4 Budget, Funding, and Procurement Requisition

Three Phases	*Ten Elements*
I. Program Planning	**1. Defining Reproductive Health Supply Requirements**
	2. Specifications
	3. Assessment of Procurement Options
	4. Budget, Funding, and Procurement Requisition
II. Procurement Process	**5. Procurement Planning**
	6. Developing Bidding Documents and Inviting Offers
	7. Selecting Suppliers
	8. Contracts
III. Performance	**9. Contract Performance and Monitoring**
	10. Delivery of Goods

Contents

A. Introduction

B. Learning Objectives

C. Components, Considerations, and Challenges

D. Pricing Research: Representative Pricing and Variables; How to Use Pricing Guide

E. Cost Estimating: Additions to Price

F. Budget Exercise: Case Study—Part One

G. Funding and Budget Adjustment: Case Study—Part Two

H. Procurement Requisition: Case Study—Part Three

I. Reference Material

J. Learning Evaluation

K. Performance Indicators

L. Glossary and Acronyms

A. Introduction

This module covers Element 4 of the reproductive health (RH) supply process. It describes a progression of activities and considerations that begin after procurement options have been assessed (Element 3) and end when a funded procurement requisition is handed over to a procurement unit. It is the final step in the program planning phase of the RH supply process.

Module 4 is important to the RH supply process because it explains:

- How to develop a reasonably accurate budget.
- What can be done if funding falls short of the budget request.
- How to communicate funded requirements to a procurement unit through a procurement requisition.

The information in this module includes where to find reference pricing, how to use pricing guides, issues with pricing variables, what should be included in cost estimates, budgeting issues, funding shortfalls, budget adjustments, and developing Procurement requisitions. An instructive case study threaded through the module develops a budget, sets up some common problems, and describes a reasoning process that leads to a solution. At the end of the module, readers will find reference material, including checklists and forms, key documents, and a list of websites. A glossary and acronyms list follows.

B. Learning Objectives

At the end of this module, the reader will be able to:

- Develop a budget using pricing research and factoring in pricing variables.
- Adjust a budget in response to funding limitations.
- Develop a procurement requisition.

C. Components, Considerations, and Challenges

1. Components

Each element of the RH supply process is made up of several components. Most components involve activities to be carried out by RH purchasers; some are dependent on activities performed by others.

The main requirements of RH purchasers at Element 4 are:

- Pricing research.
- Assessment of pricing variables (distribution tiers, market segmentation).
- Cost estimation.
- Budgeting and budget adjustments.
- Development of detailed procurement requisitions.

A component of Element 4 that is dependent on the activity of others:

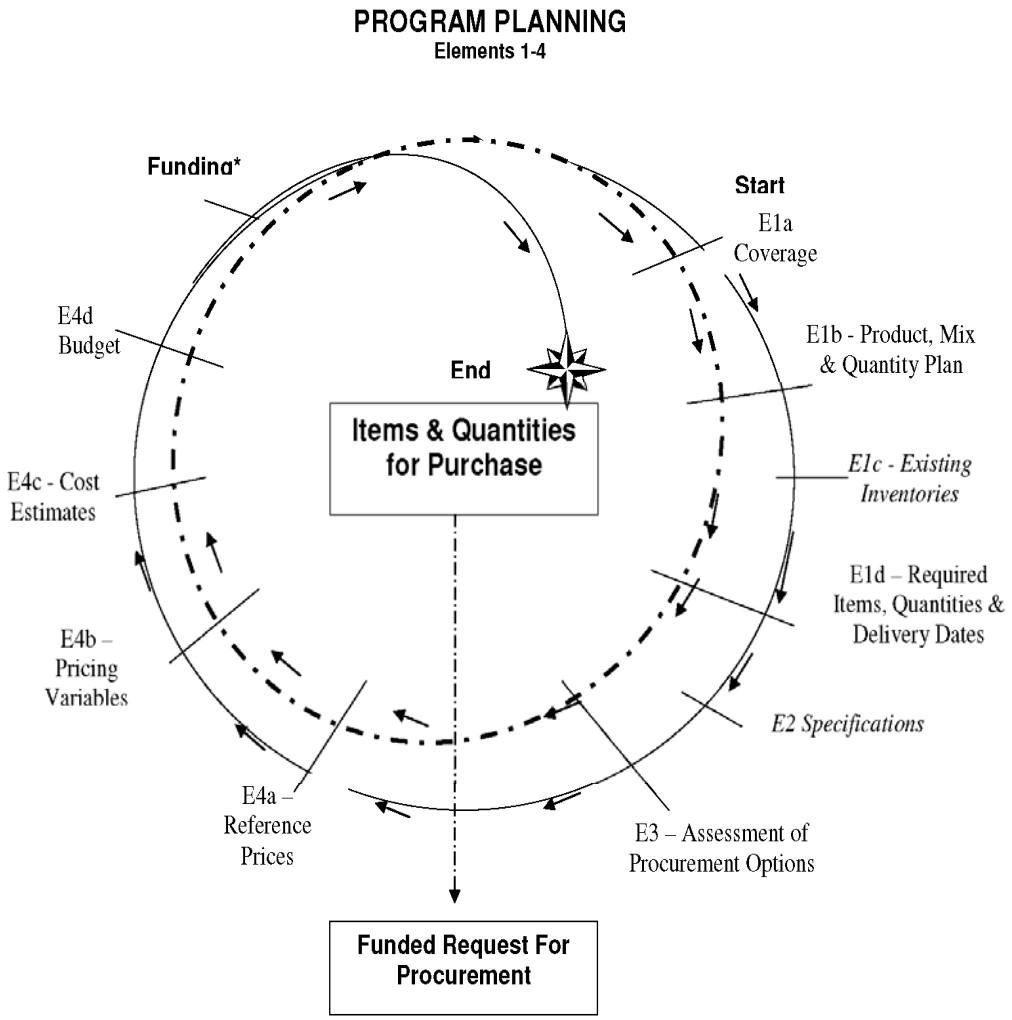
- Funding.

The components of Element 4 and their relationships to the other elements in the program planning phase are shown in Exhibit 4-1.

Exhibit 4-1

Program Planning: Elements 1–4

Note: The broken concentric line in the graphic indicates a second round of program planning decisions driven by funding issues.



Critical Component: Funding

Funding at less than full budget request requires a 2nd round of assessment (inner broken circle above) leading to new cost estimates & new budget … thus, adjusted quantity and possibly a change in the items for purchase. Everything except "existing inventories" and "specifications" can be re-considered.

2. Considerations

The main considerations for Element 4 are:

a. Overarching Principles of Quality and Timeliness

- Ensuring high-quality products within the limits of available funding.
- A decision process that does not create delays.

b. Critical Component: Funding

- Without funds available to pay for the required goods, procurement cannot go forward.
- RH program and procurement personnel rarely have a role in funding other than to provide cost estimates and budget requests.
- Deficiencies often trigger a second round of program planning decisions.

c. Required Input From Other Elements

- Items and quantities, as determined in Element 1.
- Specifications, as determined in Element 2.
- Possible procurement options, as determined in Element 3.

d. Key Decision Points

- What prices to use for cost estimates.
- Budget based on cost estimates.
- Items and quantities for purchase (within funding limits).
- Delivery dates desired.

e. Expected Output

- Funded procurement requisition.
- Procurement options authorized (for each item).

3. Challenges

Two main challenges are inherent in Element 4:

a. Developing Reasonably Accurate Cost Estimates for Each Item

Cost estimates require information about:

- Pricing—where to find it and how to use it.
- Related costs—what should be added to price.
- What is included in various (representative) prices.
- What level of pricing is likely to be available to a specific RH purchaser for each item.

A sample checklist of budgeting information is included in Section I as Form I-1-a.

b. Maintaining the Principles of Good Public-Sector Procurement

Information from pricing research must not be used to preselect a specific supplier—fair competition is required. However, an analysis of pricing information will influence the procurement options considered for each item (Element 3).

D. Pricing Research: Representative Pricing and Variables; How to Use Pricing Guide

Pricing research is the important first step taken in the process of developing a reasonable cost estimate, which in turn will support the budget estimate. It requires three things: finding representative prices, understanding what is included in those prices, and exploring potential pricing variables. Pricing information for RH commodities can be found on websites and in hard copy, through direct inquiry, and from old invoices. However, **this information is not straightforward**. Websites provide an array of prices for the same commodity, and prices obtained from direct inquiry or old invoices may not be applicable to the current requirement. Thus, it is critical to understand what these prices represent and how to use them.

1. Web-Based Resource: The International Drug Price Indicator Guide

Of the web-based sources for representative pricing, the *International Drug Price Indicator Guide*, published and updated annually since 1986 by Management Sciences for Health (MSH), has proven to be one of the most useful for RH commodities. It was the resource used by PATH, the United Nations Population Fund (UNFPA), and the World Health Organization (WHO) in their jointly published *Essential Medicines for Reproductive Health: Guiding Principles for Their Inclusion on National Medicines Lists*.[1] This section will use the MSH *Guide* to illustrate pricing research.

The MSH *Guide* is available online at http://erc.msh.org/mainpage.cfm?file=1.0.htm&&module=DMP&language=English.

Alternatively, the current edition can be ordered on CD-ROM or in hard copy via the link above.

"Drug Price Search" pages are the central feature of the *Guide.* They provide a spectrum of prices from pharmaceutical suppliers and procurement agencies, as well as prices paid by representative government entities. In addition to a collection of specific price information, MSH notes high, low, and median prices, as well as high/low ratios. Reference prices are the

[1] **PATH, World Health Organization, United Nations Population Fund. *Essential Medicines for Reproductive Health: Guiding Principles for Their Inclusion on National Medicines Lists*. Seattle, WA: PATH; 2006.**

medians of recent procurement supply prices offered by suppliers to developing countries for multisource products. An example Drug Price Search page is included in Exhibit 4-2.

Exhibit 4-2

Sample Drug Price Search Page

"**Data Notes**" pages provide information about sources and how prices were calculated. The Data Notes material is critical for establishing a corollary between pricing published in the *Guide* and the situation of the particular RH purchaser. Two Data Notes pages are included in Exhibit 4-3.

