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West Africa Reproductive Health Commodity Security

Study Phase 1
Task Report: 1

Review of Pooled Procurement



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Review of Pooled Procurement

Hany Abdallah



DELIVER

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Acronyms

ACAME	African Association of Central Medical Stores for Generic Essential Drugs
ARV	antiretroviral
CCP	Country Coordinated Proposals
CFA	currency used in 12 Francophone, West African countries
CIP	carriage and insurance paid to
CMS	Central Medical Stores
DOTS	directly observed treatment short-course
DPT	diphtheria, pertussis, tetanus
ECDS	Eastern Caribbean Drug Service
EDL	essential drug list
FP	family planning
GAVI	Global Alliance for Vaccines and Immunization
GCC	Gulf Cooperation Council
GDP	gross domestic product
Hib	(Haemophilus influenza type b conjugate vaccine)
IAPSO	Inter-Agency Procurement Services Office
ICCC	National Inter-agency Coordinating Committee
MOH	Ministry of Health
MOU	memorandum of understanding
MSH	Management Sciences for Health
NGO	nongovernmental organization
OECS	Organization of Eastern Caribbean States
PAHO	Pan American Health Organization
PAHO RDF	Pan American Health Organization Revolving Drug Fund
PMTCT	preventing mother-to-child transmission
PPM	Pharmacie Populaire du Mali
QA	quality assurance
RFP	request for proposal
RFQ	request for quote
RH	reproductive health
SEAM	Strategies for Enhancing Access to Medicines
STG	standard treatment guidelines
SWAp	sector wide approach
TB	tuberculosis
TRC	Technical Review Committee
UEMOA	Union Économique et Monétaire Ouest Africaine
WHO	World Health Organization

Rationale for Pooled Procurement

The rationale and the advantages for participating in pooled procurement are from the perspective of both the procurer and the supplier.

From the Buyer's Perspective ¹

- An opportunity to leverage monopsony power of buyers (a market in which the product or services of several sellers is sought by one buyer) to achieve cost savings; and increasing financial resources for drug supply, particularly where high prices (and low volumes) are barriers for accessing and ensuring a supply of medicines.
- More than volume-driven low prices reasons were cited as reasons for making pooled procurement attractive: quality assurance, standardization of essential drug lists and treatment protocols (e.g., minimize resistance), and harmonization of drug registration.
- Efficiency in acquisition (administrative) costs.

From the Supplier's Perspective ²

- A single client for a global product.
- Participation in a high-profile partnership, e.g., for tuberculosis (TB) procurement under the Global Drug Fund..
- Potential to capture other drug and supplies markets.
- Potential facilitation of drug registration in multiple countries.

Other

- Funding and financial reasons versus for cost reasons only. Pooled procurement provides a pooled financing mechanism for third-party funders (e.g., partners under the Global Drug Fund), and enables them to—
 - a. centralize their global funding mechanisms, and minimize their administrative burden of having to manage individual country procurements
 - b. promote a common agenda of which drug procurement is one part (as with TB and the GDF³)
 - c. initiate a mechanism that leverages monopsony buying power to develop a financing system that can become self-sustaining (example of the West Africa Health Organization [WAHO] HIV/AIDS commodity procurement strategy, although this is still in pilot phase).
- Potential increase in local production due to a greater scope of supply.

¹ (Onyango 2003) SEAM 2003 Conference themes

² (Gupta et al. 2001)

³ (McKinsey & Co. 2003)

Options and Models for Pooled Procurement

Options of Pooled Procurement

- *Mechanisms for pooled procurement.* Management Sciences for Health (MSH), with funding from the Rockefeller Foundation, completed a report on pooled procurement related to procurement of HIV/AIDS in sub-Saharan countries. The study is a useful framework for conceptualizing options for pooled procurement.

These options can be viewed as stages of development for a pooled procurement mechanism (pooled procurement in the literal sense), and/or can provide a common definition for what is envisioned as a procurement strategy that involves multiple, otherwise independent, stakeholders (see table 1).

Table 1. Summary Description of Pooled Procurement Options

Option	Description
Informed Buying	<ul style="list-style-type: none"> • Member countries share information about prices and suppliers. • Countries conduct procurement individually.
Coordinated Informed Buying	<ul style="list-style-type: none"> • Member countries undertake joint market research, share supplier performance information, and monitor prices. • Countries conduct procurement individually.
Group Contracting	<ul style="list-style-type: none"> • Member countries jointly negotiate prices and select suppliers. • Member countries agree to purchase from selected suppliers. • Countries conduct purchasing individually.
Central Contracting	<ul style="list-style-type: none"> • Member countries jointly conduct tenders and awards contracts through an organization that acts on their behalf. • Central buying unit manages the purchase on behalf of countries.

Source: Onyango 2003

- With advances in information and communication technology, options for implementing informed buying strategies are becoming sophisticated. Options vary based on the type of information that is shared (for the benefit of the buyer versus the supplier) and whether the technology enables suppliers to use the technology to respond to bids. Annex A outlines four e-procurement options that are feasible under a pooled (or non-pooled) procurement scenario, including potential advantages and disadvantages of each option. See table 2.

Table 2. E-options for a Pooled Procurement

e-Option	General Description	Example
Online Shopping/Catalogue	<ul style="list-style-type: none"> Region/country visits site and <ol style="list-style-type: none"> 1. Buys from online catalogue (see http://www.medassets.com/whatworks.asp) with set prices. or 2. Orders through third party—no set price. 	<ul style="list-style-type: none"> UNICEF online procurement system GSA Advantage!, the online procurement source for the U.S. Federal Government
Auction/Bid	<ul style="list-style-type: none"> Manufacturers put out notice for their commodities and the country/region bids online. No set price. 	<ul style="list-style-type: none"> The GSAAuctions.gov site of U.S. government www.ebay.com
e-Tendering Systems/Reverse Bidding	<ul style="list-style-type: none"> Countries using regional site or in a region (pool) put out a request for proposal (RFP) and manufacturers bid. No set price. 	<ul style="list-style-type: none"> FedBizOps E-buy, component of General Services Administration of government
Marketplace/third party	<ul style="list-style-type: none"> System at the hub with buying and selling organizations trading with each other through the common marketplace. No set price. 	<ul style="list-style-type: none"> RHeXchange Liquidation.com

- The MSH study and the Rockefeller Foundation also identified requirements for implementing the four major pooled procurement options. These requirements are summarized in table 3.

Table 3. Critical Requirements for Pooled Procurement Options

	Informed Buying	Coordinated Informed Buying	Group Contracting	Central Contracting
• Legal/policy mechanism for information sharing	✓	✓		
• In-country capacity to computerize/standardize supplier and price information	✓	✓		
• Adequate in-country quality assurance (QA) capacity			✓	✓
• Legal/policy mechanism for jointly negotiating (outsourcing negotiation) of prices and selection of suppliers			✓	✓
• Reliable quantification of national commodity needs			✓	✓
• Similarity of drug registration policies and procedures			✓	✓
• Similarity of procurement policies and procedures			✓	✓
• Evidence of reliable payment or suppliers by countries			✓	✓

(continued)

	Informed Buying	Coordinated Informed Buying	Group Contracting	Central Contracting
• Convertible currencies among participating countries			✓	✓
• Common language ¹			✓	✓
• Existence of similar essential drug lists and standard treatment guidelines ²			✓	✓
• Political will and financial commitment				✓
<p>Note:</p> <p>1. Study found that having a common language between countries is a potential critical condition for group and central contracting options. While the absence of a common language makes coordination difficult, the team found the factor to be less critical than, for example, the issue of a common currency (or convertible currency) and general differences in the procurement approaches and structures found in Francophone versus Anglophone countries in West Africa. A common language can be considered a proxy for these factors.</p> <p>2. Based on the review of models, the team saw this to be a critical factor from the point of view that any procurement (pooled or non-pooled) of a commodity using public funds would be facilitated by including that commodity on the national essential drug list (EDL), and, therefore, part of standard treatment guidelines (STGs). From the point of view of what would make a pooled procurement system successful, having an agreed-upon list of commodities that countries agree to sole source through a pooled procurement mechanism was found to be critical. This list needs to be part of the countries' EDLs. In other words, the ability to obtain lower prices (the main measure of success of pooled procurement) is facilitated if EDLs or STGs are similar, but is not necessarily hindered if they are not. In some sense, the lesson is that pooled procurement helps standardize the EDLs and STGs, which are, of course, also positive and desirable from a public health perspective.</p>				

Source: Onyango 2003. Team Analysis.

- *Pooled financing mechanisms.* In an environment of *globalized* health actions (e.g., to stop TB or fight HIV/AIDS) and declining funding for health (particularly the case for family planning/reproductive health [FP/RH] activities), strategies for financing healthcare have turned to pooling of available resources. This strategy is being adopted within countries, moving to the sector wide approach (SWAp) for funding of public services, as well as globally by international donors, funders, and health partners. While some of the global funding mechanisms like the Global Drug Fund were established in large part for buyer leverage, they give their stakeholders a procurement advantage, which is not the only benefit derived from pooling. The study showed it is worthwhile to review models of pooled funding options for their particular relevance to long-term funding and financing of FP/RH commodities and programs. These organizations involve several independent parties and stakeholders that fund a sizable share of essential commodity costs in countries of interest (i.e., are not just procurement agents). They have often been successful in obtaining lower prices for the commodities they fund.

