

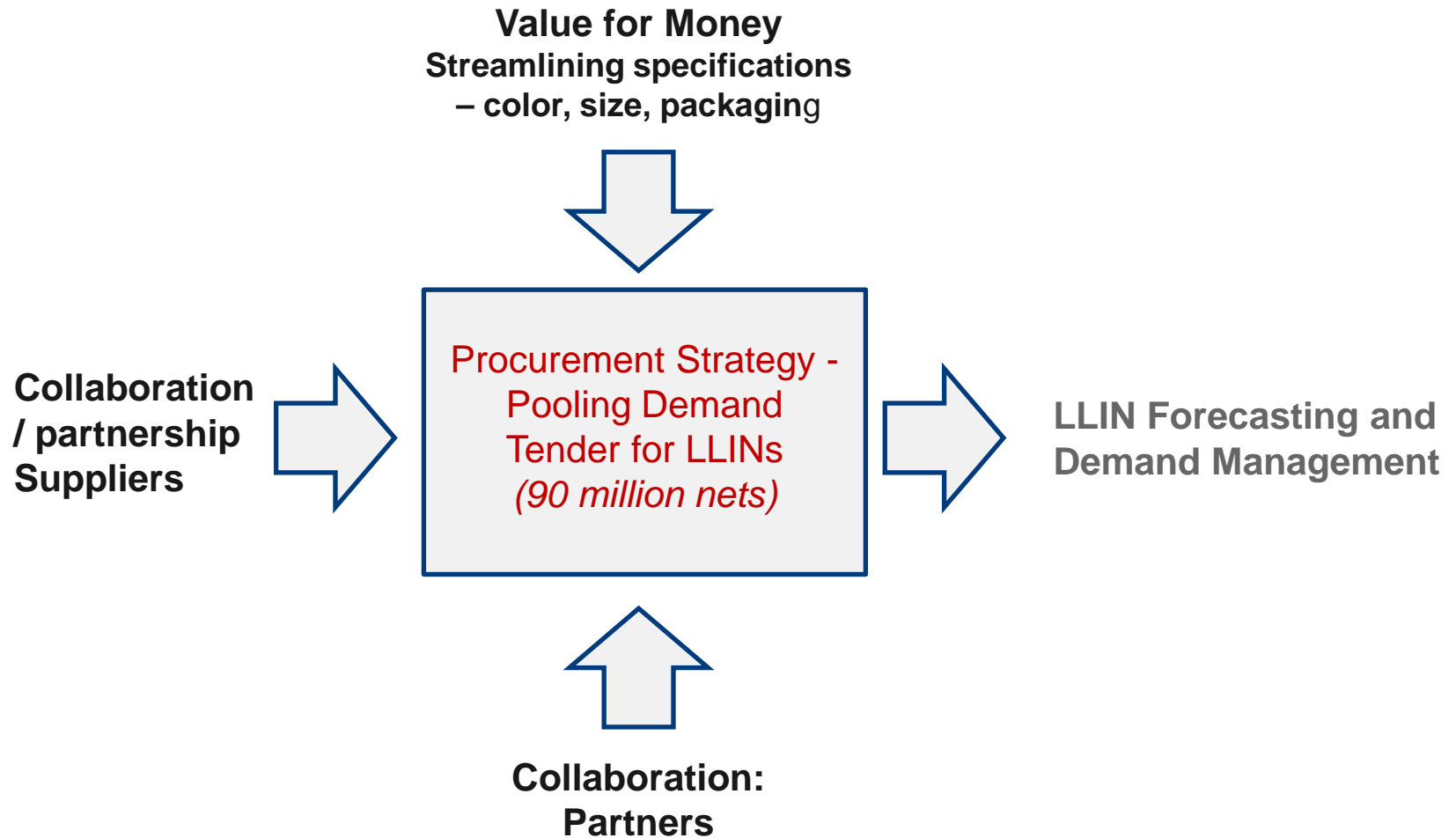


Market Shaping Strategy and Procurement Process for LLIN

Mariatou Tala Jallow

Head, Direct Procurement of Health Products
Sourcing Department

LLIN Market Shaping Strategy



Collaboration

Engagement with Partners and Suppliers

- Consultative meeting with LLIN suppliers
 - Sharing new procurement vision P4i
- Visits to LLIN production sites
 - India, China, Vietnam, Tanzania
 - Understanding the market better
- Collaboration with partners
 - UNICEF; DFID; PMI, World Bank;
 - Joint forecasting – Global Needs
 - Pre-tender briefing

