

Pooled Procurement for Health Products in LMICs

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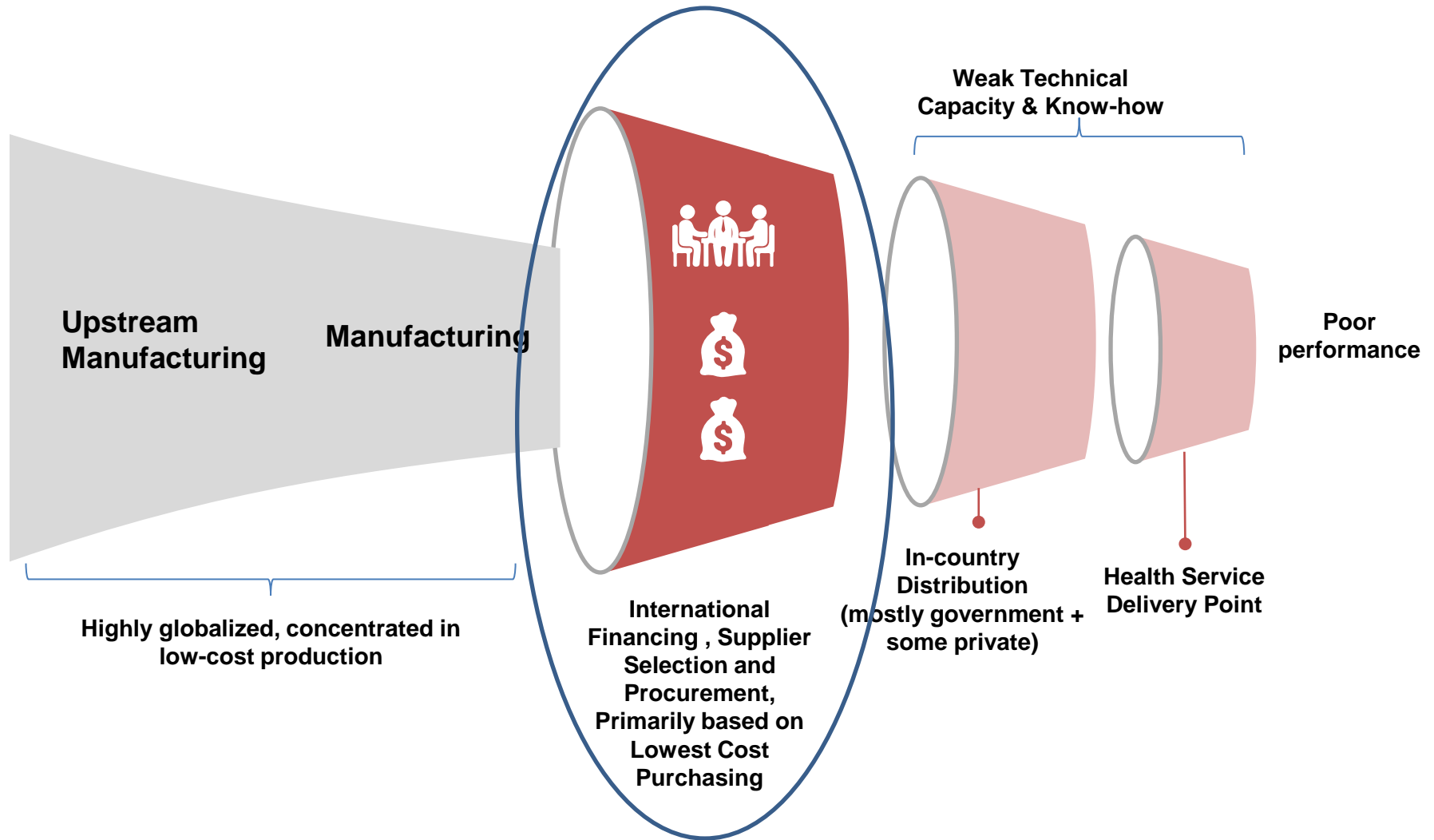


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Healthcare supply chains in LMICs: high level overview



Pooled Procurement: Clear benefits, stable equilibrium?

The locus of procurement?

What parts of the procurement function should be carried out at what level of geographical aggregation?

- Facility level
- Sub-national (district, province/state)
- National
- Regional
- Global

Intrinsic tradeoff:

Richer local information & agility

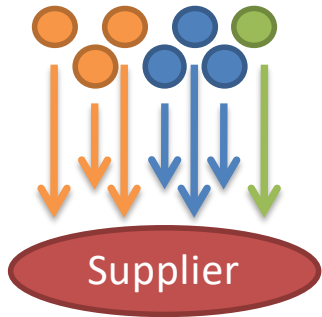
vs economies of scale (and scope) = lower prices, better lead time, innovation incentives

Some pending questions on pooled procurement architecture

- **Geographic proximity-based pools**
 - geographical proximity within the pool
 - high income heterogeneity within the pool
 - Politico-economics more feasible
- **Income proximity-based pools**
 - lack of geographical proximity within the pool
 - Income homogeneity within the pool
 - Politico-economics less feasible
- How do different procurement strategies, particularly pooled procurement strategies, effect
 - Prices
 - Lead times
 - Innovation
 - Health outcomes and social welfare
 - distribution of welfare/benefits between the supplier(s) and purchasing countries