Real-life Models and Examples of Pooled Procurement and Funding

The study reviewed actual experiences of pooled procurement/funding that are currently active or were active for a period of time. Annex A provides more detail on these models, described along the following parameters: *Background and General Description, Organizational Structure,*⁴ *Forecasting, Procurement, Financing, and Distribution.* The latter four parameters are considered tenets for ensuring commodity security.

- This section reviews several models of experiences with pooled procurement, focusing on models that currently exist. See table 4.

⁴ A generic model for pooled procurement includes several definitions of following (SEA/R 52/6, 1999): (1) objectives of pooled procurement, (2) policy framework, (3) administrative infrastructure, (4) responsibilities and functions of office-bearers, (5) tendering system, (6) financial management, and (7) legal provisions in case of dispute.

Table 4. Summary of Real-life Contracting Pooled Procurement and Pooled Funding Examples

	ECDS	PAHO Vaccines RDF	ACAME	GCC	GAVI	GDF (TB)	Global ATM
Category	Central contracting	Central contracting	Group contracting	Group contracting	Pooled funding—Central contracting	Pooled funding—Central contracting	Pooled funding
No. of Commodities ⁵	59 in first cycle; 420 more recently	11	5 (under pilot test)	32 in beginning; 1,127 in 2001	(Under-used) vaccines	First-line TB drugs ⁶	—
No. of Countries or Members	9 countries	24 countries initially, 35 in 2002	3 countries participated in pilot test; 12 attend meetings	6	<ul style="list-style-type: none"> • 13 countries supported first year • 60 in 2002 	Stop TB Partnership 46 orgs. funded (2004)	Various (93 countries supported in first and second round)
Cost Saving	Up to 52% over unit cost (15–88% per country tender).	Up to 80% of price of vaccine	7 %–27% over unit price (pilot test only)	30% over unit price	n/a	30% for treatment course	—
Financing of Procurements	<ul style="list-style-type: none"> • Initial cash contribution of 1/3 of each country pharmaceutical budget. • Eastern Caribbean Central Bank pays suppliers directly and is reimbursed by countries upon delivery of products. 	<ul style="list-style-type: none"> • \$1 million initial capitalization, plus donations since • Countries reimburse Pan American Health Organization (PAHO) RDF after they receive commodities. • 3% service charge collection in excess of \$100,000 is capitalized to procurement fund 	Each country has contract with supplier (under pilot)	By individual country	<ul style="list-style-type: none"> • Donations, fund raising, with most from Bill & Melinda Gates Foundation • \$ 1.1 billion by 2002 	<ul style="list-style-type: none"> • \$10 million initial funding from Canadian IDA • Funding raising from Stop TB partnership 	<ul style="list-style-type: none"> • Donations from countries, foundations, individuals; \$1.5 billion in first and second round
Financing of Mechanism	15% admin fee	3% service charge, donations	<ul style="list-style-type: none"> • Membership fees from members, currently 500,000 CF (about \$900) • \$4,000 initial grant from World Health Organization (WHO) • Minimal, partial support from UEOMOA for defraying meeting costs meeting • Tendering fee of 100,000 CFA (pilot) 	n/a	<ul style="list-style-type: none"> • Fund raising, donations • Longer term financing options being considered (e.g., put options, securitization, IDA loan buy-down) 	<ul style="list-style-type: none"> • Funding raising from Stop TB partnership • WHO provides office and support • UNDP Inter-Agency Procurement Services Office (IAPSO) for procurement. 	<ul style="list-style-type: none"> • Same as above.

⁵ See annex for information on types of drugs.

⁶ Considering the addition of diagnostics materials, and 2nd line TB drugs.

Key Factors for the Success of Pooled Procurement Models

In addition to the conditions for success pooled procurement outlined in table 2, the following factors for success in pooled procurement could be drawn from the review of pooled procurement models:

- Pooled procurement participants must demonstrate a *willingness to sole source* a portion (ECDS) or all (Saudi Arabia in GCC) of their pharmaceutical needs to the pooled procurement mechanism. This guarantees a demand and financial base for fully leveraging the buyer power advantage inherent to pooled procurement.
- *Pre-qualification of suppliers* appears to offer several benefits to the success of pooled procurement: (1) it facilitates the implementation of a pooled procurement mechanism by streamlining the tendering and bid review process to a short list of manufacturers that meet key criteria (e.g., quality, availability of capacity, favorable price structures, reliability, etc.); (2) it enhances the transparency of the procurement process and each tendering event; and (3) it triggers competition between supplier trying to meet the conditions of the key criteria.
- Linked to the list above, strong quality assurance qualification and control procedures are also perceived as a prerequisite for entering into a pooled procurement arrangement.
- *Formal agreements*, often with the backing of political commitments, are critical, and are a limiting factor to pooled procurement success when they are absent (as in the case of African Association of Central Medical Stores [CMS] for Generic Essential Drugs [ACAME]. Agreements especially cover the terms and procedures for tendering of procurement bids, as well as procedures that govern commitment to use pooled procurement mechanism, and handle terms of payments and instance of default on payments (see Pan American Health Organization Revolving Drug Fund [PAHO RDF]).
- Existence of a *Permanent Secretariat* seems to be an important element in pooled procurement stability. The structure typically includes one or two representatives from the pharmaceutical sector of member countries (ECDS, GCC). This can exist with rotating chairmanship (ECDS). (The now defunct Maghreb Commission did not, for example, have a permanent secretariat but, instead, the Directorate of Drugs and Pharmacy of the host country provided the function.) The *equivalent* structure in the pooled funding mechanisms can be considered to be the Secretariat of the Global Alliance for Vaccines and Immunization (GAVI), and the Technical Review Committee (TRC) of the Global Drug Facility (composed of independent experts).

The Organization of Eastern Caribbean States (OECS) can also be considered a case study on *how to overcome diversity* in language, history, etc. A key ingredient was the political commitment of member ministries and countries.

- *Considerations of the cost of transport to each country* should be used to guide terms of pooled procurement negotiations. High transport costs to ECDS member countries justified CIP air/sea quotes, though CIF pricing was considered a factor that diminished the attractiveness of pooled procurement for port (versus in-land) countries under the ACAME scheme.
- *Financing of pooled procurement mechanism should not be forgotten*, in addition to guaranteeing the financing of individual procurements (as determined in table 2). The appropriate level of financing (i.e., service fee) is to be determined, based on whether external funding sources are available to cover the costs (e.g., as is the case of PAHO and the pooled funding mechanisms). The relatively high 15 percent fee under the ECDS also covers currency management costs. Fees under the ACAME pilot test were not sufficient. Whether the financing is sufficient to set up a revolving drug fund (as with PAHO) also needs to be assessed; initial capitalization is critical in this case.

- *Related to financing*, it is also helpful to examine the existence of a banking/financial management system to handle the flow of funds through a pooled procurement mechanism. The Eastern Caribbean Central Bank, for instance, played this critical financial management role for the ECDS; at another level, GAVI is looking into creative longer-term financial management tools to increase the sustainability of the system (to ensure not only vaccine production in the future but also to secure demand and supply).
- A *stage-by-stage strategy* should be envisioned for developing a pooled procurement mechanism. While timelines for establishing pooled procurement or pooled funding (in particular the Global Drug Facility for TB) have varied between models, each has evolved incrementally, either beginning with a short list of commodities and expanding that list or beginning with a small group of members and including others later (see table 3).
- The *need for leadership should not be underestimated*. The existence of dynamic leadership, for instance, was credited with the relative speed of development of the Global Drug Facility and the success it has had in advancing its mission. Leadership was also considered a strong element of the success of the ECDS, based on an understanding of the reality/challenges of operating in the regional environment and an ability to manage that reality.

Lessons Learned for Contraceptive and Reproductive Health Commodities and West Africa

- With the possibilities available from information technology, various models for *informed buying* are available to a West Africa regional procurement system.
- Contraceptives are good candidates for pooled procurement: drugs that have been considered under pooled procurement are high-cost drugs. In the case of contraceptives, demand is also expected to grow because of the projected increase in contraceptive prevalence rates and its link to poverty reduction goals of the countries in the region. All these constitute a compelling argument for making access (low cost procurement) a priority. Also see *Pricing Analysis*.
- With the region likely to continue to rely on external funding, a global procurement mechanism *modeled after the Global TB Drug Facility*, for instance, may be strategically desirable. The model would provide a mechanism for efficient procurement (securing the lowest possible costs for contraceptives, particularly), as well as for continued fund raising/strategic partnership.
- Reinforcing the requirement highlighted in table 2, a chronic challenge to pooled procurement is going to be the capacity to carry out *reliable and complete forecasts* of commodities. This is a challenge for pooled funding mechanism such as the Global Drug Facility for TB as it is for longer-standing pooled procurement models, such as the ECDS and PAHO RDF. Any effort to deal with this challenge for FP or RH commodities would improve the pooled procurement endeavor.
- Potential constraints to pooled procurement in the region cited during interviews with procurement agents operating in the region⁷ include—
 - *Registration of products* because each product must be registered in individual countries unless the region *agrees on standard product registration*.
 - *Political will* for the idea may be a challenge to obtain, given the differences between countries in the region (although the momentum for *regionalization* triggered by efforts of ECOWAS for the benefit of trade and development) may provide a conducive context.

⁷ Crown Agents, Charles Kendall, UNFPA.

