

SUSTAINABLE PROCUREMENT OF PHARMACEUTICALS

Guidelines

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1. Background and ESG Risks

UNDP is procuring medicines to combat HIV, TB and Malaria diseases by implementing Global Fund Grants. In addition, UNDP has a financing agreement with the governments for implementing health programmes for non-communicable diseases in a number of countries. The overall annual spend for health products is USD 250 million on average, out of which the procurement spend for pharmaceutical alone is approx. USD 100 million a year. UNDP GPSD/OP has established the Health Procurement Architecture for sourcing quality assured health commodities based on UNDP's QA policy at central level by engaging with UN partners and commercial suppliers/LTA holders. UNDP Country Offices (COs) are able to channel their procurement for health products by utilizing the Health Procurement Architecture – please refer to the process flow here. Since pharmaceuticals are one of the core and highest volume commodities for UNDP, it has a significant impact on the Sustainable Procurement of UNDP and the UN as a whole. UNDP GPSD/OP at central level has been making a continuous effort in working towards sustainable procurement in health and will continue to contribute towards UNDP's Strategic Plan for 2022-2025.

1.1 Scope

Based on the OPG decision, health products are centrally sourced through GPSD/OP in Copenhagen since it is one of the specialized commodities with high risk. This sustainability guideline is prepared for UNDP Business Units (BUs) for instances where, on an exceptional basis, the procurement for pharmaceuticals is done at country or regional level. The same guidelines can also be used for central procurement of pharmaceuticals and could be applied to other health products.

1.2 Risks

Knowing that the procurement and consumption of health products can have negative social, economic and environmental impacts, it is important to guide BUs in the planning and setting up of Sustainable Procurement criteria for pharmaceutical sourcing. UNDP needs to continuously work with the pharmaceutical market to contribute to the sustainable health procurement initiatives to reduce the risk of harming the environment during manufacturing, disposal, storage and distribution of pharmaceuticals. Further, the social impacts due to labour/human rights infringements, gender inequality, corruption, chemical/toxic impact on human etc., are also considerable in the pharmaceutical market. This requires engaging with the suppliers and manufacturers to promote environmentally and socially responsible procurement. Finally, the economic aspects in terms of logistic cost, destruction/disposal cost, local production cost, cost of quality, efficiency cost and the total cost of ownership need to be considered for the best value for money proposition.



2. Entry-points for integrating sustainability measures

2.1 Procurement planning & design phase

The health procurement planning is critical to reduce the risk of negative environmental and social impacts. Whether it is over-quantification or wrong estimation, waste is a lead cause for negative environmental and economic impact. Proper planning is also important to avoid delays and stock-out that can have a social impact through non-availability of medicine, and it becomes costly to react to emergency needs. It is, therefore, important to identify mitigation measures at the planning stage. In addition, to reduce the environmental impact, UNDP should aim to plan for sea shipment instead of air freight. Early and proper planning allows sufficient time to arrange the shipment via sea, which will not only reduce CO2 emissions but also freight cost.

2.1.1 Understanding the market

To ensure that sustainability requirements are incorporated in the solicitation document that both have a positive impact and don't affect the tendering process in an undesired way, it is crucial to understand the relevant characteristics of the market in question. To this end the following sections provide an overview of two relevant – however, not necessarily exclusive – thematic areas that should be investigated during planning to determine the readiness of the market to respond.

Waste management

The requesting unit shall make a procurement strategy to determine which of the following requirements should be addressed in the tender process. Reducing waste contributes to reduced CO2 emissions, helps to save resources like paper and reduces negative impacts on the environment. These sustainability considerations not only do not cost anything, but they can even translate into savings to the organization.

- **Reduced packaging:** At central level, UNDP is sourcing reduced packaging for high volume pharmaceutical items both in terms of value and quantities. By excluding the carton from the product packs, it reduces the waste as well as the CO2 emissions based on reduced weight and volume.
- **GS1 barcoding**: GS1 barcoding improves data accuracy with traceability and consequently lowers the risk of over-quantification and reduces waste.
- **QR coded products:** Many manufacturing companies are transitioning to QR coded products for pharmaceuticals which reduces the paper waste for printing leaflets (reduction of use of materials e.g. paper, paints/ink, wood etc.) through e-labelling. The patients or healthcare service providers can download the electronic version of the leaflet by scanning the QR code by smartphone. In addition, it also contributes to a reduced space requirements for storage.
- **Longer shelf life:** As part of the quality requirement, UNDP in general should request the supplier to offer product fresh from production or with at least 80% or longer shelf life which could be subject to country requirement. This translates into a reduction of waste through the disposal of pharmaceuticals. Note: In the case of emergency procurement, this criterion needs



to be more flexible and decision on remaining shelf life should be based on the stock level in the country and as per the national regulation and in consultation with UNDP QA.

- **Multi-month dispensing:** Based on WHOs recommendation and national guidelines, promoting multi-month dispensing for 3 to 6 months reduces the burden on patients and reduces traveling costs.

Local or regional production

Procurement officials should research the availability of qualified manufacturers with local or regional presence where the demand exists. The presence could be in terms of a manufacturing site that is WHO prequalified for producing pharmaceuticals, or a local/regional warehouse that is GDP compliant as per UNDPs QA policy. This reduces the freight cost, leads to faster delivery services, and promotes local/regional production.

2.2 Supplier pre-qualification

The UNDP QA system of health is conducted according to the principles of the WHO Model Quality Assurance System MQAS). For the selection of medicines (Finished Pharmaceutical Products, FPPs) to be procured, UNDP primarily refers to the latest editions of the WHO Model Essential Medicines Lists (WHO EMLs for adults and children) 13 and WHO treatment guidelines. Requests for FPPs included in a national EML or recommended as per national treatment guidelines are accepted. Please refer to UNDP's QA Policy here.