Exhibit 4-3.a

Sample Data Notes Pages

International Drug Price Indicator Guide

Introduction | English | Français | Español

Search the Guide

Access your account Log In

Introduction
Data Notes
- Price sources
- How prices were calculated
- Nomenclature
- Quality standards
- ATC/DDD system

Using the Guide
Reference

Price sources

Most supplier prices in this *Guide* do not include insurance and transportation charges. The buyer (government agency international competitive bidding, or tender) prices usually do include insurance and transportation charges. For more information, please see the "price type" for each supplier and agency in the tables below.

Some suppliers charge a standard handling fee in addition to their catalogue price. The handling fees in the tables below have been added to the prices listed in this *Guide*.

Five primary types of suppliers and buyers are included in the *Guide*.

1. Suppliers who maintain a warehouse and supply items directly to customers. All of these suppliers provide a wider range of products than shown in this *Guide*. For a complete list of products, contact the vendor directly.
2. Procurement agencies that negotiate prices and place purchase orders for client nongovernmental organizations (NGOs), private voluntary organizations (PVOs), and Ministries of Health (MOHs). They may often order from a vendor such as those listed in the *Guide*. They may charge a fee for their service over and above the drug's CIF price.
3. International development organizations that provide commodities to country programs that they and others support.
4. Buyer, usually government agency international competitive bidding, or tender, prices from public sector sources. These are actual prices obtained by the organizations listed and are included for information purposes. It is not possible for a reader to place an order with any of these organizations. These prices should not be used as international reference prices since they may only be available to the organization conducting the tender or procurement. This is especially true in domestic tenders, because local manufacturers may not sell internationally.
5. The Community Development Medicinal Unit (CDMU), a non-profit social service organization in India, promotes "rational therapeutics" and tries to make quality generic drugs available at economic prices through negotiation with drug companies. These prices are included for comparison only.

Exhibit 4-3.b

Supplier (Code)	Data Source References		Handling	Price Type
Action Medeor (ACTION)	**2006 Details:** Action Medeor prices are effective until publication of revised price list. Transport costs are charged individually according to expenses. Special packaging in cases costs Euro 26 per case. Minimum order is 10 containers of choice. Minimum handling fee is Euro 50.			
	2006 data	2006	1%	EXW Tönisvorst
	2005 data	2005	1%	EXW Tönisvorst
	2004 data	2004-2005	1%	EXW Tönisvorst
	2003 data	January 2003	1%	EXW Tönisvorst
	2002 data	October 2002	1%	EXW Tönisvorst
	2001 data	January 2001	1%	EXW Tönisvorst
	2000 data	February 2000	1.6%	EXW Tönisvorst
	1999 data	January 1999	1.6%	EXW Tönisvorst
	1998 data	January 1998		EXW Tönisvorst
	1996 data	January 1996		EXW Tönisvorst
Durbin PLC (DURBIN)	**2006 Details:** Durbin supplies pharmaceuticals and medical supplies to doctors, pharmacies, hospitals, pharmaceutical wholesalers and traders, military and government agencies, charities and other relief organizations worldwide.			
	2006 data	2005-2006	0%	EXW United Kingdom
	2005 data	2005-2006	0%	EXW United Kingdom
	2004 data	2004	0%	EXW United Kingdom

a. Commodity Prices

Prices for a single item in the MSH *Guide* vary widely due to differences in volume, contracting and shipping conditions, application of administrative fees, and "supplier" or "buyer" designations. Thus, it is crucial for users to understand what each price represents and reference only those that most closely match their own requirements and circumstances.

Most supplier prices found in the *Guide* do not include the majority of transportation charges, which are specific to a purchaser's location, and handling fees are sometimes included, sometimes not. Prices collected from buyers (government agencies) usually *do* include all cost additions. Information about inclusion or exclusion of transportation costs and handling fees is located on the *Guide's* Data Notes pages under "Price Sources."

b. Price Sources

Five primary types of suppliers and buyers are used as price sources, including international development organizations and government agencies. The *Guide* does not include prices obtained directly from manufacturers; however, the United States Agency for International Development (USAID) and UNFPA prices represent manufacturer pricing for very high-volume, multiyear contracts.

A "Handling" column appears on the Price Sources pages for each entry. It lists a fee to be paid by the purchaser, expressed as a percentage of the total cost. However, not all fees are listed in this column; some are found only in the supplier's "Detail" block. Where buyers instead of suppliers are listed in the Price Sources pages, the "Approximate Tender Value" replaces the Handling column.

Price Sources pages, which are accessed through Data Notes, provide information by supplier. A "Price Type" column lists the INCOTERM for each entry, which allows the reader to figure out whether and how much freight is included in the price. A summary of INCOTERMS can be found in Section I.2.a.

2. Direct Inquiry and Old Invoices

Direct inquiry and old invoices are also useful sources for price information. For any direct inquiry, it is important to make clear to the supplier or manufacturer that the information requested is for a budget estimate only; there is no commitment on either side. Be specific about the basis (INCOTERM) and what else is included or would be charged (e.g., fees) and the approximate quantity planned.

For old invoices to be useful, it is important to take note of the INCOTERM under which the transaction took place, and how variables including distribution tier, market segment, and quantity affected the price. These variables are discussed below.

3. Pricing Variables

What level of pricing is likely to be available to a specific RH purchaser? Three variables normally influence the prices to which an RH purchaser has access: distribution tier, market segment, and quantity. Readers are encouraged to study and understand the following material before using any representative price for budgeting purposes.

a. Distribution Tiers

A "distribution tier" describes a supplier's position in the chain of entities involved in distributing goods to purchasers. Original manufacturers are at the top level, and retail outlets are at the bottom in a commercial distribution chain. At each level below the manufacturer, purchasers can expect to pay a price increment in the form of fees, commissions, or profit margin. Generally, the lowest prices are found in large-quantity purchases made directly from a manufacturer, and the highest prices are found in small-quantity purchases from local dealers and retail shops. Some products are available only through the international marketplace; others are available locally.

Exhibit 4-4 divides the RH supply marketplace into four tiers based on proximity to the original manufacturer. Development agencies (such as UNFPA, the United Nations Children's Fund [UNICEF], etc.) and international not-for-profit organizations serving the public sector, such as the IDA Foundation, are in the second tier.

Exhibit 4-4

Distribution Tiers for RH Commodities

Top Tier
International manufacturers—Direct
Local manufacturers—Direct

Second Tier
Regional/national representatives of international manufacturers
Authorized local agents of international manufacturers
International high-volume suppliers that maintain warehouses
International agencies that negotiate prices and place orders for client organizations
Authorized representatives of local manufacturers

Third Tier
Local traders
Local stocking dealers

Bottom Tier
Retail outlets

In pursuit of a realistic budget figure, RH purchasers must ask three important questions about distribution tiers:

1. Which marketplaces (distribution tiers) offer each product?
2. Which marketplaces are available to us?
3. Which marketplaces could present a risk to product quality and safety?

Marketplace offerings: Some goods are not sold at every distribution tier

At the international level, manufacturers sometimes opt out entirely, relying instead on a network of regional and local representatives. Regional and local marketplaces themselves vary widely in their offerings and practices. Past experience and local knowledge are valuable resources, but may need to be augmented by fresh inquiry.

Marketplace access: Financial and regulatory issues can limit a purchaser's access to marketplace offerings

- Foreign exchange: For the most part, foreign exchange in a readily convertible currency is required for goods that must be imported, including goods that are purchased through a United Nations agency. If adequate foreign exchange is not available, the purchaser's options are limited to national or, possibly, regional supply sources.
- Funding organization requirements: A purchaser's potential suppliers may be limited to manufacturers in a funder's home country, or to purchasing through a United Nations agency specified in a loan or credit agreement.
- National trade barriers: Some governments do not allow products similar to those produced locally to be imported. Some ban trade with specific countries altogether.
- Regulatory licensing: This complex topic is covered in Supplementary Topics Section K: Regulatory Authorities. Pharmaceutical products (including contraceptives) subject to regulatory licensing cannot enter a country without it. Regulatory licensing can take a very long time, which in turn may delay the receipt of goods. Some governments do not accept bids or offers for drugs that have not already been licensed by their national regulatory authorities (NRAs). This limits competition and violates one of the principles of good public-sector procurement—a problem that remains to be solved.
- Expenditure levels: What level of supplier (distribution tier) is likely to be interested at specific levels of expenditure. For very small quantities, RH purchasers may find only a local stocking dealer to be interested in the business. There is a price premium for purchasing so far down the line from the original manufacturer, which will have an impact on budget.
- Credit arrangements: A supplier's requirement for cash in advance may conflict with government procurement rules; open accounts may be the only viable option in the face of cash-flow problems.

Marketplace risk: Product quality and safety can vary by distribution tier

In general, it is best to purchase contraceptives as close to the manufacturer level as possible, considering both price and quality. Very low prices occurring at the third tier or lower are always a red flag. At these levels, it may be more difficult to ensure product quality. For example, it may be more difficult to trace products to their manufacturers and to obtain sufficient quantities with a long enough shelf life. It may also be difficult to obtain

storage history of the product, especially if purchased from a retailer; this can affect product quality if the product was not stored in good conditions. It may also be difficult to screen out counterfeit products at the local level.

b. Market Segment

In the commercial sector, "market segmentation" refers to the practice of dividing potential purchasers (the market) into defined groups (segments), usually for the purpose of target-appropriate advertising.

In the public sector, market segmentation is being used to help target discounted or subsidized RH commodities to the poorest, most vulnerable countries, based on economic data such as gross national income (GNI) per capita. United Nations organizations (UNFPA, UNICEF, WHO, the World Bank, etc.) divide countries into several economic bands: low-income, lower-middle-income, upper-middle-income, and high-income, and reassess the GNI breakpoints on an annual basis. Economies are divided according to GNI per capita, calculated using the World Bank Atlas method. The groups are: low income, US$935 or less; lower middle income, US$936–3,705; upper middle income, US$3,706–11,455; and high income, US$11,456 or more (based on 2007 data from the World Bank). Countries can move in and out of these bands as their GNI per capita changes, and as a result of annual reclassification exercises. The United Nations system is not universal; private-sector organizations, for example, sometimes use a single economic point of US$1,000 or less GNI per capita for their targeting.

The GAVI Alliance provides support to national governments to procure discounted vaccines through the GAVI Fund. Eligibility is determined by national income, and only countries with a GNI per capita of less than US$1,000 in 2003 qualify; currently, there are 72 eligible countries (http://www.gavialliance.org/support/who/index.php).

