td>99.43</td>
<td>100.05</td>
<td>125.57</td>
<td>122.75</td>
<td>97.02</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>98.64</strong></td>
<td><strong>161.68</strong></td>
<td><strong>185.59</strong></td>
<td><strong>205.23</strong></td>
<td><strong>263.46</strong></td>
<td><strong>240.94</strong></td>
</tr>
</tbody>
</table>

* MNC procurement in M USD

* September 2011
Major developments (1)

- Nutrition unit was established in Supply Division
- Objective: Providing products that enable better programme implementation
- Focus to streamlining procurement and supply of strategic products
- SD participate at Global Nutrition Cluster
Major developments (2)

- Introduction of annual forecast
- Establishing Target Value LTAs for RUTF
- Sharing results/prices among LTA holders
- Outsourcing procurement to GAIN Premix Facility
- Collaboration with Academia (DTU and MUCC)
- Reduction of pack sizes for F-75, F-100 and Resomal
Information on products needed for implementation of CMAM:

- RUTF
- F75 and F100
- Resomal
- Essential medicines

Quantities are calculated based on forecasted targets for children coverage

Reviewed mid-year

Feedback provided to countries
### Annual Forecast (2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast</th>
<th>Orders</th>
<th>Accuracy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>1,100,989</td>
<td>589,018</td>
<td>53%</td>
</tr>
<tr>
<td>2010</td>
<td>1,845,979</td>
<td>1,499,296</td>
<td>81%</td>
</tr>
<tr>
<td>2011</td>
<td>1,959,971</td>
<td>1,658,410</td>
<td>85%</td>
</tr>
</tbody>
</table>

- **Challenge:** How to share forecast with the suppliers?
What do we buy?

- Anthropometric equipment
- Minerals and Vitamins
- Food fortification
- Salt iodization
- Supplementary Food
- Therapeutic Food
### Potassium Iodate

#### N* countries

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>N* countries</td>
<td>18</td>
<td>7</td>
<td>12</td>
<td>9</td>
<td>9</td>
<td>6</td>
</tr>
</tbody>
</table>

#### Procurement of Potassium iodate (MT)

- **2000** to **2001**: Increase
- **2002** to **2003**: Decrease
- **2004** to **2005**: Increase
- **2006** to **2007**: Decrease
- **2008** to **2011**: Steady

*Note: Procurement data in MT (metric tons).*
Anthropometric equipment

- Height measurement
- Weight measurement
- Arm circumference measurement
- Identification
- Nutrition kits

**Measuring boards orders**

- Baby/infant boards
- Baby/infant adults boards - wooden
- Baby/infant adults boards - plastic
How do we purchase?

* All purchases shall be carried out by means of competitive tenders

UNICEF financial rules and regulations

* The following products may only be procured through Supply Division. Exceptions may be granted on a case-by-case basis but these must be authorised by Supply Division:
  
  (h) pharmaceuticals;
  (i) therapeutic food;
  (j) supplementary food;

# Procurement - Nutrition Unit

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<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>LTAs issued</td>
<td>14</td>
<td>24</td>
<td>18</td>
<td>29</td>
</tr>
<tr>
<td>Products purchased</td>
<td>64</td>
<td>57</td>
<td>58</td>
<td>49</td>
</tr>
<tr>
<td>Vendors</td>
<td>32</td>
<td>33</td>
<td>35</td>
<td>41</td>
</tr>
<tr>
<td>Orders issued</td>
<td>589</td>
<td>551</td>
<td>811</td>
<td>595</td>
</tr>
</tbody>
</table>
How to make product available?
How to assure competition on the market with the limited sources?
What products?
  * RUTF,
  * Zinc tablets,
  * Micronutrient Powder,
  * Measuring boards
Market shaping (2)

- Do procurement mechanisms used by UNICEF enable market shaping?
- Is there any disadvantage in managing procurement through LTAs?

- Pass/fail criteria
- LTA duration is 24+12 months
Market shaping (3)

* Recommended product
* Product with potential to meet UNICEF requirements
* Failed

Micronutrient Powder

* Result of the bid:
  * 2 suppliers – LTAs established
  * 1 supplier – recommended but needs QAC inspection
  * 1 supplier – recommended for local purchase
  * 5 suppliers – potential to meet UNICEF requirement
  * 5 suppliers – not recommended
Market shaping (4)

- Through allocations of quantities (target value LTAs)
- Forecasted quantities shared among recommended suppliers

<table>
<thead>
<tr>
<th>Year</th>
<th>LTAs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1</td>
</tr>
<tr>
<td>2009</td>
<td>5</td>
</tr>
<tr>
<td>2010</td>
<td>6</td>
</tr>
<tr>
<td>2011</td>
<td>13</td>
</tr>
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Market shaping (5)

- Through solicitation methods
- Recommended product
- Product with potential to meet UNICEF requirements
- Failed