Procurement For Impact (P4i) - LLIN Tender

The LLIN procurement strategy is based on the following key principles

- A shift to long term contracts to provide greater visibility for capacity planning; production optimisation and a sustainable market;
- The maintenance of a competitive pricing dynamic in the market;
- Risk mitigation through the distribution of long term contracts across various geographic regions and mechanisms to avoid market dominance by few suppliers;
- An acknowledgement of the differences between nets but also a recognition of the current limitations on LLIN durability data & the current LLIN replacement policy on procurement decisions;
- A collaborative approach and support on LLIN durability studies and other innovative activities related to cost effectiveness of nets to ensure value for money;

The Procurement Process

- Partnership concept launched with UNICEF, DFID, PMI in May 2013
- Joint meetings held by the partner community with manufacturers , August 2013 with the objective to:
 - Leverage price
 - Smooth demand and work towards reducing bottlenecks and stock outs
 - Harmonize specification

1. Request for Proposal Issued	09 Sep
3. Deadline for suppliers to submit clarification questions by email to the proposal contact.	13 Sep
4. Email responses to all questions will be issued to all suppliers at this time	16 Sep
5. Deadline for electronic submission of proposals	07 Oct
6. Evaluation process – selection of suppliers	08 – 31 Oct
7. Contract award	04 Nov

Tender Evaluation – Factors

- Success is dependent on long term supplier collaboration and is not purely price based - therefore a range of non-commercial evaluation criteria were defined in the evaluation process.

Element	Criteria	Use by Evaluation Team	Element Score Weighting (Total)
1.Product and Company	Product Details Original or Equivalent Product Plant Ownership Forecast utilization and Lead time	For Information Evaluated Evaluated For Information	10%
2.Commercials	Initial Price (against four high-volume standard nets) Volume discount Future Potential discount	Evaluated Evaluated Evaluated	65%
3. Quality and Performance	Customer History Delivery Performance Quality Performance	Evaluated Evaluated Evaluated	10%
4. Value Proposition	A narrative section to allow suppliers to share where they think they have offered or can offer competitive advantage through innovation, additional services, or any other factor.	Evaluated	15%

Tender Outcome Highlights

- This tender has provided immediate pricing benefits and will provide increasing commercial advantage over time
 - The weighted average price of the most common net shows an 8.2% price decrease;
 - Savings on committed volumes \$31M, further savings on potential volumes \$19M
 - Agency fees reduced from \$3M to \$0.8M
- This tender has address the price volatility; the peaks and lows of LLIN procurements experienced with a high demand period (2010 compared to 2014);
- New framework agreements (2 years contracts) will also enable the Global Fund to address poor delivery and quality performance from suppliers in a systematic manner;

Tender Outcome Highlights

- Initially awarded to 7 suppliers, with optimization of capacity and reduction of risk
 - Global Fund sanctions on 2 suppliers & WHOPEs recommendation on 1 supplier resulted on changes on supplier awards;
- Strong focus on local manufacture with award of 18.77M nets to a Tanzanian manufacturer – the largest allocation;
- Management of specification to standard sizes, alleviating the risk of budgetary shortfall in Tanzania – reduced price equates to more nets
- Recognition of innovation factors, i.e. next generation in pipeline

Framework Contracts 2014 & 2015

- **2014**

- 80 Million nets committed to suppliers (see table)

- Allocation process for the committed nets based on available capacity, manufacturing location, minimising total landed and optimising available volume discounts;
 - Final allocations also reflects the recommendations of the GF Sanction Panel on VF and Sumitomo and WHOPEs suspension of Bestnet

- **2015 – to be determined**

Countries Procuring Nets Through the Pooled Procurement Mechanism

- Bangladesh
- Benin
- Cameroun
- Cote D'Ivoire
- Ghana
- Indonesia
- Laos
- Liberia
- Malawi
- Niger
- Nigeria
- Pakistan
- Senegal
- Sierra Leone
- Tanzania
- Uganda
- Viet Nam
- Yemen

Quantities ranged from 80,000 to 27.7 million nets per country

NEXT STEPS

- Continued collaboration with partners – UNICEF, DFID, PMI etc;
- Implement collaborative projects with suppliers as per tender proposals;
- Monitor performance of suppliers
- Continued demand management of PRs