- *Financing* constraints (dependence on partners for contraceptives, funders also have their own specifications for programs or countries).
- Lack of clear *strategy compared to local manufacturers*. Also, strong, long-standing relationships exist mainly in Francophone countries between central procurement units and European-based manufacturers; should anticipate a strategy for handling these.
- *Product differentiation* (countries want their own branding, including language specification): this would probably reduce volume benefit by making it difficult for manufacturers to do continuous production runs.
- The impact of *differences in the procurement structures* of countries (particularly between Francophone and Anglophone countries) needs to be assessed further.

Country Assessment Findings Related to Pooled Procurement

Desirability of Pooled Procurement

Two assessments were carried out in Ghana and Burkina Faso in order to explore the desirability of pooled procurement for countries. Table 5 highlights the feedback of key informants.

Table 5. Desirability of Pooled Procurement in Ghana and Burkina Faso

Ghana	Burkina Faso
<ul style="list-style-type: none"> • Most officials found the concept worthy of pursuing if it helps lower prices from those currently obtained through the Ministry's procurement mechanism. Hence, cost-reduction was the most attractive benefit for almost all interviewees. • Quality of products and the dependability of the procurement mechanisms were considered to be non-negotiable benefits and, therefore, must equal, if not improve on current systems before considering the pooled procurement. • At the political level, interviews with the Minister of Health and also with other officials at the health sector demonstrated very high commitment and the desire to move along sub-regional cooperation to the benefit of health care across the member nations. Ghana's commitment to sub-regional cooperation is further demonstrated by the creation of a Ministry of Regional Cooperation and the appointment of a Cabinet-level Minister. 	<ul style="list-style-type: none"> • All are in favor of the concept of regional pooled procurement of commodities, pool financing, and regional training center for logistics. Interest stems from the potential benefits that can be derived from pooled procurement, which include ensuring the steady supply of commodities as a prime factor, lower costs, and quality assurance of the products. • The idea of a regional distribution center, on the other hand, was seen as counter-productive. The cost involved in setting up and maintaining a regional warehouse, staff salaries, distribution cost from the regional warehouse to the various countries, etc., would reduce the savings obtained through increased purchase volume. It was suggested that distribution should be from manufacturers directly to the various countries, • A regional structure or consultants and an established procurement organization should be contracted for procurement and logistic information management. The need for a regional quality control laboratory was expressed to guarantee that the products that arrived in the countries were still of good quality.

- *Regarding lower cost:* Both Burkina Faso and Ghana expressed uncertainty in the ability of a pooled procurement to yield lower prices of high-demand commodities below the figures that CAMEG and the Ghana Central Medical Stores (CMSs) were already getting. The suggestion was to use pooled procurement for *products that are in low demand, such as contraceptives*. CAMEG is interested in the feasibility study, hoping that its outcome will help make a decision on whether or not to adopt pooled procurement for the region.
- Both countries cited some potential limitations to the idea of pooled procurement, including—
 - *conflicts* within countries in the region
 - *custom laws* inhibiting the free movement of goods
 - *no harmonization of product lists* and quality issues across the sub-region
 - differences in the *drug management systems* in the region (Anglophone-Francophone divide in the sub-region)
 - need to coordinate product *selection and registration* at the sub-regional level, as well as harmonize regional standards in product labeling

- lack of *credibility* among member countries.

In Burkina Faso, reservations were expressed about the commitments of other countries. CAMEG expressed the fear of losing credibility with suppliers as a group in the case of financial default of one member. Today, as individual countries, they have high credibility with suppliers.

Readiness for Pooled Procurement and/or Potential Challenges

Both countries cited the following:

- Presently, no policy or regulatory constraints exists that might limit participation in a regional pooled procurement mechanism.
- All the RH products found on the study list are approved for use in the country and are found on the essential drug list (except for female condoms in Burkina Faso, which is still in the process of getting them included on the list).

Burkina Faso

- Expressed a willingness to harmonize drug standards with other countries. Discussions are taking place between member countries, with the ultimate goal of adopting (1) common registration requirements so the registration of a drug in one country is valid in other member countries, (2) common essential drug lists, and (3) common treatment guidelines for diseases.
- Thought there was also enough manpower with appropriate skills at the central level to carry out forecasting of needs at the district levels. Despite training, there is no established maximum and minimum level of stock to guide the ordering and forecasting process. For logistic capacity, a fair amount of effort should be devoted to forecasting of contraceptives and collecting consumption data to guide forecasting. A good supervision system should be put in place to provide support for the management information system and logistics management as a whole. Without good logistics management, including forecasting, it is difficult to ensure commodity security and to participate effectively in pooled procurement.
- There is unanimity in suggesting the African Development Bank as a credible and reliable institution to manage the funds.

Ghana

- National ability to forecast drug requirements at the central level is weak, evidenced by the fact that supplemental shopping is done several times at the national level each year to augment needs at the CMSs. Local purchases occur both at the health facility level and the national level. The frequent local purchases have been a concern in recent procurement audits and it is said to undermine the gains made through competitive international purchases. The procurement unit reports that these frequent purchases resulted from a lack of proper quantification of needs.⁸
- Said that current policies and procedures in procurement and financial management, as well as fiscal policies, would not be an impediment in a pooled procurement mechanism. The annual work planning process, including procurement planning in the Ministry of Health (MOH), as well as the social marketing sector, would support an initiative such as pooled procurement. Because requirements are determined at the beginning of the planning period, these would feed directly into any pooled procurement initiative.

⁸ Access to Medicines: Ghana. SEAM Ghana. July 2003 Draft Report

- The Ministry of Health procurement unit uses a custom-made software to manage its procurements—Tender Evaluation and Order Monitoring System (TEOMS), a Microsoft® Access-based database management software with a front end in SQL Server. This enables tender information to be managed and retrieved in a reasonably expedient manner.

There are a number of procurement organizations in Ghana, including Crown Agents and Charles Kendall. At the time of this assessment, the MOH was in the process of contracting a procurement agent to manage its *large and complex* procurements. It is conceivable that some of these organizations may be able to play a role in a regional procurement initiative.

Experience with Pooled Procurement

Burkina participated in pooled procurement under ACAME.

Burkina Faso suggested that the model being discussed by WAHO, which proposes a regional structure to carry out the procurement process, is desirable. This structure will be charged with collecting the request from the various countries, tendering, pre-selecting, and contracting. The suppliers will then ship the products directly to the various countries. The regional structure will also be occupied with logistics information management. WAHO plans to manage all these processes, including finances. They will be assisted in the procurement process by representatives from the various central warehouses in the different countries of the sub-region. This model also proposes that the countries adopt a common list of drugs to be procured through this mechanism. This list will be made up of reproductive health products, preventing mother-to-child transmission (PMTCT) products, vaccines, antiretrovirals (ARVs), and laboratory products. The list will be drawn up by regional experts, such as experts from the various central medical warehouses. The list will then be forwarded to the ECOWAS health ministers for adoption. WAHO anticipates financing from the World Bank, the Global Fund, and a contribution from ECOWAS member countries indirectly through a mechanism determined by ECOWAS. WAHO counts on the foreign partners to be able to achieve low prices for drugs.

- **Ghana:** The health sector has no direct experience in a pooled procurement mechanism, although at the country level, there are two procurement initiatives that are designed along a pooled procurement system to achieve bulk and reduce per unit costs (Strategies for Enhancing Access to Medicines [SEAM] initiative with mission hospitals sector, and Ghana Social Marketing Foundation with Enterprise Limited, implementing a franchise system for licensed chemical stores). Currently, there is no regional cooperation in terms of procurement, and preliminary enquiry indicated that there were no logistics management organizations with a sub-regional reach operating in the country. The likelihood that there will be an organization capable of storage and distribution functions across the sub-region is low. Therefore, it seems that any regional pooled procurement will require supplier to deliver directly to the recipient countries.
- **Feedback from Mali:** Mali participated in the pooled procurement pilot with ACAME, and was the only participant to actually receive supplies. They think that it may be more realistic to create a mechanism that takes advantage of existing structures less diverse than WAHO, such as *Union Économique et Monétaire Ouest Africaine* (UEMOA), the Francophone economic zone. UEMOA has a health office and has formally contracted with ACAME for the procurement of HIV/AIDS commodities. UEMOA also, apparently, levies a 2.5 percent import tax on all pharmaceutical products to the region. Respondents suggested that this money could be used to fund activities.