High-volume, multinational manufacturers will sometimes offer preferential public-sector prices directly to low-income countries using a similar scheme.

Within market segmentation, only one important question needs to be answered in order to ensure realistic pricing for budgeting work:

- For each product, is discounted pricing available to us? Eligibility for a United Nations agency supply service is an example of market segmentation. Using a United Nations supply service is discussed as a procurement option in Module 3. There may be volume requirements, and convertible currency is usually required.

c. Quantity

The third pricing variable is quantity. Many suppliers are willing to offer a lower price for large-quantity orders. These "price breaks" and the levels at which they are available are always at the discretion of the manufacturer/supplier, so estimating is a challenge. A direct inquiry will often provide adequate information for budgeting purposes, but it must be understood that there is no commitment until a signed bid or quote is obtained.

E. Cost Estimating: Additions to Price

Price and cost are two different things. Price is what the seller asks for an item. Cost is what the purchaser ultimately pays for the item, delivered to its facility. Cost—not price—is used for budgeting.

There are several related expenses, such as freight and insurance, fees and commissions, inspection/testing, and other expenses, that should be added to "price" to arrive at a cost figure for budgeting purposes. These related expenses are discussed below.

1. Freight and Insurance

If not already included, freight and insurance expenses need to be estimated and added to the representative pricing chosen for budget estimates. INCOTERMS indicate which pays, the buyer or the seller. See Section I.2.a for additional information on INCOTERMS.

Freight costs are based on:

- Weight and dimensions of the cargo.
- Modality (air, ocean, or truck).
- Distance.

Insurance costs are based on:

- Value.
- Modality.
- Distance.
- Extent of coverage desired.

Freight as a percentage of commodity value for both air and ocean shipments from the United States to various destinations around the world can be found on the USAID | DELIVER PROJECT website. This website also provides dimensions and weights of shipping cartons, units per shipping carton, and average shipping lead time by air and by ocean, as well as other useful information about contraceptives. Note that insurance costs are *not* included on the site.

The site location on the Internet is http:/www.deliver.jsi.com. Users must register and log in to use the site, and are granted access depending on their role and the information they

require. For commodities purchased through a United Nations agency, ocean/surface shipping and insurance costs are estimated at a rate of 15 percent of the value of the goods.

2. Fees and Commissions

Private procurement agents and international supply agencies, including United Nations agencies, charge fees for their services that range from 1 to 15 percent or more, depending on the complexity and value of the contract. For example, UNFPA charges a standard 5 percent of the cost, plus freight, for its contraceptive supply services. Fees for large procurements are reduced. These fees must be taken into consideration when developing cost estimates.

3. Inspection/Testing

Preshipment inspection by an independent third party is recommended for all contraceptive items, as well as for some pharmaceuticals. This inspection examines goods as packed for shipment, confirming quantities, condition of packaging and contents, packing, markings, and documentation. Inspection services are available near most industrial centers and are reasonably priced, based on a daily rate plus travel distance.

In addition, WHO recommends laboratory testing for every condom lot before shipment. This adds 7 to 11 percent to the cost of the product. The first shipments of oral contraceptives (OCs) and intrauterine devices (IUDs) should also be tested when an unfamiliar source provides them, or when there is a reason for concern (such as very low price). The cost increment is much less than for condom testing because far fewer units are required and the procedures differ. Inquiry is recommended.

The purchaser contracts and pays for preshipment inspection and testing to ensure credibility. Details about condom testing are thoroughly discussed in *The Male Latex Condom: Specification and Guidelines for Condom Procurement* (WHO, 2003, see Section I.3.g). Details about other product testing can be found in Supplementary Topics, Section I: Product Inspection and Testing.

4. Additional Transaction Expenses

A useful budget figure must include other related expenses in addition to basic price and freight estimates.

a. Letter of Credit Fees

International suppliers—when not requesting cash in advance—usually want a payment guarantee in the form of a letter of credit (L/C). Fees for opening an L/C are often based on value, but may also be based on a flat rate. Local inquiry is recommended. For additional information, see Supplementary Topics, Section C: Letters of Credit.

b. Import Costs

These vary from country to country and port to port, so local inquiry will be needed in order to estimate costs. Expenses taken into account for cost estimates include:

- Import/export license fees.
- Customs broker fees.
- Port clearing fees.

5. Taxes and Duties

Public-sector imports—particularly for essential health commodities—are often exempt from tax and duty. However, this is not always the case, so local inquiry is needed. In particular, value added tax and use taxes are sometimes charged across the board, even though the funds may come out of one government pocket and go into another.

F. Budget Exercise: Case Study—Part One

Developing an effective budget requires much more than a simple calculation of unit price applied to quantity requirements plus costs. It requires informed judgment based on detailed knowledge about the products and systems into which they will pass, and sometimes a good imagination. To demonstrate the reasoning and resources needed to produce a meaningful budget, this section uses an imaginary case study to take readers step-by-step through a budgeting process, incorporating some of the real-life situations and decisions faced by RH purchasers. It is based on a simple requirement for five common RH commodities and the detailed price/cost information mentioned above to arrive at a single budget figure. Exhibit 4-5 on pages 4-27 and 4-28 is a budget worksheet constructed around part one of the case study. Its lines are numbered for easy cross-reference to the case study commentary.

Case Study—Part One

Setting: Ministry of Health, lower-middle-income country. The Director of Reproductive Health oversees four units in roughly the following hierarchy: Program Planning Unit, Procurement/Logistics Unit, Information and Education Unit, Service Delivery Unit. It is March. The annual budget request must be delivered to the Minister of Health by May 1, who will consolidate it with budget requests he receives from the other Directorates under his supervision and present a single figure to Parliament on June 1. By June 15, the Program Planning Unit will know how much money is available for the upcoming fiscal year, which begins on July 1.

Senior personnel from Program Planning and Procurement/Logistics have teamed up to produce a draft budget for their director. This is their story:

1. The five items shown in our worksheet represent product mix decisions made earlier by program personnel (defined in Element I): IUD, condom, OC, injectable, and "pharm 1" *(a single pharmaceutical for illustration purposes)*.
2. The probable source of each item takes three pricing variables into consideration: market segment, probable/possible distribution tier, and quantity, as well as local circumstances and past experience. This was our decision process:
   a. **IUDs** are readily available through local importers, and the government has asked us to use local enterprise whenever possible.

b. Under the terms of the development credit, **condoms** must be purchased through UNFPA.

c. There is no local production of **OCs** in our country, so our OCs will likely come via an international stocking supplier or agency (second-tier supplier). In the past, we have tried to solicit bids from international OC manufacturers, but for one reason or another, they have not been interested. In addition, local traders and stocking dealers probably do not have enough capacity to handle our volume requirements, so second-tier suppliers are our most likely source.

d. Manufacturers of **injectable contraceptives** have been happy to supply the government directly in the past, so we are going to assume this will not change and that one of them will be the source for new supplies.

e. Local retailers stock the **pharmaceutical** we require. It is needed only in small quantities at various delivery points over a period of 18 months, and the total monetary value is far less than any requirement for competitive bidding. Given these particulars, local retailers are our most likely source.

3. We estimated the price per unit for each product and noted the applicable INCOTERM (which indicates whether or not freight [and insurance] costs are included) as follows:

   a. US$5.50 DDP (delivered duty paid) per IUD is based on buyer prices shown in the MSH *International Drug Price Indicator Guide*. This number is a little lower than the median price listed for IUDs because we think shipping costs will be less (we are located much closer to Europe than the source country used in the MSH *Guide*). In addition, we intend to calculate fees separately, whereas the source-country figure most likely includes them.

   b. US$0.02 FOB (free on board) per condom is based on UNFPA prices shown in the *Guide*. We know UNFPA ships CIF (cost, insurance, and freight), but charges its clients separately for all shipping costs; thus, we have used FOB as the operational INCOTERM.

   c. US$0.35 EXW (ex-works) per OC cycle is the median supplier price shown in the MSH *Guide*. We chose EXW for an INCOTERM in accordance with the practice of most second-tier stocking suppliers that contributed to the *Guide*. We found this information in the Data Notes section of the website on a page titled "Price Sources." It was not with the buyer and supplier prices.

d. US$1.59 CIF per injectable dose is based on a median buyer price listed in the MSH *Guide*. This is quite a bit higher than the listed supplier prices, but it is probably in the ball park, as some expensive air freight is going to be necessary due to our low stock levels.

e. US$0.02 per dose of the single pharmaceutical we need is based on old purchase orders and invoices for the same drug purchased locally. It takes into consideration an expected price increase.

4. The quantity required for each product in millions of units comes from requirements as they were defined in Element I under product mix: IUDs, 0.08 M (80,000); condoms, 75 M; OCs, 14 M; injectables, 2.5 M; pharm I, 0.8 M (800,000).

5. We calculated subtotals (unit price x quantity) so that it would be easy to work out fees, freight, and other cost additions referenced in percentages, and later, to calculate for ourselves an overall percentage increment of cost over price. Last year, this percentage helped us justify our budget requirements to our health minister. He had done a little math using prices published by UNFPA and thought we were out of line. The numbers we have entered on line 5 of our current worksheet are: IUDs, US$440,000; condoms, US$1,500,000; OCs, US$4,900,000; injectables, US$3,975,000; pharm 1, US$16,000.

6. The service and administrative fees we expect to pay to suppliers is based on the percentage of value in line 5. Fees anticipated for IUDs are at 1.5 percent; condoms, 5 percent; and OCs, 1 percent. These estimates are based on information in the Data Notes section of the *International Drug Price Indicator Guide* website. Look for a page titled "Price Sources." No fees should be required for injectables if they come directly from a manufacturer. Likewise, no fees should accrue on local retail purchases of pharm 1.

7. We have used a figure of US$1,200 per inspection. (*Editor's note*: Inquiry to inspection firms should be made on a case-by-case basis.) We think IUDs will probably require only one preshipment inspection. Condoms will require six inspections, one for each anticipated shipment of 12.5 M pieces. Early on, we found that our warehousing and distribution system cannot effectively handle more than 12.5 M condoms at one time, so we now divide our annual requirement into multiple shipments of this number or fewer. OCs will also require six deliveries, thus six inspections, due to similar warehousing and distribution constraints. Injectables can come in one delivery, requiring only one inspection. There will be no third-party inspection of pharmaceuticals obtained from local retailers.