**Micronutrient Powder**

- Result of the bid:
  - 2 suppliers – LTAs established
  - 1 supplier – recommended but needs QAC inspection
  - 1 supplier – recommended for local purchase
  - 5 suppliers – potential to meet UNICEF requirement
  - 5 suppliers – not recommended
Monitoring Allocated Targets

Monthly Purchases and Target Adjustments

- Vitaset
- Diva
- Tabatchnick
- Insta
- Compact
- Challenge
- TARGET
# MUAC tapes

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<tbody>
<tr>
<td>Quantity (pieces)</td>
<td>1,029,000</td>
<td>800,000</td>
<td>2,715,000</td>
<td>3,565,600</td>
<td>4,700,000</td>
</tr>
<tr>
<td>Average unit price (USD)</td>
<td>0.13</td>
<td>0.14</td>
<td>0.11</td>
<td>0.05</td>
<td>0.05</td>
</tr>
</tbody>
</table>

### Evolution of Ordered Quantities and Price

- **MUAC tapes quantity**
- **Average price**
Results of Market Shaping

Monthly RUTF Orders

Quantity in cartons
Challenges (1)

- Response to large scale emergencies
- Demand for products UNICEF has limited/no experience with (CSB+, rice, maize flour, pulses, oil)
Challenges (2)

- Increased interest of industry
- Increased interest of media
- Funding constrains
Challenges (3)

- Beneficiary expectations increased
- Requirements for import tightened (product registration required)
- Missing documents needed for import
* Key Performance Indicators (KPIs)
  * KPI 3 (on time delivery)
  * KPI 4 (supplier performance)

* Agreed Target Arrival date (TAD) constitutes Supply Division commitment to Country Office
Suppliers performance

KPI 4

- Green: on time
- Blue: small delay
- Red: delay

2010 vs 2011
New development

* New warehouse
* Roll out of ERP (SAP)
Ways forward

* Continue to look for **products that impact child mortality** and make them available at **affordable price** (improve product specifications, fit-for-purpose, competitive prices, labeling requirements, publish prices)

* **Improve performance** of the supply chain (capacity of suppliers to answer increasing demand; timely deliveries)

* **Decrease transactions**/make LTAs available to country offices
Focus Areas
PROCUREMENT WORKFLOW for STANDARD ITEMS

1. **Bid Plan**
   - Expression of Interest
   - Vendor

2. **Vendor Master**
   - Request for additional information
   - Source list/Invitee list

3. **Preparation of Bid document**
   - Floating of bid
   - Receipt of offers
   - Preliminary evaluation of offers
   - Technical evaluation of offers

4. **Commercial evaluation of offers**
   - Adjudication
   - PO Value

5. **PO Value**
   - >100,000 USD
   - CRC Submission
   - Issuing LTA/PO
   - ARD

   - < 100,000 USD
Procurement Documents Flow

- Supplier
- Purchase Order
- **unicef**
- Freight Forwarder
  - Purchase Order (Copy)
- **unicef**
- Acknowledgement form
  - 3 days
- **unicef**
- Goods Notification
  - 5 days
- **unicef**
- Freight Forwarder
**SEALEO**D offers should be sent to:

UNICEF
Attention: BID SECTION
UNICEF Plads,
Freeport,
DK-2100 Copenhagen,
Denmark

**IMPORTANT - ESSENTIAL INFORMATION**

The reference **ITB-DAN-2008-17468** must be shown on the envelope containing the offer. Offers must be sent separately and must not be included in packages containing samples.

**Bid form and schedule(s)** must be used when replying to this invitation. You are welcome to enclose your own specifications etc., if necessary.

Offers must be received at the above address by **latest 16.00 hours (Copenhagen time) on 09 October 2008** and will be publicly opened at 10:30 (Copenhagen time) on 10 October 2008. Bids received after the stipulated date and time will be invalidated.
Tips (2)

FAXED offers should be sent to:

UNICEF
Attention: Bid section
FAX: +45 35 25 02 80 (secured fax)

IMPORTANT - ESSENTIAL INFORMATION

The reference ITB-DAN-2008-17487 must be shown on the telefax.

Bid form and schedule(s) must be used when replying to this invitation. You are welcome to enclose your own specifications etc., if necessary.

Offers must be received by latest 23:59 hours (Copenhagen time) on 30 October 2008 and will be publicly opened at 10:30 hours (Copenhagen time) on 31 October 2008. Bids received after the stipulated date and time will be invalidated.

Bids must be faxed to fax number +45 35 25 02 80 ONLY. Bids faxed to other fax numbers or sent by email will be invalidated, even if received before the stipulated deadline.
Tips (3)

- PO is issued to company that submitted the bid
- Payment is done to company that PO was issued to
- If company changed name – official document must be provided
Tips (4)

* Payment terms: 30 days net, % discount for early payment (20 days, 10 days)
* Applicable from receipt of invoice at Supply Division
* Certificates of analysis MUST accompany invoice

Bottleneck

* Payment cannot be processed unless ALL supporting documents are not received
Thank you!