Annex A: E-Options for Informed Buying under Pooled Procurement

	Shopping/Catalogue	Auction/Bid	e-Tendering Systems/Reverse Bidding	Marketplace/Third Party
Description	<ul style="list-style-type: none"> Region/country visits site and (1) buy from online catalogue (see http://www.medassets.com/whatworks.asp) with set prices or (2) order through third party—no set price. 	<ul style="list-style-type: none"> Manufacturers put out notice for their commodities and the country/region bids on it. No set price. 	<ul style="list-style-type: none"> Countries using regional site or region (pool) put out RFP and manufacturers bid. No set price. 	<ul style="list-style-type: none"> System at the hub with buying and selling organizations trading with each other through the common marketplace. No set price.
Considerations	<ul style="list-style-type: none"> Requires staff of manufacturer or third party to keep up-to-date pricing information. Catalogue model: procurement/QA capacity within country (non-pooled procurement) or within region (pooled procurement). Need to determine who would manage system. Need for secure site/privacy issues. 	<ul style="list-style-type: none"> Procurement/QA capacity within country (non-pooled procurement) or within region (pooled procurement). Need for secure site/privacy issues. 	<ul style="list-style-type: none"> Region must pre-qualify manufacturers who are allowed to bid on RFP (otherwise, poor quality issues may cause loss of faith in the site). Need to determine who will manage site, how the site is financed (fees). Need for secure site/privacy issues. Orders need to be large enough to be incentive for manufacturer to visit site and bid. 	<ul style="list-style-type: none"> Need to determine where QA/procurement capacity will be housed. Who manages/oversees/funds marketplace? Need for secure site/privacy issues. Pre-qualification.
Example of Model	<ul style="list-style-type: none"> UNICEF https://www.gsaadvantage.gov/ GSA Advantage! is the online procurement source for Federal Government employees with over a million products and services available online from GSA stock or scheduled vendors. 	<ul style="list-style-type: none"> http://gsaauctions.gov/ The GSAAuctions.gov site was developed to complete GSA's transformation to an all-electronic asset management system. The general public can bid electronically on a wide array of Federal assets. The auctions are completely web-enabled, allowing all registered participants to bid on a single item or multiple items (lots) within specified timeframes. www.ebay.com 	<ul style="list-style-type: none"> FedBizOps E-buy https://www.gsaadvantage.gov/ (component of GSA Advantage!, an electronic request for quote (RFQ) system enables Federal buyers to prepare RFQs, directly on-line, for a wide-range of services and products). 	<ul style="list-style-type: none"> RHeXchange http://www.liquidation.com/index.html

(continued)

	Shopping/Catalogue	Auction/Bid	e-Tendering Systems/Reverse Bidding	Marketplace/Third Party
Advantages	<ul style="list-style-type: none"> • Buyer uses internet to improve efficiency of normal procurement process. • Third party provides procurement/ quality assurance. • Third party model: risk of manufacturer-related delays minimized as countries have entered into a contract with a third party, not the manufacturer directly (i.e., with the right contract, the third party will be held liable for delays, and fees will be accrued associated with delays). • From buyer perspective, mgmt/operating costs assumed by supplier/third party • From manufacturer/third party perspective, have system/function control. 	<ul style="list-style-type: none"> • Site can generate email notification to reduce need for buyer to search many sites. • For suppliers, may be optimal in terms of control, cost, maintenance, and functionality. • From buyer perspective, mgmt/operating costs assumed by supplier/third party. 	<ul style="list-style-type: none"> • Reduces paperwork. • Manufacturers' privacy still maintained (price information not disclosed to general public), so manufacturers' more likely to participate. • Greater consistency in the way requests for proposals are issued by separate countries (in non-pooled procurement scenario). • Buyer has control. • Solution can be highly customized to meet the buying organization's needs. • Tend to offer the most procurement functionality to buyers. • Leads to fast and easy product search and selection. • Give buyers access to multiple suppliers offerings for price comparisons. • For suppliers, the costs of participating is usually low, with no transaction fees and require little investment from supplier to participate (unless pre-qualification is required). 	<ul style="list-style-type: none"> • Allows extended trading between many organizations (both buyers and sellers). • Good for organizations that are large purchasers as well as sellers. • Buyers/sellers/ third party apt to share costs. • Most responsive to all stakeholders.
Disadvantages	<ul style="list-style-type: none"> • With third party model, using "E" only to communicate order/for information. Not for transaction/procurement. • Information gap potential because third party dealing with manufacturer. • For catalogue model, buyer must search and compare multiple sites and buyer is responsible for QA/procurement. • Catalogue model: less safeguard/protection from risk of manufacturer-related delays/quality issues. • Less control for buyers → less apt to meet their needs. • Operational cost assumed by manufacturer/third party. 	<ul style="list-style-type: none"> • Suppliers' sites provide limited support for the buyers' purchasing process (typically only the ability to browse catalogue and place orders). • Support for pre-arranged contracts may be limited. • Buyers must access each supplying organization's system individually. • Buyers must know where to find sites. • Buyer privacy issues. • Higher system maintenance costs for the manufacturer. • Issues concerning uniform currency of data, stock availability, etc. • Has to be initiated by manufacturer. • Manufacturer must have incentive for this model/orders; must be large enough to win bid. 	<ul style="list-style-type: none"> • Not true e-procurement—moves the same procurement process onto the web. • Risk of delays/quality assurance/safeguards. • Management/operation costs assumed by buyer. 	<ul style="list-style-type: none"> • Limited ability for buyers and sellers to determine business rules. • Highest on-going costs (subscriptions, maintenance and/or transaction fees). • Subscription. Requirements limit use. • Less safeguards for manufacturer. Delays/QA.

Annex B: Description of Pooled Procurement Models

E-Procurement Initiatives

1. UNICEF
2. FedBiz Opps
3. RHeXchange, Supply Initiative

Procurement Initiatives

4. Eastern Caribbean Drug Service
5. PAHO Revolving Fund for Vaccines
6. African Association of Central Medical Stores for Generic Essential Drugs, ACAME (Declaration of Intention)
7. Maghreb Commission for Bulk Purchasing (Proposal)
8. Gulf Cooperative Council
9. WHO So. East Asia

Pooled Funding Initiatives

10. GAVI
11. Global Fund for AIDS, TB and Malaria
12. Global Drug Facility for TB

Others Cited

- FORMED (created in 1987 but discontinued, 6 Central American Countries)
- South Pacific Pharmaceutical Project (1997, Rarotonga Agreement, 4 countries)
- Caribbean Pharmaceutical Service (failed, started 1972)

1. UNICEF's On-line Procurement System⁹

Description	<ul style="list-style-type: none"> • UNICEF— <ul style="list-style-type: none"> • Acts as procurement agent for governments and nongovernmental organization (NGO) partners, purchasing and delivering supplies and equipment on their behalf. • Offers a full array of support (assistance with product specs, procurement, use and end-use monitoring). • Not really e-procurement, in reality, UNICEF uses electronic site to allow third party to request assistance and inform of needs. UNICEF then procures on their behalf. • More like electronic document management.
Forecasting	n/a
Procurement	<ul style="list-style-type: none"> • Evaluates and registers suppliers with which it does business. • Uses competitive pre-qualification process on basis of quality systems/organization, capacity, financial soundness. • Considers appropriate geographical range of suppliers to tender. • Purchases products that comply with recognized technical standards and continuously evaluates suppliers. • Samples of products are approved before contracts are awarded and quality checks can be made before goods are shipped and received.
Financing	<ul style="list-style-type: none"> • After request submitted and eligibility determined, UNICEF provides cost estimate and memorandum of understanding (MOU) (including cost of shipment, insurance and handling fee). Third party accepts costs, MOU and transfers funds to UNICEF account. • After UNICEF has paid all the invoices due to the manufacturers and shippers, etc., third party receives final statement of accounts and any balance. • UNICEF recovers costs through a handling fee. • Six–8% depending on whether items are stocked in UNICEF or not (\$300 minimum). • Ten0% buffer for market and foreign exchange fluctuation is added when non-stock items are purchased (unused balance is returned). • Freight and insurance charged at cost, using UNICEF's contracted freight forwarders (competitive).
Distribution	<ul style="list-style-type: none"> • After UNICEF receives funds, provides delivery schedule. • Freight forwarders deliver goods to the port of entry closest to project site.
Threats to Success	<ul style="list-style-type: none"> • Buyers buy enough and have capacity to go directly to manufacturer, bypassing third party.
Best when...	<ul style="list-style-type: none"> • Country and region want to outsource quality assurance and tendering/procurement. • Buyer knows manufacturer (can get unit price advantage because of volume or schedule).
Lessons for WA Initiative	<ul style="list-style-type: none"> • Determine if WA would (1) buy from online catalogue, (2) outsource procurement/QA (UNICEF model), or (3) establish regional site for procurement/QA and take orders from countries in region. • Same considerations as identified under pooled procurement analysis (financing, distribution, timing, where procurement capacity lies (region/country/third party)).

⁹ Source: <http://www.unicef.org/supply/index>

2. FedBizOpps

Description	<ul style="list-style-type: none"> • Single government point of entry for federal government procurement opportunities over \$25K. • Government buyers publicize business opportunities on FedBizOpps (FBO) via the internet. • Through one portal, commercial vendors can search, monitor, and retrieve opportunities solicited by the entire federal contracting community. • System provides opportunities for vendors to receive email notification of postings relevant to their business.
Forecasting	<ul style="list-style-type: none"> • Done by respective agency.
Procurement	<ul style="list-style-type: none"> • Done by respective agency for review of tender offers. • A data exchange interface between FBO and each buyer agency's electronic procurement system permits all agencies to be included in FedBizOpps.
Financing	<ul style="list-style-type: none"> • By respective agencies. • Agencies pay a fee for every solicitation they post. • Vendors do not pay to register on site or to receive notifications.
Distribution	<ul style="list-style-type: none"> • Multiple buyers want to access same audience of sellers.
Threats to Success	<ul style="list-style-type: none"> • Self-sufficiency: paying to keep FedBizOpps in business may be one of GSA's biggest challenges as the site evolves. Costs about \$4.3 million a year to operate FedBizOpps; currently the site doesn't pay for itself. It has only collected \$650,000 in agency fees in a fiscal year. GSA is considering ways to make the site self-funding. GSA might start charging vendors a small annual fee; probably would not exceed U.S.\$30. (http://www.govexec.com/top200/02top/gsa.htm)
Best when....	<ul style="list-style-type: none"> • Coordination of tendering and bid collection process is challenging (e.g., committee members in different locations), and costs are high relative to costs of managing/monitoring the site, • Suppliers and buyers have access to e-technology,
Lessons for WA Initiative	<ul style="list-style-type: none"> • Procurement/quality assurance considerations. • RFP could be issued to a pre-qualified list of manufacturers (pre-qualifications would require secure site). • Country/region could provide own procurement/quality assurance per each bid. • Country/region could outsource procurement role. • Contract needs to be of a value that will attract competition. • Requires clear/concise statement of requirements. • Initial price proposals are needed. • Selection process—should factor in non-price aspects (expressed as price equivalents (quality/reputation, delivery time, guarantees, etc.). • Needs to be built.

