

Azerbaijan: Dramatic Savings from a Change in Procurement

KEY POINTS

- * After a careful and comprehensive review of pros and cons, Azerbaijan's government moved from direct procurement of vaccines to delegating procurement to UNICEF Supply Division in 2014.
- * The country's spending on vaccines fell from US\$3.3 million in 2013 to about US\$1.3 million in 2014. The money saved went toward cold chain equipment upgrades, immunization of health care workers against hepatitis B, and immunization of adolescents against measles-rubella in 2014.
- * Procurement from UNICEF Supply Division has ensured vaccine quality and steady supply.
- * Challenges in the switchover included reconciling prepayment of vaccines with national procurement regulations. This was achieved by ensuring that payment and receipt of vaccines would occur in the same fiscal year.

AZERBAIJAN HAS a high-performing immunization program, with diphtheria-tetanus-pertussis (DTP3) coverage reaching 96% in 2015, according to World Health Organization / UNICEF estimates. As of 2016, the country was well on its way to transitioning from Gavi support. As part of this process, it is scaling up its co-financing of Gavi-supported vaccines.

The government previously procured almost all vaccines directly. After carefully weighing this approach against the use of UNICEF Supply Division, it switched procurement of all vaccines to the UN agency in 2014. This brief reviews the factors behind the change and the impact on vaccine expenditures, supply, and quality. It also discusses how the government reconciled UNICEF Supply Division requirements for prepayment of vaccines with government procurement regulations. (See Briefs 11 and 12.)

PROCUREMENT CHALLENGES PRE-2014

Responsibility for vaccine procurement in Azerbaijan lies with the Ministry of Health's Innovation and Supply Center. Through 2013, procurement was done directly, but the Ministry of Health had concerns about pricing, quality, and compliance with cold chain requirements during delivery to Azerbaijan.

Health officials also viewed requirements for local registration of products, as well as Azerbaijan's relatively small market size, as hindrances to getting more vaccine manufacturers interested in supplying Azerbaijan. For all of these reasons, the government began considering a switch to UNICEF Supply Division for vaccine procurement as it began the process of transitioning from Gavi support.

CHALLENGES OF MOVING TO UNICEF SUPPLY DIVISION

In considering the switch, the government needed to determine whether it could harmonize its own procurement regulations with UNICEF's technical rules and processes governing payment and delivery of vaccines. UNICEF requires prepayment before delivery of vaccines to countries. The Ministry of Health determined that UNICEF's requirements would be consistent with government regulations as long as the prepayment and the delivery of vaccines to Azerbaijan occurred in the same fiscal year. To accomplish this and also ensure steady vaccine supplies, the Ministry of Health and UNICEF agreed to work together to forecast vaccine requirements at the end of each year for the following year. Once the actual budget is released by Azerbaijan's Ministry of Finance the following year, the government pays UNICEF and the vaccines are delivered in the same year.

BENEFITS OF MOVING TO UNICEF SUPPLY DIVISION

Since 2014, all vaccines in Azerbaijan's national schedule have been procured by the Ministry of Health through UNICEF Supply Division. Government officials report several advantages to date:

- **Better prices.** The price per dose has been considerably lower than with direct procurement.
- **Guaranteed quality.** All vaccines procured by UNICEF are prequalified by WHO, guaranteeing their quality. Previously, not all vaccines procured were WHO-prequalified.
- **Steady supply.** Health officials report no disruption in supply or stock-outs since the switch.
- **Transparency.** UNICEF Supply Division is seen by the government as a respected organization with clear procedures.
- **Cold chain compliance.** The government trusts UNICEF's requirements for cold chain compliance during delivery.
- **Flexibility.** UNICEF requires payment of a 10% buffer for market and exchange rate fluctuations. If these funds are not used, they can be reprogrammed or returned to the country. Azerbaijan's government requested that it reprogram those funds for other national needs, such as the purchase of vitamin A and additional doses of pneumococcal vaccine.

COST SAVINGS

Savings from the procurement switch were immediate and dramatic. In 2013, the last year before the switch, the country spent US\$3.3 million on vaccines. In 2014, it spent about US\$1.3 million. This US\$2 million in savings was reinvested in the immunization program and used to buy vaccines to immunize health workers against hepatitis B, immunize adolescents with the measles-rubella vaccine, and upgrade cold chain equipment.

Given all the positive outcomes to date, government officials have concluded that UNICEF Supply Division is the best procurement option for Azerbaijan's immunization program over at least the medium term.