8. UNFPA will have each lot of condoms in each shipment tested to WHO standards and charge the cost to us. We estimated this at 9 percent of the price, which falls neatly between the 7 and 11 percent commonly quoted. We might have to test OCs as well, but to a much lesser extent, so we have estimated that cost at 1.5 percent of the price.
9. We expect to open L/Cs for the OCs and injectables at the local correspondent institution of a well-known multinational bank. These will cost about US$1,000 each. The condom purchase will not require an L/C, as it will come through the UNFPA system, which requires cash in advance. Local importers and traders that will likely sell IUDs to us generally want a down payment and will accept the balance "on account" in local currency. Local retailers (pharm 1 supplier) are usually paid in cash, although some request purchase orders and pay vouchers.
10. We are basing our freight/insurance obligations on INCOTERMS and a percentage of price:
    a. IUDs: The INCOTERM we used (DDP) includes freight costs, so we entered N/A (not applicable) in our worksheet.
    b. Condoms: The INCOTERM we used (FOB) does not include freight costs. UNFPA will require us to deposit 15 percent of the value of the condoms we purchase through them to cover freight; this works out to US$225,000. If there is anything left after UNFPA pays our bills, it will be credited back to us. Since we have to pay out the money initially, we are including the whole amount in our budget request.
    c. OCs: The INCOTERM we used (EXW) does not include freight costs. To estimate, we could calculate approximate weights and dimensions, assume the OCs will come from Western Europe, and obtain a budget figure from a local freight forwarder. But, it was late at night when we did this budget, so we decided to use a percentage from the material published on the USAID | DELIVER PROJECT website. We chose 6 percent, based on ocean freight and a similar destination: US$294,000.
    d. Injectables: The INCOTERM we used (CIF) includes freight costs, so we entered N/A in our worksheet.
    e. Pharm 1: The price we used is for local retail supply, so we entered N/A for freight.

11. We expect to apply for import licenses for OCs and injectables, but not for condoms, since our government exempts this product from import fees and taxes as part of its strong campaign against HIV/AIDS. Each of the two required import licenses will cost US$150. IUDs will be imported as well, but the import license is included in local importer pricing (DDP).

12. We expect to pay a local customs broker about US$900 per shipment to clear our condoms, OCs, and injectables. Condoms x 6 shipments = US$5,400; OCs x 6 shipments = US$5,400; injectables x 1 shipment = US$900. The cost of a customs broker for the IUD shipment is included in local importer pricing (DDP).

13. We are estimating port clearing fees at US$1,500 per shipment based on past experience. Condoms x 6 shipments = US$9,000; OCs x 6 shipments = US$9,000; injectables x 1 shipment = US$1,500.

14. We expect to hire private trucks for transporting the OCs and injectables from the port to our initial warehousing/distribution center. The government will provide transport for our condom shipments at no cost to our budget, as part of its campaign against HIV/AIDS. Delivery of each shipment to our initial distribution centers will add US$5,000 per shipment, as we must hire trucks. The cost to transport the IUD shipment to our initial distribution centers is included in local importer pricing (DDP).

15. A 0.01 percent import tax will be payable on the OCs and injectables: OCs at US$490; injectables at US$398. The import tax on condoms is waived due to the HIV/AIDS campaign, and it is already included in the local importer pricing for IUDs (DDP).

16. Starting next year—the year our RH commodities will begin arriving—the government will begin charging a use tax of 2 percent across the board on goods originating outside the country. This is part of a solution worked out with the International Monetary Fund to foster financial strength and independence through a sustainable tax base. We applied for an exemption on the basis of critical health goods, but were denied. However, condoms will be exempt as part of the HIV/AIDS campaign. Thus, our budget entries are: IUDs, US$8,800; condoms, exempt; OCs, US$98,000; injectables, US$79,500; pharm 1, N/A.

17. We calculated budget totals for each item: (a) IUDs, US$456,600; (b) condoms, US$1,956,600; (c) OCs, US$5,467,740; (d) injectables, US$4,064,648; pharm 1, US$16,000.

18. We then applied a contingency reserve of 10 percent to each item to cover unanticipated deviations and events. UNFPA will require us to deposit a 10 percent contingency amount with our advance payment for condoms, so if our current budget number is reduced later, we will need to make sure the full 10 percent UNFPA contingency amount is still available. Our worksheet entries on the contingency are: IUDs, US$45,660; condoms, US$195,660; OCs, US$546,774; injectables, US$406,465; pharm 1, US$1,600.
19. Finally, we calculated a grand total for our worksheet budget: US$13,157,747.
20. The Director of Reproductive Health reviewed our work and congratulated us on an excellent job. She intends to submit our final number to the Minister of Health for the department's annual budget request, but she thinks we should anticipate some cuts.

Exhibit 4-5

Worksheet I: Initial Budget (in US dollars)												
1		IUD		Condom		OC		Injectable		Pharm 1		
2	Probable Source	Local Importer		UNFPA		Int'l Stocking		Mfg. Direct		Local Ret		
						Supplier/Agency						Total
3	Estimated Price/Unit	$5.50	**DDP**	$0.02	**FOB**	$0.35	**EXW**	$1.59	**CIF**	$0.02	N/A	
4	Qty in Millions	0.080	M	75	M	14	M	2.5	M	0.8	M	
5	Subtotal	$440,000		$1,500,000		$4,900,000		$3,975,000		$16,000		$10,831,000
6	Service Fees/Val	$6,600	1.5%	$75,000	5.0%	$49,000	1.0%			N/A		$130,600
7	Pre shipment Inspection $1200	$1,200	x1	$7,200	x6	$7,200	x6	$1,200	x1	N/A		$16,800
8	Testing	Included		$135,000	9.0%	$73,500	1.5%			N/A		$208,500
9	L/C	N/A		N/A		$1,000		$1,000		N/A		$2,000
10	Shipping and Insur	Included		$225,000	15.0%	$294,000	6.0%	N/A		N/A		$519,000
11	Import License	Included				$150		$150		N/A		$300
12	Customs Broker $900	Included		$5,400	x6	$5,400	x6	$900	x1	N/A		$11,700
13	Port Clearing Fees $1500	Included		$9,000	x6	$9,000	x6	$1,500	x1	N/A		$19,500
14	Delivery $5000	Included		free		$30,000	x6	$5,000	x1	N/A		$35,000
15	Import Taxes	Included		waived		$490	0.01%	$398	0.01%	N/A		$888
16	Use Tax	$8,800	2.0%	waived		$98,000	2.0%	$79,500	2.0%	N/A		$186,300
17	Total	$456,600		$1,956,600		$5,467,740		$4,064,648		$16,000		$11,961,588
18	Contingency	$45,660	10%	$195,660	10%	$546,774	10%	$406,465	10%	$1,600	10%	$1,196,159
												$13,157,747

Worksheet I: Initial Budget (in US dollars)

1		IUD		Condom		OC		Injectable		Pharm 1		
19	Grand Totals	**$502,260**		**$2,152,260**		**$6,014,514**		**$4,471,113**		**$17,600**		**$13,157,747**
20	**BUDGET:**	**$502,260**		**$2,152,260**		**$6,014,514**		**$4,471,113**		**$17,600**		**$13,157,747**

G. Funding and Budget Adjustment: Case Study—Part Two

In many RH commodity procurement situations, there is not enough money to go around, whether it pertains to an entire health ministry or to a small nongovernmental organization (NGO) being supported by donations, or something in between. When funding is less than the budget request, careful choices must be made about where to cut. It may be necessary to back up and reassess each element of the program planning phase, including product mix, quantities, and delivery dates. Refer back to Exhibit 4-1; the second round is indicated by a broken line. Finding additional funds or subsidies is another possible solution.

What follows is a continuation of the imaginary case study presented in Section F. It describes a budget adjustment process that incorporates options mentioned above and several others, without reducing the months of coverage yield. It is accompanied by a revised budget worksheet (see Exhibit 4-6 on pages 4-32 and 4-33).

Case Study—Part Two

1. The Minister of Health has conveyed bad news to our Director of Reproductive Health: We must reduce our budget by approximately 20 percent. That amounts to more than US$2.6 million! We have decided to go back over our budgeting worksheet and play "what if" to find out how close we can get to our target savings of US$2,642,532. We will look first at big numbers, beginning with the most flexible.
2. Contingency reserve (line 18): Clearly, we cannot entirely delete our contingency reserve of approximately US$1.2 million, as UNFPA will require us to deposit US$200,498 with our advance payment, and we need to keep something for fluctuation in the other products. We decide to reduce the contingency reserve on other items to 2 percent, for a savings of US$800,523.
3. Product mix: Next, we asked our program specialists if they can find any flexibility in the product mix or quantities they had projected for us, especially in the two highest expenditure groups—OCs and injectables. They are aware that injectables are much more expensive than OCs for the same coverage and had planned to begin shifting away from them as much as possible next year. Given our current budget problem, they agreed to move up the start of their campaign by 1 year, reducing injectables by

500,000 units and increasing OCs by the same amount (line 4). This will net a savings of US$619,950.

4. Inventory: The inventory situation for injectables looks better in light of the new plan. If procurement takes place promptly, air freight will probably not be required, allowing us to estimate a lower cost. We originally used a median buyer price from the MSH *International Drug Price Indicator Guide* to estimate for injectables, but now we are looking at what we could "save" budget-wise if we use the "Highest supplier price" from the guide instead. A difference of US$0.43 per unit x 2 M units = US$860,000! Cost additions calculated as a percentage on our worksheet (such as shipping and tax) will net a bit more savings as well when we refigure the numbers, but we will need to change the INCOTERM for injectables from CIF (which includes freight costs) to EXW (which does not include freight costs), for an add-back for estimated freight.
5. Probable source: After realizing such a big savings by switching the supplier assumption for injectables, we searched for other possibilities. We originally used local importer pricing for IUDs (US$5.50 DDP), since the government had requested us to use local businesses whenever possible. But, in comparing the local importer price against the supplier pricing in the *Guide*, we can see strong justification for going outside our local marketplace. Using a high median price of US$3.16 EXW, we can "save" at least US$2 per unit x 80,000 units = US$160,000! Of course, we will need to add back freight and other costs the local importer would have paid.
6. Donation: We are feeling very lucky. A bilateral donor has just offered to provide us with 250,000 cycles of WHO-prequalified OCs to help us meet our target coverage for next year. That is worth almost US$100,000. It could not come at a better time!
7. Final strategy: We will let the remaining deficit of US$191,095 stand and wait until later in the year to see how things go budget-wise before deciding how to cover it. In the mean time, we will write the OC contract for around 90 percent of the estimated requirement (which will keep us within budget) and include a provision for increasing the quantity by 10 percent at the same price.
8. Back-up plan: It is unlikely that the entire freight and contingency amounts we will pay in advance to UNFPA for condoms will be fully utilized. UNFPA frequently settles these accounts in goods rather than cash refunds, so we could request our credit balance in OCs.