3. RHeXchange, Supply Initiative

<p>Description</p> <ul style="list-style-type: none"> • Hosts supplier catalogues (though not necessarily). • Provides e-transaction capabilities. 	<ul style="list-style-type: none"> • RHeXchange will offer a set of web-based consulting services. Through the Web, members will be able to order products, track the status of their orders, and analyze information about their order patterns. Members will also be able to interact with each other via discussion groups, and learn latest information about reproductive health products and reproductive health product security. Through consulting services, members will be able to obtain customized analyses of their demand, forecasts of their need, estimates of financial requirements, and estimates of unmet need. RHeXchange aims to become the community center for reproductive product security. • RHeXchange will offer access to competitive pricing for high-quality goods, a single point of contact for ordering, information on order status, and accurate demand forecasting.
<p>Forecasting</p>	<ul style="list-style-type: none"> • An even larger, if somewhat less accessible, market for contraceptive commodities are the various host country institutions that are procuring 60–75 percent of these goods. These include MOHs, NGOs, and private providers. These potential clients, especially those in the public sector, have much to gain from the services to be offered by RHeXchange.
<p>Procurement</p>	<p>As stated above.</p>
<p>Financing</p>	<p>To be determined.</p>
<p>Distribution</p>	<p>To be determined.</p>
<p>Threats to success</p>	<ul style="list-style-type: none"> • RHeXchange exists currently only in concept. Adequate support and funding is required for this to work. The concept came as a result of in-country expressions of interest.
<p>Best when...</p>	<ul style="list-style-type: none"> • Standards for quality, access to manufacturers desired. • Community of procurers recognized as value added.
<p>Lessons for WA Initiative</p>	<ul style="list-style-type: none"> • Funding for RHeXchange has been difficult because the plan provided for global access, and to build a tool—actually, a community—rather than changing an existing system. Donor funding of such an endeavor has required proof of concept initiatives, such as the RHInterchange.

4. Eastern Caribbean Drug Service

Description	<ul style="list-style-type: none"> • Pooled procurement of class A and B essential drugs for 9 Ministries of Health. • Established in 1986 with 6 ministries, under RPM (funded by USAID); 3 additional MOHs joined in 1995. • Financially self-sufficient by 1989 based on 15% administrative fee charged to participating governments; operated surplus by 1994, and surplus was invested by the Eastern Caribbean Central Bank (ECCB). • During first procurement cycle, 52% unit cost reduction, 18% in second with competitive bidding (for 59 class A products). Average country saving in first tender ranged from 16% to 88%. • Does not purchase for private sector, which often has need for branded products, symptomatic treatment, and more expensive packaging (also potential administrative cost of supplying multiple small pharmacies).
Organizational Structure	<ul style="list-style-type: none"> • Structure: Policy Board includes MOHs (assisted by Permanent Secretaries), the OECS (Organization of Eastern Caribbean States) Director General, the ECCB Governor and the ECDS Managing Director. Two sub-committees (The Technical Advisory Committee and Tenders Sub-committee) report to Policy Board. Supplies Officers of each MOH constitute the Tenders Sub-Committee. Policy Board and sub-committees meet at least annually and the chair rotates.
Forecasting	<ul style="list-style-type: none"> • Each country does its own forecasting and typically may begin more than 9 months before the contracts are awarded. • An area of chronic problem for ECDS; e.g., in 1994, a routine review showed that ECDS purchased 75% of the regional estimates, while actual purchases for individual line items ranged from 25% to 150% of original forecasts. • Factors include inadequate stock control at country level, sudden changes in prescribing patterns, marketing of new products by suppliers, partial shipments from previous tender cycles, extended lead time and formulary changes. • Multiple negative consequences: understocking or overstocking, reducing supplier confidence in submitting tender offers since amounts may vary under actual contract. • Also meant that ECDS had difficulty guaranteeing supplies with multiple countries participating, meaning that opportunity to maximize cost saving are not fully leveraged.
Procurement	<ul style="list-style-type: none"> • Eighty-five percent of public sector purchases are procured through ECDS. • Tenders subcommittee selects drug items to be included in the Regional Formulary and Therapeutics Manual. In the first year, no manual existed. Not all items on the formulary are tendered though items listed for pooled procurement represent class A or B items (large volumes with large demand in each country). Items like anti-cancer drugs (low use, erratic demand), and biological products or vaccines (that can be obtained at low-cost through PAHO EPI) are excluded from the list. • Pooled procurement required that choices be standardized for items on the tender list, including specific drug products, pack sizes, dosage forms, and strength. Generic bidding and therapeutic alternative bidding. Process for standardizing these elements took varying amounts of time and effort. • Restricted tenders (through screening and pre-qualifying of suppliers) used to ensure lowest price can be obtained while assuring quality. • Tenders usually made for CIF air and CIF sea prices, particularly because transportation is a major component of purchase costs (i.e., for small shipments to nine islands). • ECDS does not operate bulk procurements (e.g., a large quantity is purchased at one time): annual requirements of MOHs are pooled and bid solicitation put out on behalf of the countries for a year-long contract; individual countries can order more frequently (typically moving towards 2 to 3 orders per country per year). • Sole Source Commitment was a critical policy commitment: participating MOHs commit to purchase products tender by ECDS exclusively through the ECDS → this guaranteed contracted suppliers most of the public sector demand and prevents non-contracted suppliers from undercutting the 15% administrative fee. • Adjudication process: strict written guidelines and administrative procedures were developed for processing tender documents, ensuring that entire process was transparent guaranteeing fair deal for suppliers. Six weeks allowed for data entry of data from tenders. Price is the major criterion (others include supplier performance, quality standards, and product characteristics).

	<ul style="list-style-type: none"> • Contracts were drafted based on review of contracts from 10 other agencies, and within the parameters of what the ECDS was able to monitor, control, and reinforce. • Random testing conducted through the Caribbean Regional Drug Testing Laboratory of new suppliers, products that countries have complained about; 13 priority drugs with potential bioavailability and quality-sensitive manufacturing processes.
Financing	<ul style="list-style-type: none"> • Original ECDS members committed to contributing about 1/3 of their annual pharmaceutical budgets to individual country drug accounts held by ECCB to ensure payment to suppliers for their orders, a cash contribution in advance of project implementation. • After ECDS places an order with suppliers, ECCB pays the suppliers directly, and credits the ECDS account with a 15% administrative fee. After countries receive supplies, they reimburse ECCB drug accounts directly. • Bids are solicited in U.S. dollars (and EC pegged to dollar at relatively fixed rate), facilitating price comparisons.
Distribution	<ul style="list-style-type: none"> • ECDS tenders, awards contracts, places orders directly to suppliers, and monitors these activities; but suppliers ship directly to the countries. • Orders are mostly done via air (little difference in cost with sea delivery and air is more predictable and presents faster port clearance), except for larger or less isolated countries (e.g., for large-volume IV fluids).
Threats to success	<ul style="list-style-type: none"> • Diversity of member states (language, history, etc.) was a potential threat but this was being overcome by efforts of OECS. • Member countries defaulting (being allowed to default) on reimbursements to their accounts with ECCB. • Instability of local (regional) currency. • Weak forecasting performance means full potential of pooled procurement may not be leveraged.
Best when ...	<ul style="list-style-type: none"> • Political and organizational will is strong: ECDS is an agency of the Organization of Eastern Caribbean States (OECS), which at the time ECDS was created, was leading an active movement to political unity.¹⁰ Original members demonstrated political will by committing 1/3 of their original drug budgets. • Ability to pay suppliers promptly in foreign exchange is assured, implying a stable local (regional) currency and the availability of U.S. dollars: e.g., in earlier cycles, policy was net 42 days of receipt of goods. This factor is become more critical as countries recently have been delaying reimbursing their accounts owing to economic difficulties. The result was suppliers withholding shipments to those countries and even non-defaulting countries. Long term, suppliers may increase prices or apply interest charges. • Organization like ECCB can play critical financial management role by facilitating payment to suppliers in foreign exchange, and expanded services to investment of monies accumulated in administrative fee account. • There is participatory decision making and commitment on the part of MOHs: Organizational structure and policies facilitate participation and ownership by key constituents and reduce the possibility of suppliers influencing staff members. Formal relationships fostered good communication by encouraging flow of formal and informal information about products, suppliers, and professional matters. • Relatively common demand patterns exist among countries, with common epidemiological profiles and economic constraints. Other common factors were also cited as being beneficial in other pooled procurement systems (e.g., common language). • Agreement to do sole source commitment is adhered to: (see above) • Solicitation of bids is done in single currency (U.S. dollar): mixing currencies complicates adjudication decision making and routine accounting records between ECDS, ECCB, and Ministries of Finance and Health. Risk of currency fluctuations also became the burden of the suppliers. • Screening and pre-qualification of suppliers is feasible.