2.3 Considerations when developing technical specifications and requirements

Prior to the tender process and after the identification of the needs, as part of the specification development, sustainability requirements should be developed and integrated into the bidding document. The inclusion of the following sustainability assessment criteria into the tender can be considered for the procurement of pharmaceuticals including the quality criteria as per UNDPs QA policy. It is advisable, that suppliers who do not meet the following sustainable requirements are not automatically eliminated from any further consideration for the procurement of pharmaceuticals.
In some instances, as defined below, the procurement unit is encouraged to use a phased approach, where compliance with sustainability requirements is tightened over time in order to, first, establish a baseline and, second, continue engaging with suppliers to improve the sustainable procurement in health. The reason for using a phased approach in the pharma market is that the buyer's demand for higher sustainability standards through mandatory criteria could result in higher operational cost. The best strategy is to engage with the market taking a gradual approach and seeking voluntary compliance by the market players, until fully meeting the recommended sustainable manufacturing practices as per best industry practices. It is important that the market remains healthy with long-term competition yet with an aim to achieve the sustainable health initiatives in a gradual manner. Whenever there is limited competition in a market with few suppliers or a sole supplier, the requesting unit needs to make a thorough assessment before introducing the following requirements in the tender.

2.3.1 Sustainable Procurement Index for Health (SPIH)

UNDP in collaboration with Health Care without Harm and in consultation with the members of Sustainable Procurement in the Health Sector (SPHS), private sector and governments introduced Sustainable Procurement Index for Health (SPIH). SPIH consists of a set of questions and a



scoring approach across key thematic areas: *Greenhouse gas emissions; Resource depletion (water, energy and material consumption); Chemical/toxic impact on human and environmental health, and Human rights, labour rights and gender equality*.

The SPIH was primarily designed to support the decision-making process as part of a procurement event such as, for example, selecting a supplier. The tool can be used at any stage of the procurement process for assessing the key sustainability credentials of a supplier for any health commodities, not only pharmaceuticals. Please visit UNDP's page here: https://spih.savinglivesustainably.org/.

UNDP GFPHST recommends using a phased approach to first understand the market situation and develop a baseline rather can imposing SPIH as evaluation criteria.

- **Phase I:** Launch of SPIH during the tender process to establish a baseline for sustainable procurement for pharmaceutical. This can be done by looking into maximum number of suppliers (e.g. 80% or above) that are compliant or passed the indicator under each thematic area.
- **Phase II: I**ntroduce the baseline as evaluation criteria in future tenders. Instead of scoring, it can be in the form of compliance/non-compliance and implemented in the contract to keep monitoring it. The GFSD/OP team has already established a baseline for pharmaceuticals. The requesting unit is advised to contact GFSD/OP before implementing the sustainable criteria in any procurement process for pharmaceuticals.
- **Phase III:** Should any supplier fail to meet the sustainability criteria, a re-evaluation of SPIH can be undertaken by the Business Unit (BU) in Phase III. This will allow for the adjustment of the baseline for future phases based on the findings.

2.3.2 Other technical sustainability criteria

Other technical sustainability criteria can be included in the solicitation document that address certain areas of concern or in mature markets. In these cases, thorough market research is essential to ensure that competition is not limited in undesired ways. Where uncertainty exists in this regard, the following criteria can be included in the solicitation on a voluntary basis to learn more about the market.

HLCM Sustainable Procurement Indicator[1]	Sustainable Criteria (Please adjust to the individual tender)	Means of verification
Promotion of vendor participation in the UN Global Compact	The bidder must become a signatory to the UN Global Compact six (6) months after contract signature. Bidders are required to share their annual Communication on Progress report with UNDP.	Copy of signatory document and annual Communication of Progress reports.
UN Supplier Code of Conduct	Confirmation of adherence to the UN Supplier Code of Conduct	Submission of Bid Submission Form accepting the terms.

[1] For further information, please consult the Sustainable Procurement Indicators page on UNGM.



2.4. Contract implementation and maintenance practices

Once the sustainability criteria are set after the evaluation stage, those requirements need to be included in the contract to facilitate proper contract management and monitoring by reviewing their performance and adherence to the clauses as per the contractual terms and conditions.

- Implementation of SPIH: once the baseline is created and introduced in any tender processes (ITB/RFQ), the supplier needs to comply with the baseline criteria for SPIH during contract implementation phase. It is the responsibility of the requesting unit to monitor their commitment to the SPIH baseline.
- The requirements on shelf life, GS1 barcoding, cartoon-less, shelf life, multi-month dispensing etc. must be mentioned in the contract or the LTA document and monitored during the contract implementation stage.

3. Good operational and maintenance practices

The safe handling and storage of pharmaceuticals is essential to avoid negative environmental and social impacts. WHO has published a guideline on “Good storage and distribution practices for medical products”: https://www.who.int/publications/m/item/trs-1025-annex-7

4. End-of-life management

The waste disposal of health commodities often depends on the national regulation. WHO has published a guideline on “Safe management of wastes from health-care activities” that the country can refer to: https://www.who.int/publications/i/item/9789241548564

5. Additional useful resources

Sustainable Health in Procurement Project: https://savinglivesustainably.org/shipp/shipp.html
Sustainable Procurement Index for Health: Sustainable Procurement Index for Health
UNDP Sustainable Health Procurement Guidance Note:
https://www.undp.org/sites/g/files/zskgke326/files/publications/undp-SPHS-bpps-health_Sustainable_Health_Procurement_Guidance_Note.pdf

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