9. Safety net: If we write every contract with a clause that allows us (the purchaser) a quantity fluctuation of plus or minus 10 percent (or 15 percent), we could transfer part of the commodity requirement to the following year's budget.

Exhibit 4-6

Worksheet 2: Revised Budget—"What If?" (in US dollars)												
1		IUD		Condom		OC		Injectable		Pharm 1		
2	Probable Source	Local Importer		UNFPA		Int'l Stocking		Mfg. Direct		Local Ret		
						Supplier/Agency						Total
						plus 250K donation in kind						
3	Est Price/Unit	$3.16	**EXW**	$0.02	**FOB**	$0.35	**EXW**	$1.16	**FOB**	$0.02	N/A	
4	Qty in Millions	0.080	M	75	M	14.5	M	2	M	0.8	M	
5	subtotal	$252,800		$1,500,000		$5,075,000		$2,320,000		$16,000		$9,163,800
6	Service Fees/Val	$3,792	1.5%	$75,000	5%	$50,750	1%			N/A		$129,542
7	Preshipment Inspection $1200	$1,200	x1	$7,200	x6	$7,200	x6	$1,200	x1	N/A		$16,800
8	Testing	$3,792	1.5%	$135,000	9%	$76,125	1.5%			N/A		$214,917
9	L/C	$1,000		N/A		$1,000		$1,000		N/A		$3,000
10	Shipping and Insur	$15,168	6%	$225,000	15%	$304,500	6%	$139,200	6%	N/A		$683,868
11	Import License	$150				$150		$150		N/A		$450
12	Customs Broker $900	$900	x1	$5,400	x6	$5,400	x6	$900	x1	N/A		$12,600
13	Port Clearing Fees $1500	$1,500	x1	$9,000	x6	$9,000	x6	$1,500	x1	N/A		$21,000
14	Delivery $5000	$5,000	x1	Free		$30,000	x6	$5,000	x1	N/A		$40,000
15	Import Taxes	$25	0.01%	Waived		$508	0.01%	$232	0.01%	N/A		$765
16	Use Tax	$5,056	2.0%	Waived		$101,500	2%	$46,400	2%	N/A		$152,956
												$10,439,698
17	Total	$290,383		$1,956,600		$5,661,133		$2,515,582		$16,000		$10,439,698
18	Contingency	$5,808	2%	$195,660	10%	$113,223	2%	$50,312	2%	$320	2%	$365,323

Worksheet 2: Revised Budget—"What If?" (in US dollars)

1		IUD		Condom		OC		Injectable		Pharm 1		
19	**Adjusted Totals**	**$296,191**		**$2,152,260**		**$5,772,454**		**$2,565,894**		**$16,320**		**$10,803,119**
	Original Totals	$502,260		$2,152,260		$6,014,514		$4,471,113		$17,600		$13,157,747
	Savings	$206,069		$0		$242,060		$1,905,219		$1,280		$2,354,628
						Target Savings:		**$2,642,532**				**$287,904**
												Deficit

H. Procurement Requisition: Case Study—Part Three

Once a final budget is confirmed and funded, it is time for the RH program unit to produce a document that will accurately inform purchasing activity to follow. A formal, written procurement requisition:

- Reflects decisions made during program planning, including procurement options.
- Communicates requirements and preferences.
- Authorizes purchasing activity.
- Assigns purchasing responsibility to a specific unit or division (if not already pre-assigned).
- Establishes timeline parameters (start and end dates).

Two cautions should be observed at this critical linkage between program planning and the procurement process:

1. Set a Realistic Delivery Schedule

A public-sector competitive procurement process can typically require 8 to12 months from receipt of funding to products received, and sometimes longer, depending on complexity, value, and number of approvals required. Exhibit 4-7 identifies the approximate range of time that may be required by the major activities in the procurement process, from procurement planning to shipping and receipt. Please note that these steps are part of an overall process that can typically take 12 to 18 months. See Module 5 for more information about timeline development.

Exhibit 4-7

Representative Timeline for Public-Sector Procurement Process Activities

Process step	Minimum time	Maximum time
Release of funding		
Finalization of bidding documents	2 weeks	4 weeks
Bidder development of proposal	6 weeks	8 weeks
Evaluation and selection	4 weeks	6 weeks
Approval	2 weeks	4 weeks
Contract award	2 weeks	4 weeks
Manufacturing	8 weeks	12 weeks
Shipping	4 weeks	6 weeks
Contingency period	4 weeks	8 weeks
Total time required	**8 months**	**12 months**

2. Communicate Source-Neutral Requirements

The request form should not reveal any likely source of goods derived through pricing and costing exercises, or mention a specific supplier. Good public-sector procurement practice requires fair competition based on source-neutral requirements. In the private sector, however, it is not unusual to find suggested sources included with procurement requests.

RH procurement almost always involves contraceptives with varying characteristics. For the sake of clarity, this learning module uses an "Item Procurement Requisition" for each product and a "Summary Procurement Requisition" to combine all the item requests assigned to a particular procuring entity. (Corresponding item requests should be attached to the summary.) The item request form can also be used for multiple products with similar characteristics. Each item request provides a reference price. The summary request, on the other hand, provides an estimated cost and an approved budget amount for the various individual items in the summary. Both require an authorizing signature. Blank forms for each can be found in the reference section (Section I, Forms I-1-b and I-1-c).

What follows is the conclusion of our imaginary case study. It narrates the development of an Item Procurement Requisition using a requirement for OCs. Exhibit 4-8 on pages 4-40 and 4-41 is a completed Item Procurement Requisition form constructed around the case study. Its lines are numbered for easy cross-reference to the commentary.

Case Study—Part Three

1. We will assign this procurement activity to our own RH Procurement/Logistics Unit, as it has had some experience with purchasing contraceptives from international sources.
2. Our name.
3. The date we entered here is the date the procurement requisition is written.
4. Emily Risari is our liaison with the RH Procurement/Logistics Unit. She has been through several budget cycles in this capacity and will be available to answer any questions the procurement officers may have about our requirements. She will also monitor progress and let us know if we should expect any problems with delivery dates.
5. Emily's telephone number.
6. We are entering just one product in the item list—our Stock Reference #C-54, Oral Contraceptive in Single-Cycle Packets. We have reduced our quantity requirement, per budget shortfalls, to 14.25 M units. The reference price we are giving the RH Procurement Unit (US$0.35) does not include freight, fees, or taxes.
7. Our item description is very short; we only need enough here to identify the procurement.
8. No. We are not yet ready to submit the full technical specification; however, it is critical to us because it will become part of the contract and spell out exactly what we expect to receive, nothing more, nothing less. It will describe the packaging we want, as well as all printing and patient inserts. This year, we are changing the package design a little and adding some multilingual instructions. These changes have to be approved at several levels (including our NRA), and we are waiting for approval. It should arrive within 2 weeks.
9. We provided estimated weights and dimensions for two reasons: (a) freight estimating—particularly inland freight, as we will need to hire trucks; and (b) warehouse planning. We obtained our figures from the USAID | DELIVER PROJECT website's "Contraceptive Fact Sheets."
10. Yes. It is important for the procurement unit to know that an import license will be required, so it can be mentioned in the bidding documents.

11. Yes. We are always concerned about protecting ourselves from poor-quality or dangerous products. WHO recently established a prequalification program that examines specific products and manufacturers and lists those that meet its criteria. This is one way of helping to ensure quality, so we are requiring it for any OC offered to us.

12. Yes. We want to make sure everything looks acceptable before shipments leave the manufacturer, so we now require preshipment inspection. These are visual checks to make sure there are no slip-ups in printing, packaging, quantities, documents, etc. Before we started doing this, we experienced a stock-out while waiting for replacement goods, an exercise that took 4 months.

13. To be determined. We probably will not need preshipment testing since we are requiring WHO prequalification. But, we want to make this decision later, after bids are evaluated.

14. Yes. OCs are regulated by NRAs worldwide, including our own.

15. 14.25 M OC cycles is far too much for our warehousing facilities to handle at one time, so we are dividing the annual requirement into six deliveries spaced 2 months apart. Two of the six deliveries can go directly to regional warehouses, and we will schedule these in the middle to give our distribution system a chance to make room for additional stock at the central level—all practical decisions. The question is: When should the deliveries start? One consideration is the length of time required between initiation of procurement activity (now) and the first delivery. We know it will take about 8 months before any delivery is possible. The second consideration is stock-on-hand—how long it will last. The RH logistics team estimates about 12 months. That works out to 8 months for delivery plus 4 months of buffer stock. This is just about right, so we will target the first delivery for March 1, 2008 (8 months from now).

16. No. We will not accept partial shipments. We do not want to do business with suppliers that cannot provide enough product to meet our six-part delivery schedule.

17. "Ship to" reflects our full legal identification: Ministry of Health, Republic of Dharma *[fictitious name]*, and Directorate of Reproductive Health.

18. "Ship via": We specified ocean carrier to our main port as the most likely and most economical choice, although we may amend this later, after a supplier is chosen.