¹⁰ OECS focuses on economic cooperation, but also facilitates information sharing, harmonization of laws and educational standards, and natural resources management. Prime ministers of member states form the Authority (or Board of Directors) of the OECS.

Lessons for WA Initiative	<ul style="list-style-type: none"> • Success in achieving cost reductions in early tenders gave the agency credibility. • Formulary systems and quality assurance processes (side effects of a pooled procurement system) offered strong benefits to participating countries. • Agency like ECDS is responsible for monitoring the shipment of orders but not receiving, warehousing, and distributing. • However, it does provide technical support and training in these areas, and conducts drug utilization reviews (e.g., for hypertension and diabetes). • Missed opportunity for this pooled procurement arrangement is that it cannot guarantee supplies and further improve supplier relations and potential cost reductions. • Transportation costs are important to consider: Tenders based on CIF prices may not be the best choice (where larger bulk is shipped to a single or few destinations). Also possibilities of minimizing number of delivery points may further enhance cost savings. • (Absence of strong local pharmaceutical industries may have facilitated the success. i.e., there was no significant protest by local interest groups against international procurement).
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5. Pan American Health Organization Revolving Drug Fund for Vaccines

Description	<ul style="list-style-type: none"> • Procurement mechanism, whereby PAHO, on behalf of member governments, aims to provide member countries with a reimbursement process mechanism for the purchase of vaccines, syringes, needles, and selected cold chain equipment for vaccine storage. • PAHO does not sell vaccines to countries; it establishes annual contracts on behalf of the member governments and each vial size has a single price for that one-year period. • PAHO used to purchase vaccines for member countries on an ad hoc basis, though orders could not be made until costs were paid by country; each order was also managed individually with own tender and negotiations for delivery terms and conditions. Also urgent requests meant vaccines not always purchased at lowest price (plus quantities were small and supplier couldn't pre-plan production). • Started in 1978, as Revolving Fund for EPI, capitalized with \$1 million; donations since have increased capital. 1979, 24 countries were members, including 13 English-speaking. The number of countries participating in the fund has increased from 19 in 1977 to 35 in 2002. • Sum expended for vaccines increases e.g., from \$2.3 million in 1979 to \$4.2 in 1982, and \$83.9 million in 2000. • Countries participating in the PAHO fund receive technical support in areas such as immunization policy, strategic planning, and delivery logistics. • Up to 80% saving off of price of vaccine.
Organizational Structure	<ul style="list-style-type: none"> • Housed under Office of Assistant Director in PAHO, under Family and Community Health/Immunizations Unit which ensures the orderly supply of quality vaccines through the PAHO Revolving Fund for Vaccine Procurement.
Forecasting	<ul style="list-style-type: none"> • Typically done by each country, although PAHO provides technical support. • PAHO also supports each country in determining cold chain viability, vaccine request compared to population, disease burden, financial sustainability, and cost benefit of vaccine.
Procurement	<ul style="list-style-type: none"> • Contracts established on an annual basis and MOH of each country submits vaccine order for the following year by August (4-month lead time); annual orders are based on quarterly requirements. • All country orders are then consolidated and together with prerequisites are tendered to pre-qualified international suppliers. • PAHO selects supplier that meet required standard (WHO specifications at the lowest price, transportation costs, and ability to deliver on time); to ensure viability of suppliers in various geographic areas and ensure security of supply in case of production difficulties, 2 or more suppliers may be selected to meet one vaccine order. • Seven suppliers from 7 different European and North American countries were used in 1982, 10 were used in 2001.
Financing	<ul style="list-style-type: none"> • Three percent service charge that PAHO collects is kept in a special account to cover any losses (e.g., from currency transactions); when this account exceeds \$100,000, the excess is transferred to the working capital of the fund, capitalized at \$16.6 million in 2001, \$24 million by 2003. The largest individual contributor is the U.S. with nearly \$1.7 million last year. • Fund permits countries to pay for vaccines and supplies in local currencies (in turn used by PAHO office in the country for its programs). • Fund permitted inter-country collaboration for provision of emergency sources of vaccine loans (countries are willing to lend the vaccines because they know that the fund has mechanism to repay the loan in very short time). • Countries have 60 days to repay the fund. If a country is in arrears, no further orders will be placed until debits are cleared. It should be noted that the fund has an excellent track record of members paying their invoices.
Distribution	<ul style="list-style-type: none"> • Countries state delivery time for vaccines. Initially, for smaller counties, shipping costs for quarterly shipments exceeded the cost of the vaccines so these were switch to annually or biannually. • PAHO monitors orders, expedites delivery, arranges freight forwarding services, if needed. • After country informs PAHO of receipt of vaccines, country is billed the cost of the vaccine plus freight, insurance and a service charge of 3%. Country has 60 days post receipt to repay fund. • Orders will not be placed for country that has arrears, although most pay on time.

Threats to Success	<ul style="list-style-type: none"> • Arrears by one country risks decreasing the working capital and may adversely affect the vaccine supply in other countries (the fund tries to minimize this risk by having readily available funds).
Best when ...	<ul style="list-style-type: none"> • Governments can ensure fund is reimbursed in a timely manner and budget is available for immunization program. • Initial capitalization of fund was key.
Lessons for WA Initiative	<ul style="list-style-type: none"> • Small economies can benefit from sharing expertise, human resources and technology, and taking advantage of savings for high-quality vaccines, and price stability maintained by fund. • Fund can respond rapidly to urgent orders because of established contracts with suppliers. • Strong programmatic impact on immunization can be documented, attributable to the lowering of costs of vaccines through procurement by the fund. • HIV/AIDS drug procurement especially preventing mother-to-child transmission (PMTCT) program seen as potentially benefiting from this pooled procurement approach.

6. African Association of Central Medical Stores for Generic Essential Drugs (ACAME)

Description	<ul style="list-style-type: none"> • Impetus was devaluation of the franc, leading to sharp fall in purchase and use of generic essential drugs. • Objectives were to (1) promote establishment of central stores for essential drugs in African countries that do not have them; (2) set up a data bank on suppliers, prices, etc., and promote the exchange of information among Central Medical Stores (CMS) for generic essential drugs; (3) progressively organize joint bulk purchasing; and (4) protect the moral and material interests of members (i.e., CMS). • Initial group of countries included Chad, Mali, Niger, Senegal, and Burkina Faso. Other West African countries have participated in ACAME meetings, including Benin, Togo, Côte d'Ivoire, Guinea (who participated in first procurement pilot test), Guinea Bissau, and Cameroon. Countries outside of the region have also attended these meetings, including Rwanda (active participant), Burundi, Central African Republic (Congo), Chad, Comoros, and Madagascar. • ACAME was established in 1996, with the First General Assembly held June 1997. • First joint bulk purchasing test in 1998 (coordinated by the Pharmacy Populaire du Mali); experience summarized below. • Results from pilot tender assessment found prices that were 7% to 27% lower than the lowest prices each country had obtained over the 3 years for any of the 5 drugs involved in the joint bulk purchasing test. • Since the pilot, ACAME has not been involved in any bulk purchasing event. It is still active and recently signed a cooperative agreement with UEMOA in 2002 to operate as UEMOA's procurement structure. The agreement is binding with the 8-member countries of UEMOA • Currently based Ouagadougou, with rotating presidents and 2 part-time staff.
Organizational Structure	<ul style="list-style-type: none"> • ACAME has a rotating chair, currently held by Burkina Faso under the Centrale d'Achat Médicaments Essentiel Générique (CAMEG); for 2004/2005, it will be Guinea. The current chairman is the Director of CAMEG. • There is also a permanent secretariat, and this is also assured by CAMEG in Burkina Faso, with one staff member based at CAMEG. Unlike the presidency, the secretariat does not rotate and has been based in Burkina Faso for some time. The hope is that, with the aid of donors like WHO, WAHO, and UMEAO, a permanent office with a full-time dedicated staff member can be established.
Forecasting	<ul style="list-style-type: none"> • Presumably performed by individual countries.
Procurement	<ul style="list-style-type: none"> • Shortlist of 25 suppliers was authorized to bid in initial test (they were identified based on a longer list of suppliers compiled by CMS identifying their choice for 10 suppliers). • Each central medical store then provided information on 10 drugs in high demand and 5 drugs were selected (high demand products: cotrimoxazole 400+800 mg, bezympenicilin 1 mu injection, ampicillin 1g injection, chlorquine 100 mg base tablets, and amoxicillin 500 mg tablets. Information on the specifications and quantity purchased were consolidated. • Drug purchases were pooled to obtain a single CIF price with goods delivered to 3 purchasers (3 countries involved in the test: Guinea, Mali, and Niger) and each purchaser would sign a contract with the selected supplier. • Supplier is paid 30% on delivery and 70% after quality control. • The Niamey Regional Quality Control laboratory selected to do quality control; however, for cost and communication reasons, the Laboratoire National de la Sante du Mali performed the tests. • Tender assessment commission made up of procurement managers of the CMS was set up to receive tender documents (set at 100,000 francs). This fee was used to cover the cost of preparing tender documents and the committee's expenses (accommodation, food, and per diem). • It was noted in the article that none of the eligible local suppliers submitted offers during the (test) tender process and it was unclear why.