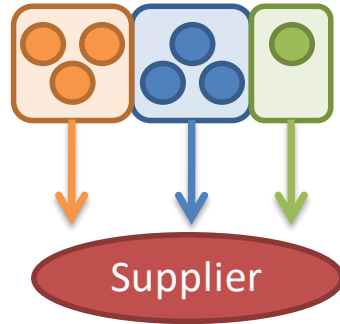
Pooled procurement design and pricing

4 archetypes



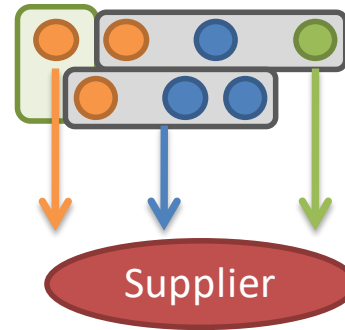
**Independent
Perfect Price
Discrimination**

Each buyer
purchasing
independently



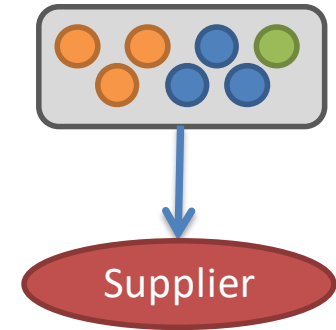
**Joint
Homogeneous
Income**

Identical buyers
purchasing
together



**Joint
Heterogeneous
Income**

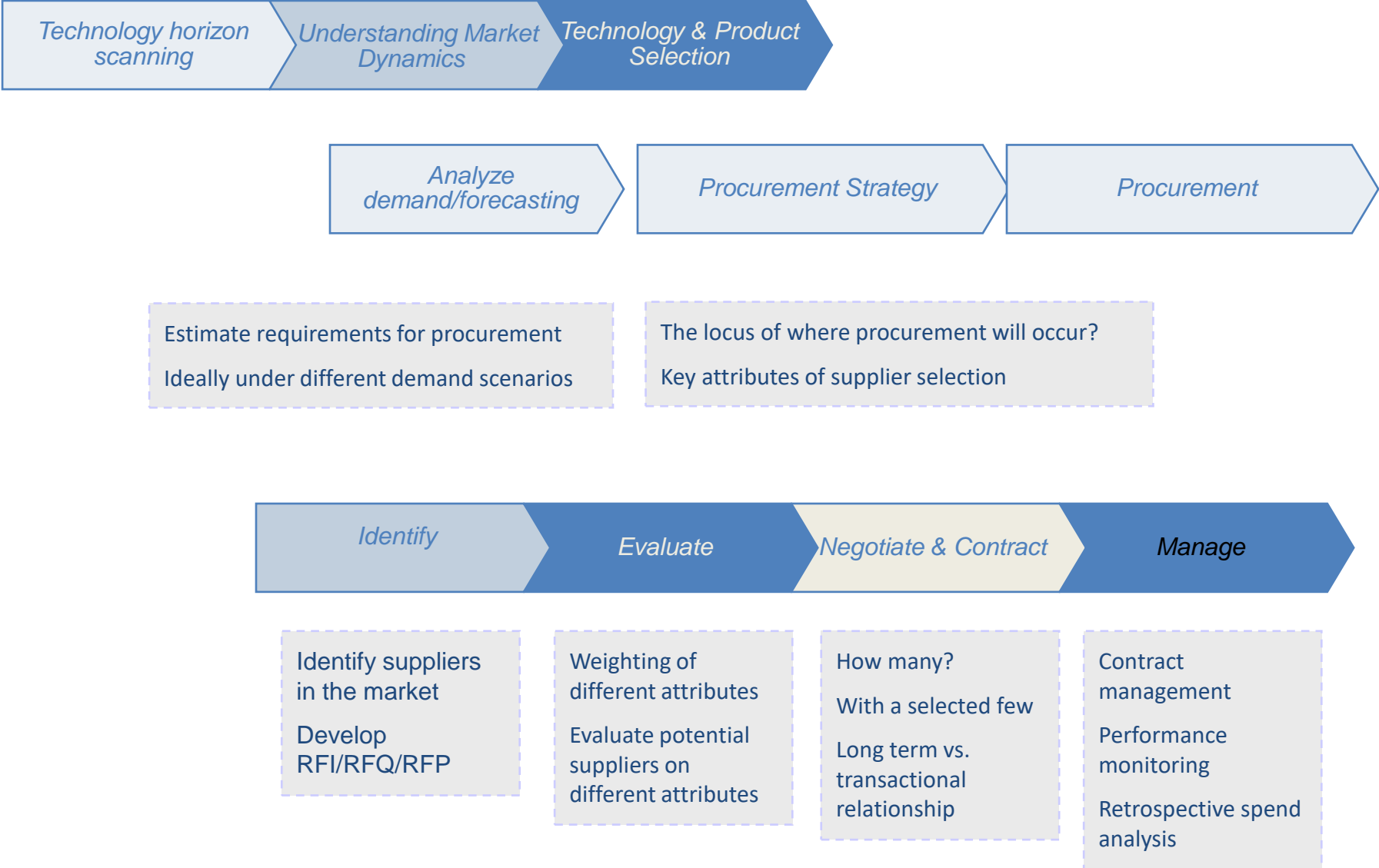
Different buyers
purchasing
together



**Independent
Single Price**

All buyers
offered the same
price

The continuum of procurement and where pooling benefits the most



Often ignored issue: Does pooled procurement help in better supplier selection from a TCO perspective?