19. Special handling requirements: Heat and moisture can damage OCs. If we do not indicate a requirement, our goods may end up on an unprotected deck of a cargo ship in rough waters.
20. Shipping marks help identify specific cargo at the receiving warehouse as well as in transit. Generic names and expiry dates are especially helpful when dealing with pharmaceuticals.
21. Notify party and contact information: Emily's name and contact information are on this line, as she will coordinate the customs clearing and receiving activities for us.
22. We will pay for these goods with a commercial L/C. That allows us to earn interest on our funds up until the supplies are shipped and the L/C is paid. It also provides us with a tool for enforcing quality standards as well as the shipping schedule.
23. The INCOTERM we prefer is CIP, meaning carriage (freight) and insurance costs are paid by the seller. (For bidding and contract purposes, they are included in the price of the goods.)
24. Procurement options: We think competitive bidding is going to result in the best price. And our government regulations require it for contracts in excess of US$500,000—a threshold we far exceed on this procurement.
25. Source of funding: Last year, we worked with World Bank credits, but we have "graduated." This year, we will purchase OCs with government revenue funds. We think the experience of working under strict World Bank procurement guidelines will contribute to a successful procurement this year.
26. Applicable regulations: Our own Public Procurement Regulations 2002 are quite similar to the World Bank's procurement guidelines, so there should be very little adjustment necessary. They are both based on widely held standards for good public-sector procurement.
27. Foreign exchange is available, but it will need to be reserved early in the procurement process. This is an important issue for us because there was a time when we did not have access so we could not purchase goods from the international marketplace. Emily is aware of the current circumstances and will begin facilitating the necessary conversion immediately.
28. Special instructions: (a) We want to review the draft bidding documents and approve them before they are made available to potential suppliers. We will also take this opportunity to have a technical expert review the specifications one more time. (b) Because our budget for OCs is a little less than we think we will need, we want the

option of deferring a portion of the requirement to the next budget year. Thus, the contract should allow +/- 10 percent quantity fluctuation.

29. Signatures: The Director of Reproductive Health must authorize any procurement more than US$500,000, so her signature will appear on this line.

30. We will fill out an Item Procurement Requisition for each of the remaining four commodities we plan to assign to the RH Procurement/Logistics Unit and combine all five into a Summary Procurement Requisition. The summary request will include an approved budget for the five items.

Exhibit 4-8

Completed Item Procurement Requisition

PROCUREMENT REQUISITION

(1) **To:** *RH Procurement/Logistics Unit*

(2) **Program Submitted By:** *RH Program Planning Unit*

(3) **Date:** *July 1, 2009*

(4) **Program Contact Person:** *Emily Risari*

(5) **Program Contact's Telephone, Fax, Email:** *62 74390 (tel), 62 74369 (fax), erisari@moh.gov*

(6) **Item:**

Product Name	ID #	Unit	Unit of Measure	Quantity	Reference Price*	Total Cost
Oral Contraceptive	*C-54*	*Cycle Packet*	*Each*	*14.25M*	*US$0.35*	*US$4,987,500*

*with freight, fees, taxes

(7) **Item Description:** *[short version]*
Combined estrogen/progestin low-dose monophasic oral contraceptive. Each monthly packet shall contain 28 tablets (28 days); 7 tablets shall contain ferrous fumarate (iron).

(8) Full Technical Specification Attached: *No*
If "No," Current Disposition and Date Expected:
Awaiting review/approval of technical expert—due July 15, 2009

(9) Estimated Weight/Dimensions /100 Units: *1.52#; 0.1175 cu. ft.*

(10) Import License Required: *Yes*

Quality Assurance Provisions:

(11) WHO Prequalification Required? *Yes*

(12) Preshipment Inspection Required? *Yes*

(13) Preshipment Testing Required? *To be determined*

(14) Regulatory Licensing Required? *Yes*

(15) **Delivery Schedule:**
Number of Deliveries: *6*

	Date	Quantity	Location/Ultimate Consignee
1.	*3-1-09*	*2.375 M*	*Central Warehouse*
2.	*5-1-09*	*2.375 M*	*Central Warehouse*
3.	*7-1-09*	*2.375 M*	*Regional Warehouse*
4.	*9-1-09*	*2.375 M*	*Regional Warehouse*
5.	*11-1-09*	*2.375 M*	*Central Warehouse*
6.	*1-1-10*	*2.375 M*	*Central Warehouse*

(16) Partial Shipments Allowed? *No*

Shipping Instructions:

(17) Ship To: *Ministry of Health, Government of Dharma* [fictitious name]
(18) Ship Via: *Ocean Carrier to Port of Dharma, Republic of Dharma*
(19) Special Handling Requirements: *Protect from heat and moisture*
(20) Shipping Marks: *Generic Name; Contract No.; Lot No.; Expiry Date*
(21) Notify Party and Contact Information: *Emily Risari; Phone: 62 74390*

(22) **Payment Terms Authorized:** *Letter of credit (open at First National Bank)*

(23) **Preferred Delivery Terms:** *CIP Port of Dharma*

(24) **Procurement Option(s) Authorized:** *Competitive Bidding*

(25) **Source of Funding:** *Government Budget*

(26) **Applicable Regulations/Guidelines:**
Public Procurement Regulations 2002

(27) **Foreign Exchange Available?** *Yes*

(28) **Special Instructions:**
a. *Submit bidding documents draft to Emily Risari for approval prior to release*
b. *Contract to allow for +/- 10 percent quantity fluctuation*

_____

Procurement authorized by: _____ **Date:** _____

Authorizing signature: _____

I. Reference Material

1. Checklists and Forms

a. Budgeting Information Summary

This form incorporates basic information needed for budget development and provides a way to keep track of what is currently on hand and what is yet to be gathered for each item. It is an example only; individual countries and organizations should modify it to suit their individual circumstances.

Form I-1-a

Budgeting Information Summary

Item:			
Budget Year:			
Quantity:			
Delivery Date(s):			
CHECKLIST			
	☑		Comments
Specifications—Clear and Complete			
Procurement Options Indicated			
Old Invoices Available?			
Preshipment Inspection Probable?			
Preshipment Testing Probable?			
Letter of Credit Likely?			
Taxes Payable?			
Import License Required?			
Regulatory License Required?			
Customs Broker Required?			
Port Clearing Fees Applicable?			
PRICING VARIABLE ASSESSMENT			
	Y	N	Comments
Discounted Pricing Available?			
Quantity Discount Possible?			
Distribution Tier(s) Available (circle)			1 2 3 4
Special Instructions (loan agreements on source, government requests, etc.)			

b. Item Procurement Requisition

This form transmits requirements and information from the requesting unit to the procuring entity. It represents a critical link between the program planning phase and the procurement process phase of RH supply for a single item.

Form I-1-b

PROCUREMENT REQUISITION

To:

Program Submitted By:

Date:

Program Contact Person:

Program Contact's Telephone, Fax, Email:

Item:

Product Name	ID #	Unit	Unit of Measure	Quantity	Reference Price*	Total Cost

*with freight, fees, taxes

1. **Item Description:** *[short version]*

Full Technical Specification Attached: Yes No *[circle one]*
If "No," current disposition and date expected:

Estimated Weight/Dimensions /100 Units:

Import License Required: Yes No *[circle one]*

2. **Quality Assurance Provisions:**

WHO Prequalification Required? Yes No *[circle one]*
Preshipment Inspection Required? Yes No *[circle one]*
Preshipment Testing Required? Yes No *[circle one]*
Regulatory Licensing Required? Yes No *[circle one]*

3. Delivery Schedule:

Number of Deliveries: ____

	Date	Quantity	Location/Ultimate Consignee
1.			
2.			
3.			

Partial Shipments Allowed? Yes No *[circle one]*

4. Shipping Instructions:

Ship To:
Ship Via:
Special Handling Requirements:
Shipping Marks:
Notify Party and Contact Information:

5. Payment Terms Authorized: *[circle one or more]*

Letter of Credit (open at xxx bank) Open Account

Cash in Advance (United Nations agency only) Down Payment

Other *[explain]*:

6. Preferred Delivery Terms: *[INCOTERM]*

7. Procurement Options Authorized: *[circle one or more]*

Competitive Bidding United Nations Agency

Catalog Supply Service Other *[explain]*

8. Source of Funding:
Applicable Regulations/Guidelines:

9. Foreign Exchange Available? Yes No *[circle one]*

10. Special Instructions:
[*Example:*
Submit bidding document draft to xxxx for approval prior to release
Contract to allow +/- 10 percent quantity fluctuation]

_____

Procurement authorized by: _____ **Date:** _____

Authorizing signature: _____

c. Summary Procurement Requisition

This form combines single-item requirements assigned to a particular procuring entity with an approved budget amount.

Form I-1-c

SUMMARY PROCUREMENT REQUISITION

Multiple Items Per Attached Form

Date:
Submitted By:

Approved By: *[signature]*

Project Reference:
Source of Funding:
Budget Year:
Accounting Reference:
Budget Available:

Items:

	Product Name	ID #	Quantity	Unit	Total Est. Cost
1					
2					
3					
4					
5					

2. Documents

a. Summary of INCOTERMS

Several other documents are mentioned in the text, but they are not necessary for price/cost estimating.

INCOTERMS SUMMARY

A. Group E: Departure Term

1. **EXW** (ex-works)…named place: The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.

B. Group F: Shipment Terms—Main Carriage Paid By Buyer

2. **FCA** (free carrier)…named place: The seller fulfills its obligation to deliver when it has handed over the goods, cleared for export, into the charge of the carrier named by the buyer.

3. **FAS** (free alongside ship)…named port of shipment: The seller fulfills its obligation to deliver when the goods have been placed alongside the vessel on the quay (wharf) or in lighters at the named port of shipment. From that moment, the buyer bears all costs and risks of loss of or damage to the goods.

4. **FOB** (free on board)…named port of shipment: The seller fulfills its obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. From that moment on, the buyer bears all costs and risks of loss of or damage to the goods.

C. Group C: Shipment Terms—Main Carriage Paid By Seller

Under Group C terms, there are two critical division points, one for the division of costs, the other for the division of risks. Costs are assumed by the seller until the destination point. Risks are transferred to the buyer at the point of shipment.

5. **CFR** (cost and freight)…named port of destination: The seller pays the costs and freight necessary to bring the goods to the named port of destination, but the risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment.

6. **CIF** (cost, insurance, and freight)…named port of destination: The seller has the same obligations as under CFR but with the addition that it has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage.

7. **CIP** (carriage and insurance paid to)…named place of destination: The seller has the same obligations as under CIF but with the addition that the seller has to procure cargo insurance against the buyer's risk of loss of or damage to the goods during the carriage.