Financing	<ul style="list-style-type: none"> • Under the pilot, part of the committee's costs were defrayed using the revenue from the tender document. • Apart from \$4,000 grant provided to ACAME by WHO in 1996, ACAME receives little external funding. UEOMOA contributed minimal, partial support for defraying costs of recent meeting. • Membership fees collected from members, currently 500,000 CF (about \$900). • Not clear how individual country procurements were financed.
Distribution	<ul style="list-style-type: none"> • Only pilot completed; delivered direct to country.
Threats to Success	<ul style="list-style-type: none"> • Political instability in countries. • Lack of transparency in carrying out analyses and inviting tenders. • Need for firm commitment of managers of CMS with support of Ministries of Health of member countries (which may change). • Need for preparing and signing an agreement that defines application rules during the entire tender period, to cover all matters concerning drug marketing. This was particularly important where regulations in countries differed. • Transparency in the implementation of framework agreement in order to assure suppliers. • Also, other threats cited during the pilot test refer to Guinea's difficulty with the mode of payment (its currency differs from the CFA franc), and non-compliance of coverage of insurance expenses by suppliers. • Political differences between the countries in the region. • Absence of a secretariat and funding. Without a secretariat to carry out duties and a budget to fund operations, such an initiative will not work. ACAME is mainly a voluntary organization with limited capacity. • Differences in constitution of CMS. PPM in Mali has independence in financing decisions, whereas several CMS must obtain government approval of any tenders. • Differences in drug registration (although not such a big problem for essential drugs, for contraceptives it may be). • The Niger CMS had political problems and was dissolved and reconstituted by the government. • Mali did achieve cost savings during pilot, since the purchase price was negotiated on the basis of a larger order than they normally placed. But, supplier was unwilling to guarantee that price for Mali in following years in the absence of such a pooled order. • A fixed price for all countries, landed in the respective capitals, contributed to reluctance from some countries (especially coastal) to participate in the past. They felt they could obtain prices as good themselves if they acted on their own.
Best when ...	<ul style="list-style-type: none"> • (Stated based on lessons from Maghreb and Gulf States) • Political agreement of MOHs. • Establishment of (permanent) secretariat with data bank and mandate to disseminate information to all member states. • Signing of framework agreement governing joint bulk purchasing process and procedures. • Pooling by limited number of countries, preferably according to geography or linguistic grouping. • Setting up of standing committee on tendering.
Lessons for WA Initiative	<ul style="list-style-type: none"> • Committee was going to look into assessing whether the profit obtained by each medical store from the joint bulk purchasing justified the costs incurred of organizing the purchase [no results found for this assessment]. • Success seen as depending on: (1) firm commitment of managers of CMS backed by MOH, (2) preparation and signing of agreement defining applicable rules during the entire tender period; and (3) transparency in the implementation of the framework agreement in order to assure suppliers.

7. Maghreb Commission for Bulk Purchasing

Description	<ul style="list-style-type: none"> • Structure: No permanent secretariat, instead secretariat role assured, in turns, by Directorate of Drugs and pharmacy of the host country of the Ministerial Conference. • Libya, Mauritania, and Tunisia still involved in bulk purchasing; Algeria withdrew due to own internal problems in 1996, and Morocco withdrawn since 1994 (strong local pharmaceutical industries in spite of competition from abroad). • First joint purchase in 1989. • Members affirmed 15 to 20% reduction in unit costs.
Organizational Structure	n/a
Forecasting	<ul style="list-style-type: none"> • Union of Arab Maghreb: Drug needs determined by each country.
Procurement	<ul style="list-style-type: none"> • Committee of two from each country meets to prepare the special tendering (drugs list of member countries, technical specification, legal matters financial issues, processing of bids, contract award). • Each country sends drug needs to the secretariat, which compiles list, pooling and harmonizing drug quantities, and issues tenders. • Each country can sign a contract with the chosen supplier following the individual laws and regulations of that country.
Financing	n/a
Distribution	n/a
Threats to Success	<ul style="list-style-type: none"> • Political instability in countries. • Lack of transparency in carrying out analyses and inviting tenders.
Best when ...	<ul style="list-style-type: none"> • Ensuring political agreement of MOHs. • Establishing (permanent) secretariat with data bank and mandate to disseminate information to all member states. • Signing of framework agreement governing joint bulk purchasing process and procedures. • Pooling by limited number of countries, preferably according to geography or linguistic grouping. • Setting up of standing committee on tendering.
Lessons for WA Initiative	<ul style="list-style-type: none"> • Joint bulk purchasing strengthens position of buyers through suppliers (latter no longer exploit inter-country differences, pooling of quantities strengthens the bargaining power of countries). • Helped harmonize the drug policies. • Lead to substantial reduction in costs, opening potential for greater access to drugs and enhanced promotion of generic essential drugs. • Need to learn from Maghreb Commission what the potential impact is of a member state withdrawing from the pooled procurement.

8. Gulf Cooperation Council

Description	<ul style="list-style-type: none"> • Started joint bulk purchasing in 1978, with USD 1 million; by 2002 had USD 178 million. • Includes MOHs of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates. • Lead to harmonization of drug regulations (drug registered in one country valid in other countries, common essential drugs list, the same therapeutic formulation is used, same curriculum in faculties of pharmacy, etc.). • Private hospitals now taking part in joint purchasing. • Realized 30% reduction in costs.
Organizational structure	<ul style="list-style-type: none"> • Permanent Secretariat set up to oversee issues relating to purchase of drugs, and serve as data bank. Secretariat is located in Saudi Arabia. • Tender process carried out by committee composed of 2 representatives of pharmaceutical sector from each member state and a delegate of GCC executive bureau. Committee is responsible for pre-tender preparations, bid opening, adjudication, and post-tender evaluation.
Forecasting	n/a
Procurement	<ul style="list-style-type: none"> • Secretariat coordinates joint bulk purchasing operations. • Started with the procurement of drugs (worth \$1million in 1978, 32 products) then included electro medical equipment and vaccines (in 1997, purchases totaled \$178 million, by 2001, \$234.5 million involving 1,127 items from 109 companies). • Eighty percent of member country's public sector drug needs are met through bulk joint purchasing. • Saudi Arabia buys all drug needs through this mechanism. • Only registered suppliers participate in tenders.
Financing	<ul style="list-style-type: none"> • Payments made directly to suppliers (or local agents) in U.S. dollars (Saudi Arabia and Kuwait use local currency).
Distribution	n/a
Threats to Success	<ul style="list-style-type: none"> • Political instability in countries. • Lack of transparency in carrying out analyses and inviting tenders.
Best when ...	<ul style="list-style-type: none"> • Political agreement of MOHs. • Establishment of (permanent) secretariat with data bank and mandate to disseminate information to all member states. • Signing of framework agreement governing joint bulk purchasing process and procedures. • Pooling by limited number of countries, preferably according to geography or linguistic grouping. • Setting up of standing committee on tendering.
Lessons for WA Initiative	<ul style="list-style-type: none"> • Joint bulk purchasing strengthens position of buyers through suppliers (latter no longer exploit inter-country differences, pooling of quantities strengthens the bargaining power of countries). • Helped harmonize the drug policies. • Lead to substantial reduction in costs, opening potential for greater access to drugs and enhanced promotion of generic essential drugs.

9. World Health Organization—Southeast Asia Regional Committee

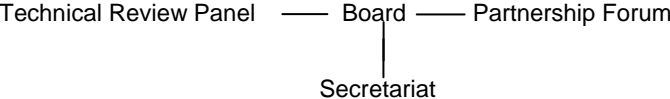
Description	<ul style="list-style-type: none"> • Main focus of this regional cooperation was procurement (as opposed to selection of appropriate drugs, distribution, and rational use). • Model focused on inter-country cooperation in the supply of raw materials for the production of essential drugs, leveraging the fact that Southeast Asia region member states have drug production facilities, as well as capability and capacity to manufacture essential drugs.
Organizational structure	n/a
Forecasting	n/a
Procurement	<ul style="list-style-type: none"> • Require that manufacturer of raw materials have a strong, certifiable track record for ensuring quality product. • Manufacturers required to have Good Manufacturing Practice certificate as recommended by WHO (part of WHO certification scheme on quality of pharmaceutical products moving in international commerce). • Recommended random checking of raw materials at recognized laboratory for quality assurance. • Recommends a regular monitoring and comparisons of Regional and Global Price Indicators and member countries.
Financing	n/a
Distribution	n/a
Best when ...	<ul style="list-style-type: none"> • There is political will. • Commitment on the part of participating countries to the scheme. • Formal agreement among relevant countries. • Well-defined regulations and procedures. • Permanent and independent secretariat. • Stage-by-stage development. • Limitation of technical, administrative, and/or human resources in country situations.
Lessons for WA Initiative	<ul style="list-style-type: none"> • Pooled procurement has meant a decrease in the administrative workload of the individual countries. • Drug registration harmonization among countries could be a beneficial outcome of the pooled procurement agreement. • Pre-qualification and registration of suppliers are important for a better selection of suppliers. • A realistic number of drugs to be purchased and a limited number of participating countries in the initial stages of development of pooled procurement contribute to the effectiveness of the system. • System recommended to find ways to instill confidence and share information about drugs for procurement (sources and suppliers, prices, and ways and means to ensure quality).