D. Group D: Arrival Terms

8. **DAF** (delivered at frontier)…named place: The seller fulfills its obligation to deliver when the goods have been made available, cleared for export at the named point, and placed at the frontier, but before the customs border of the adjoining country.

9. **DES** (delivered ex ship)…named port of destination: The seller bears all the costs and risks involved in bringing the goods to the named port of destination.

10. **DEQ** (delivered ex quay)…named port of destination: The seller bears all risks and costs involved in bringing the goods to the named port of destination and discharging the goods on the quay, including duties, taxes, and other charges of delivering the goods thereto.

11. **DDU** (delivered duty unpaid)…named place of destination: The seller bears costs and risks involved in bringing the goods thereto (excluding duties, taxes, and other official charges payable upon importation), as well as the costs and risks of carrying out customs formalities.

12. **DDP** (delivered duty paid)…named place of destination: The seller bears risks and costs, including duties, taxes, and other charges of delivering the goods thereto.

3. Websites

a. The *International Drug Price Indicator Guide*

This guide has been published by MSH since 1986 and provides a spectrum of prices from pharmaceutical suppliers and procurement agencies (such as the IDA Foundation) based on their current catalogs or price lists. It also contains prices obtained from international development organizations and government agencies.

Look up drug/contraceptive prices at http://erc.msh.org/mainpage.cfm?file=1.0.htm&module=DMP&language=English.

Alternatively, you can order the 2008 guide on CD-ROM at http://www.msh.org/resource-center/ebookstore/product.cfm?p=33.

b. Cost-Estimate Strategy for Reproductive Health Commodity Management

The Health Manager's Toolkit, produced by MSH, includes a cost-estimating document. Description and ordering information are available online at http://erc.msh.org/mainpage.cfm?file=4.10.htm&module=toolkit&language=English.

c. Reproductive Health Interchange (RHInterchange) of the Reproductive Health Supplies Coalition

The Reproductive Health Supplies Coalition is a global partnership of public, private, and nongovernmental organizations dedicated to ensuring that all people in low- and middle-income countries can access and use affordable, high-quality supplies to ensure their better reproductive health. Quantity and value information for donor-supported contraceptives can be found at http://www.rhsupplies.org/resources/rhinterchange.html.

d. United Nations Web Buy

This procurement portal maintained by the Inter-Agency Procurement Services Office provides benchmark prices for cost comparison of local markets. It includes Global Fund to Fight AIDS, Tuberculosis and Malaria drugs and health care equipment, but is not applicable for contraceptives, except—possibly—condoms. Users must register to use the site. Enter through https://www.unwebbuy.org/.

e. USAID | DELIVER PROJECT

The USAID | DELIVER PROJECT website is a source for multiple types of information about contraceptives provided by USAID:

- USAID contraceptive catalog: brand names, prices, and basic specifications.

- Freight as a percentage of commodity value.
- Basic information by type, including recommended storage conditions, visual indicators of potential quality problems, special considerations (such as do not expose to direct sunlight or florescent light), donors, manufacturer/brand/shelf life, primary/secondary packaging presentation, units per shipping carton, dimensions and weights of shipping cartons.
- Average shipping lead time by air and by ocean.
- The site location on the Internet is http://www.deliver.jsi.com. It requires a login. Users register and are granted access depending on their role and the information they require.

f. Policy and Programming Options for Reducing the Procurement Costs of Essential Medicines in Developing Countries

Information about hidden costs: Levison L, Boston University School of Public Health; 2003.

http://dcc2.bumc.bu.edu/richardl/IH820/Resource_materials/Web_Resources/Levison-hiddencosts.doc

g. Inspection and Testing

***The Male Latex Condom: Specification and Guidelines for Condom Procurement* (WHO/UNFPA/Joint United Nations Programme on HIV/AIDS [UNAIDS], 2003)**

This document developed by WHO is designed to provide a set of purchase specifications and procurement guidelines that ensure the highest level of quality assurance for condoms consistent with high-volume purchases, the needs of different populations, harsh environmental conditions, and the probability of less-than-ideal storage conditions. It recommends the prequalification of primary manufacturers and lot-by-lot compliance testing prior to shipping condoms from the country of manufacture. The document also provides a list of manufacturers and testing laboratories *for informational purposes only*. Appearance on this list does not imply endorsement by WHO, UNFPA, or UNAIDS.

http://www.who.int/reproductivehealth/publications/family_planning/9241591277/en/

J. Learning Evaluation

1. What is usually the first step taken in the process of developing a reasonable cost estimate for RH commodities?

2. What types of resources are available for finding RH commodity price information?

3. What three principal variables normally influence the prices to which an RH purchaser has access?

4. For each of the four distribution tiers for RH commodities, provide an example of the type of supplier found at each tier.

5. In developing a realistic RH commodity budget, what three important questions should an RH purchaser ask about distribution tiers?

6. Identify some of the financial and regulatory issues that can limit an RH purchaser's access to marketplace offerings.

7. Describe the difference between price and cost. Which is used for budgeting?

8. What related expenses should be added to "price" to arrive at a cost figure for budgeting purposes?

9. Where can the RH purchaser find freight cost information?

10. If available funding for RH commodities is less than the original budget request, what steps can the RH purchaser take to bring the budget closer to the available funding?

11. Once a final budget is confirmed and funded, what purposes does preparing a formal, written procurement requisition serve?

12. What two cautions should the RH purchaser keep in mind in preparing a procurement requisition?

Learning Evaluation Answers

1. Pricing research is the important first step taken in the process of developing a reasonable cost estimate. See Section D.

2. The most current pricing information can be found on the Internet. The MSH *International Drug Price Indicator Guide* and the Reproductive Health Interchange are two excellent sources of information on RH commodity pricing. See Sections D.1 and I.3.c.

3. Distribution tier, market segment, and quantity are the three principal variables that influence prices an RH purchaser will obtain. See Section D.3.

4. For each of the four distribution tiers for RH commodities, provide an example of the type of supplier found at each tier.

(Exhibit 4-4)

Distribution Tiers for RH Commodities

Top Tier
International manufacturers—Direct
Local manufacturers—Direct

Second Tier
Regional/national representatives of international manufacturers
Authorized local agents of international manufacturers
International high-volume suppliers that maintain warehouses
International agencies that negotiate prices and place orders for client organizations
Authorized representatives of local manufacturers

Third Tier
Local traders
Local stocking dealers

Bottom Tier
Retail outlets

5. The three important questions to ask about distribution tiers are:
   - Which marketplaces (distribution tiers) offer each product?
   - Which marketplaces are available to us?
   - Which marketplaces could present a risk to product quality and safety?

   See Section D.3.a.

6. Financial issues include the availability of foreign exchange, restrictive funder requirements, and a multitude of credit issues. Regulatory issues include restrictions on products that are not already registered, as well as national trade barriers, such as limitations on importing products where national manufacturers exist. See Section D.3.

7. Price and cost are two different things. Price is what the seller asks for an item. Cost is what the purchaser ultimately pays for the item, delivered to its facility. Cost—not price—is used for budgeting. See the introduction to Section E.

8. If not already included, freight and insurance expenses need to be estimated and added to the representative pricing chosen for budget estimates. INCOTERMS indicate which pays, the buyer or the seller. Freight costs are based on weight and dimensions of the cargo, modality (air, ocean, or truck), and distance. Insurance costs are based on value, modality, distance, and extent of coverage desired. See Section E.1.

9. Freight as a percentage of commodity value for both air and ocean shipments from the United States to various destinations around the world can be found on the USAID | DELIVER PROJECT website. The site location on the Internet is http://www.deliver.jsi.com.

   For commodities purchased through a United Nations agency, ocean/surface shipping and insurance costs are estimated at a rate of 15 percent of the value of the goods. See Section E.1.

10. In many RH commodity procurement situations, there is not enough money to go around, whether it pertains to an entire health ministry or to a small NGO being supported by donations, or something in between. When funding is less than the budget request, careful choices must be made about where to cut. It may be necessary to back up and reassess each element of the program planning phase, including product mix, quantities, and delivery dates. Refer back to Exhibit 4-1; the second round is indicated by

a broken line. Finding additional funds or subsidies is another possible solution. See the introduction to Section G.

11. A formal, written procurement requisition serves to:

- Reflect decisions made during program planning, including procurement options.
- Communicate requirements and preferences.
- Authorize purchasing activity.
- Assign purchasing responsibility to a specific unit or division (if not already preassigned).
- Establish timeline parameters (start and end dates).

See Section H.

12. Two cautions should be observed at this critical linkage between program planning and the procurement process:

- Set a realistic delivery schedule.
- Communicate source-neutral requirements to allow for fair, unbiased competition.

See Sections H.1 and H.2.

K. Performance Indicators

Performance indicators measure and evaluate success against a specific goal. The process begins by selecting performance indicators that are relevant for the procurement environment. This is followed by identifying and collecting appropriate data for each performance indicator to establish a baseline on the level of performance in the country. After training and corrective actions have been implemented, the same performance indicators are evaluated to determine the revised level of performance. Further information on conducting an assessment can be found in the Procurement Assessment Guide.

The following performance indicators can be used for monitoring and evaluating key aspects of this module:

1. Percentage of major RH commodities (e.g., IUDs, condoms, OCs, etc.) in which pricing research was conducted to estimate the budget.
2. Percentage of times the cost estimate identified and incorporated all other related cost expenses (e.g., freight and insurance, fees and commissions, inspection and testing, or taxes) for RH focus products.
3. The delivery schedule proposed for the budget estimate incorporates factors such as stock-on-hand, rate of consumption, and warehouse space.
4. A process exists to manage budget reductions, and the basis for the reduction decisions is documented.
5. Accuracy of the cumulative procurement plan budgetary cost estimates for all RH focus products compared to actual contract product costs.

L. Glossary and Acronyms

Agent	A supply term for an independent contractor authorized by a manufacturer to promote and sell the manufacturer's products within a designated geographic area. Often, an agent will contract to represent several manufacturers of noncompeting products.
AIDS	Acquired Immunodeficiency Syndrome.
Bid	A procurement term describing a written offer for a quantity of goods, works, or services at a stated price based on a technical specification and specific terms and conditions. Bids are submitted to an intending purchaser by an intending seller in response to an Invitation for Bids.
Bidder	An intending seller or supplier that submits a bid offering goods or services in response to an invitation or request for bids and offers.
Bidding documents	The written description and set of terms and conditions of an intended purchase that is circulated by the intending buyer to prospective sellers.
Brand/Brand name	The registered trademark name given to a specific product by its manufacturer.
CFR	Cost and freight: Title and risk insurance cost pass to buyer when delivered on board the ship by seller, which pays the transportation cost to the destination port.
CIF	Cost, insurance, and freight: Title and risk pass to buyer when delivered on board the ship by seller, which pays transportation and insurance costs to destination port.
CIP	Carriage (freight) and insurance paid to: Costs paid to the named destination by the seller. Title and risk pass to buyer when delivered to carrier.

Commodity	Any piece of tangible property, supplies, or equipment that is the subject of a procurement activity.
Compliance testing	A methodology of prescribed inspection and testing procedures applied to a product to ensure the product meets its defined specifications and/or performance requirements.
Component	An important function or process that occurs within an element of the reproductive health supply process. Each module of the *Toolkit* focuses on one element.
Consumption	What individuals and households are able to utilize.
Contract	An agreement entered into by two parties for the execution of a certain activity (e.g., sale and purchase, construction, service provision, etc.).
Cost	What the purchaser ultimately pays for an item, delivered to its facility. Cost, not price, is used for budgeting.
Criteria	Specific points, standards, qualities, and/or requirements against which something is judged.
DAF	Delivered at frontier: Title, risk, and responsibility for import clearance pass to buyer when delivered to named border point by seller.
DDP	Delivered duty paid: Title and risk pass to buyer when seller delivers goods to named destination point cleared for import.
DDU	Delivered duty unpaid: Seller fulfills its obligation when goods have been made available at the named place in the country of importation.
DEQ	Delivered ex quay (duty paid): Title and risk pass to buyer when delivered on board the ship at the destination point by the seller, which delivers goods on dock at destination point cleared for import.

DES	Delivered ex ship: Title, risk, and responsibility for vessel discharge and import clearance pass to buyer when seller delivers goods on board the ship to destination port.
Distribution tier	A supplier's position in the chain of entities involved in distributing goods to purchasers.
Efficacy	The capacity of a drug to produce scientifically proven therapeutic effects.
Element	One of the ten key operational, broad-based activities in the reproductive health supply process.
Eligibility (criteria)	Not excluded from competing for contracts in general by reason of nationality, debarment, lack of regulatory approval, etc.
Entity	A business and legal term to describe something that exists and functions as a separate and distinct body (e.g., a corporation, Ministry of Health, or committee).
Expiration (Expiry) date	The date beyond which the manufacturer will not guarantee the product.
EXW	Ex-works: The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination.
FAS	Free alongside ship: Title and risk pass to buyer, including payment of all transportation and insurance costs, once delivered alongside ship by the seller.
FCA	Free carrier: Title and risk pass to buyer, including transportation and insurance costs, when the seller delivers goods cleared for export to the carrier. Seller is obligated to load the goods on the buyer's collecting vehicle. It is the buyer's obligation to receive the seller's arriving vehicle unloaded.
FOB	Free on board: The seller fulfills its obligation when the goods pass over the ship's rail at the named port of shipment.

Funder	Organization (or person) providing funds for a specific project, program, or purpose.
GAVI Alliance	A global health partnership whose members work together to save lives by increasing access to vaccines in 70 of the poorest countries around the world.
Global Fund to Fight AIDS, Tuberculosis and Malaria	An innovative approach to health financing supported by public-private partnership. Offers a price-reporting mechanism, quality assurance information, and a compliance list.
GNI	Gross national income.
HIV	Human Immunodeficiency Virus.
IDA Foundation	Claims to be the world's largest not-for-profit supplier of essential medicines and medical supplies to low- and medium-income countries. Established in 1972 in Amsterdam by a group of pharmacists.
INCOTERMS	Rules for interpretation of the most commonly used terms in foreign trade to describe how goods will be shipped, who is responsible for them at each stage of the process, and who pays which costs. Published by the International Chamber of Commerce.
Injectable	Injectable contraceptive.
International supply service	An international agency such as the United Nations Population Fund that purchases standardized commodities in large quantities and supplies them to developing-country government institutions at cost plus a fixed fee.
Invitation for Bids	An invitation to manufacturers or contractors, through a bidding process, to submit a proposal on a specific product or service to be furnished or project to be realized.
IUD	Intrauterine device.
L/C	Letter of credit: An arrangement by banks for settling commercial transactions; specifically, a written promise by a bank given to the seller in accordance with instructions (backed by a cash

	deposit) of the buyer to pay up to a given sum of money within a prescribed time limit when and if the seller presents specified documents that give evidence of its performance.
Lot (Batch)	In manufacturing, a single, uniform, and homogeneous quantity produced from one compounding formulation, in one manufacturing and production operation, and that has received entirely the same processing treatment.
Lot-by-lot	Applicable to each manufacturing lot (batch).
Manufacturer's (Bidder's) representative	A direct employee of a manufacturer with responsibility to promote the use of, provide information on, and sell the manufacturer's products. In some cases, the representative also facilitates importation. Sometimes the term "agent" is used to convey the same relationship.
Market segmentation	The practice of dividing potential purchasers (the market) into defined groups (segments) based on specific selection criteria.
Marks, markings	An application of numbers, letters, labels, tabs, symbols, or colors for handling or identification during shipment and storage.
MSH	Management Sciences for Health: A nonprofit international health organization with a mission to save lives and improve the health of the world's poorest and most vulnerable people by closing the gap between knowledge and action in public health.
N/A (n/a)	Not applicable.
NGO	Nongovernmental organization: Usually involved in providing services to or alongside government entities. Often financed through projects using donor funds.
NRA	National regulatory authority (same as drug regulatory authority): An independent government entity responsible for establishing procedures to ensure that medicines intended for use in the country are safe, potent, and effective.

OC	Oral contraceptive.
Offer	Used interchangeably with "bid," "tender," and "proposal."
Packaging	The primary wrapping and marking of a product.
Packing	The assembling of a packaged product into multiple units. Prepared for shipment in appropriate cartons or crates with all necessary blocking, bracing, cushioning, weatherproofing, reinforcement, and markings.
Pay voucher	A document authorizing disbursement of cash to cover a liability.
Performance indicator	Measures and evaluates success against a specific goal.
Phase	A natural division of the ten elements of the supply process into three sequential parts: program planning, procurement process, and contract performance.
Preshipment inspection	An inspection of manufactured goods ready for shipment undertaken by an internationally recognized inspection agency (such as Societe Generale de Surveillance).
Price	What the seller asks for an item.
Private procurement agent	Undertakes a procurement process on behalf of a procuring entity using competitive bidding procedures and may or may not select the winning bid.
Procurement option	Approach to procurement: Direct or indirect, and several subdivisions of each are differentiated by who contracts with the original manufacturer (or its representative).
Procurement requisition	A document describing what is to be purchased and giving authority to do so.
Procurement unit	Individuals organized around procurement duties within a larger entity.
Purchase order	A commercial document issued by a buyer (purchaser) to a seller indicating the type,

	quantities, and agreed prices for products or services the seller will provide to the buyer. Purchase orders usually specify additional conditions such as terms of payment, INCOTERMS for liability and freight responsibility, any inspection or testing procedures that may be required, and required delivery date.
Quality assurance	See Supplementary Topics, Section H: Product Quality Assurance.
RH	Reproductive health: A state of complete physical, mental, and social well-being—not merely the absence of disease or infirmity—in all matters relating to the functions and processes of the reproductive system. Reproductive health implies that people are able to have a satisfying and safe sex life and that they have the capability to reproduce and the freedom to decide if, when, and how often to do so; implicit in this last condition is the right of men and women to be informed and to have access to safe, effective, affordable, and acceptable methods of family planning of their choice, as well as other methods of their choice, for regulation of fertility.
Shipping term	Generally an INCOTERM.
Specification	A definitive description of the commodity to be procured.
Standard	Establishes the minimum level of performance and safety requirements for the product, and generally specifies methods of use when carrying out basic tests for quality verification. Standards are traditionally developed and published by international and national regulatory authorities or standards bodies.
Supplier	The party that transfers goods out of its own control to a named recipient.
Supply	Goods and services of a specific kind that are provided to businesses, public agencies, or directly to consumers.
UNAIDS	Joint United Nations Programme on HIV/AIDS: Brings together the efforts and resources of ten

	United Nations system organizations in the AIDS response to help the world prevent new HIV infections, care for people living with HIV, and mitigate the impact of the epidemic.
UNFPA	United Nations Population Fund: A semiautonomous United Nations agency working to ensure universal access to reproductive health, including family planning and sexual health, to all couples and individuals. Operates a global procurement service for public-sector purchasers of contraceptives and related products.
UNICEF	United Nations Children's Fund: A United Nations agency working for sustainable human development to ensure the survival, protection, and development of children. Operates a global supply service that contracts with manufacturers for large quantities of vaccine and other products which it then supplies in smaller quantities to individual clients in the public sector on a reimbursable, but not-for-profit basis.
United Nations	An international organization founded in 1945 after the Second World War by 51 countries committed to maintaining international peace and security; developing friendly relations among nations; and promoting social progress, better living standards, and human rights.
USAID	United States Agency for International Development: An independent federal government agency that receives overall foreign policy guidance from the Secretary of State. Its work supports long-term and equitable economic growth and advances United States foreign policy objectives by supporting economic growth, agriculture, and trade; global health; and democracy, conflict prevention, and humanitarian assistance.
USAID | DELIVER PROJECT	A United States Agency for International Development-funded project that strengthens supply systems for essential health commodities and works to ensure their sustainability.

Use tax	A tax levied by governments on goods purchased elsewhere. Generally paid by the purchaser.
Value added tax	A tax levied by governments on values added resulting from an exchange of property; for example, from wholesale value to retail value. Generally paid by the seller (but passed along to the customer via sale price).
WHO	World Health Organization: The directing and coordinating authority for health within the United Nations system.
WHO prequalification	Included on the WHO list of prequalified medicines. WHO assesses quality, efficacy, and safety of specific medicines from specific manufacturers and accepts or rejects for inclusion on its list. For more information, see Supplementary Topics, Section E: Prequalification.
World Bank	The World Bank Group offers loans, advice, and an array of customized resources to more than 100 developing countries and countries in transition.