10. Global Alliance for Vaccines and Immunization, Global Alliance for Vaccines and Immunization, and The Vaccine Fund

Description	<ul style="list-style-type: none"> Established in 1999 and launched in 2000 by joining together of key agencies and institutions involved in immunization and development. Public-private partnership between developing country health ministers, donor countries, vaccine manufacturers, NGOs, UNICEF, WHO, the Bill & Melinda Gates Foundation, and the World Bank. GAVI and The Vaccine Fund use multi-year commitments to buy under-used vaccines to spur the pharmaceutical industry to new levels of production and supply (and heightened interest in developing vaccines for this market). The Vaccine Fund focuses for the first few years on children in 74 countries with gross domestic product (GDP) <\$1,000. Funding is performance-based (including evaluations, annual progress reports, and independent quality audit in recipient countries), and espouses rapid reaction and decision making in a traditionally complex and slow environment. Application first sought in May 2000, first 13 countries approved in September 2000 and funds disbursed in November. As of July 2002, 68 out of 74 countries applied and 60 approved.
Organizational Structure	<ul style="list-style-type: none"> Public-private partnership with lean structure with little additional funding above that of its constituents. Thousands of people with immunization expertise brought together. Board responsible for strategic direction. Composed of designee of each constituent partners, with representation rotating among members of each constituency; meets twice a year and occasional teleconference calls. Made up of high-level members. Working group (10 members) responsible for policy development; weekly telephone and videoconferences, and 5 to 6 meetings per year. Secretariat (6 staff) responsible for management of applications for funding from countries, support other units. Four Task Forces (advocacy, financing, implementation, and R&D) draw upon wider network of expertise to guide action. Regional working groups coordinate and provide technical support. National Inter-agency Coordinating Committees (ICCCs) provide forum for joint strategy development and monitoring at the country level. The Vaccine Fund—501(c)(3) entity in the USA—is a new structural tool for GAVI, responsible for advocating its cause, raising additional funds, managing funds, and reporting results. Has board of prominent individuals, and total of 13 staff. GAVI Board is responsible for overall policies and priorities.
Forecasting	<ul style="list-style-type: none"> Individual countries submit their requests for funding through The Vaccine Fund and these are reviewed by GAVI Secretariat.
Procurement	<ul style="list-style-type: none"> Funded projects vary significantly. Not clear how recipient may organize procurement.
Financing	<ul style="list-style-type: none"> Funding from Bill & Melinda Gates Foundation is most of the resources. As of 2002, total contributions more than U.S. \$1.1 billion. Fund was held in new structural tool called The Vaccine Fund. Estimate that \$5 billion required to meet the GAVI milestones over next 10 years, and significantly more to immunize all children receiving diphtheria, pertussis, tetanus (DPT) with hepatitis B and where Hib (Haemophilus influenza type b conjugate vaccine) would be beneficial, plus making \$1billion contribution to immunization capacity building. At country level: countries receive one-off payment of U.S. \$20 per additional child immunized with DPT; recipient countries can use the money in any way they choose (toward meeting pre-set objectives of building immunization capacity (both of immunization and of decision making and planning). This also contributes to GAVI milestones of raising DPT immunization levels. The Vaccine Fund is designed to be catalytic but not replace current or existing sources of funding. Long-term commitment provided with the understanding that, after five years, countries must replace The Vaccine Fund contribution with new sources of funding. GAVI has developed financial sustainability planning tools and requires grantees to develop Financial Sustainability Plans in collaboration with ICC and/or other relevant donor groups.
Distribution	<ul style="list-style-type: none"> Individual countries have flexibility in deciding how to allocate funding received under this performance-based agreement to build immunization capacity.

Threats to Success	<ul style="list-style-type: none"> ● Sustainability: This concept is viewed as "that for any country sustainability does not usually equal self-sufficiency until that country has moved out of poverty." Therefore, investments by The Vaccine Fund are viewed as contributing to poverty reduction, which will ultimately lead to self-sufficiency.
Best when ...	<ul style="list-style-type: none"> ● Commitment of partners is strong with the ability to provide additional and secure long-term funding to support activities. ● Public and private sector work together. ● The tier pricing that can be developed in such a program means there are good returns on investments. ● Long-term funding (currently 5 years versus year-by-year) commitments provide an opportunity to conduct better planning, improve vaccine introduction and adoption, and a more reasonable horizon to take on responsibility of vaccine procurement (ranges from 5 to 8 years). Longer term time frame is proposed.
Lessons for WA Initiative (product cost, quality, transparency data)	<ul style="list-style-type: none"> ● Is a funding model that may be viable where donor funding is significant. ● Performance-based approach (to paying country for contraceptive distribution) should build strong incentives for increasing access to contraceptives (if this were the ultimate programmatic goal); incentive amount to be determine. ● Question whether this is an alternate model for providing funding for what were traditionally donated products (e.g., countries would be reimbursed based on the product they purchase and distribute). ● May be a model for public-private partnership.

11. Global Fund to Fight AIDS, Tuberculosis and Malaria

Description	<ul style="list-style-type: none"> • Permanent Secretariat established in January of 2002. • “Purpose of the Fund is to attract, manage and disburse additional resources through a new public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness, and death.” • Fund is financial instrument and not an implementing entity, making available financial resources to fight HIV/AIDS (grants). • Evaluates proposals through independent review processes based on scientific and technical standards, taking into account local realities. • Covers prevention, treatment and care, and support in dealing with AIDS, TB, and malaria, building on existing poverty-reduction strategies and SWAps. Three-quarters of HIV/AIDS funds, at least, to be used for procurement of ARVs. Malaria grants to expand insecticide-treated bed nets and give health officials the tools and training to identify, diagnose, and treat patients. TB funds for treatment that will, in turn, promote prevention or spread.
Organizational Structure	<ul style="list-style-type: none"> • Consists of : <div style="text-align: center;">  <pre> graph TD TRP[Technical Review Panel] --- Board[Board] Partnership[Partnership Forum] --- Board Board --- Secretariat[Secretariat] </pre> </div> • Secretariat: Permanent. Oversees international operations, including resource mobilization from public and private sectors, grants management; provides financial, legal, and administrative support and reporting information to board. Staffed by 70 employees representing 36 nationalities. Executive Director is Richard Feachem. Secretariat uses less than 3% of annual commitments. Screens proposals for eligibility. <p>Technical Review Panel: Assesses proposals for technical merit and consistency (based on best practices). In June 2003, 26-person panel appointed, each serving 3 years. Expertise in 3 disease priority areas and cross-cutting issues including, consideration for balance of gender, regions, private sector, and NGOs. Appointed by the board to guarantee integrity and consistency in proposal review process.</p> <p>Board: Meets every 3 to 4 months in first year and every 6 months thereafter; considers final recommendations of TRP and approves funding.</p> <p>The Partnership Forum: convenes every 2 years, including broad group of stakeholders that provide important feedback and guidance to the Global Fund on its impact in fighting diseases.</p> <p>Country Coordinating Mechanism: Country-level partnerships that develop and submit grant proposals to Global Fund based on priority needs at the national level. Oversee progress during grant implementation. Include private and public sector representatives, including bilateral or multilateral agencies, NGOs, academic institutions, private business, and people living with disease. Principal recipient(s) is (are) nominated by CCM to be legally responsible for local implementation of the grant, including oversight of sub-recipient and communication with CCM. PR works within Secretariat to develop 2-year agreement. PR may request additional disbursements based on demonstrated progress toward these results.</p> <p>Local Fund Agents: Provide accountability mechanism designed to provide appropriate oversight while respecting local implementation. Represent independent organizations hired by Secretariat to assess PR's capacity to administer funds and provide ongoing oversight and verification of reported data on financial and programmatic progress. Selected through global tendering process.</p>
Forecasting	<ul style="list-style-type: none"> • Presumably up to grant applicants in each country.
Procurement	<ul style="list-style-type: none"> • Fund will work with a country coordination and partnership mechanism, including government, NGOs, multilateral agencies, and private sector, working at the highest national level responsible for multi-sector planning (new mechanism will be established where none exists). • Country Coordinating Mechanism (program accountability). Proposal for funding will be submitted to the fund through this mechanism.

	<ul style="list-style-type: none"> To facilitate targeting of financial support, as well as accountability, Country Coordinated Proposals (CCP) will be submitted with budgets tied to specific partners whose contributions, in turn, must be tied to specific outcomes, targets, and results.
Financing	<ul style="list-style-type: none"> Fund is funded from donations from nations, NGOs, private foundations, individuals; monies are held in a trust account opened with the World Bank, which has initially agreed to act as trustee. Only provides financing to programs when assured that its assistance does not replace or reduce other resources, and complements the finance of other donors or catalyze additional investments by donors and recipients (i.e., increase overall investment in health). Since 2001, attracted \$4.7 billion through 2008. In first round of grant making, committed \$1.5 billion to support 154 programs in 93 countries; 61% of funds approved in Round 1 and 2 fund programs in sub-Saharan Africa; nearly two-thirds of funds for HIV/AIDS and 17% and 14% for malaria and TB, respectively.
Distribution	<ul style="list-style-type: none"> Disbursement of funds will be made in tranches based on results as measured by ex-ante indicators. Monitoring at country level will be country-driven, linked to fund's global-level monitoring and evaluation system.
Best when ...	n/a
Lessons for WA Initiative	<ul style="list-style-type: none"> Performance-based funding

12. Global Tuberculosis Drug Facility

Description	<ul style="list-style-type: none"> • Initiative of the Stop TB Partnership, and has been operating since January of 2001. • Approach to securing access to high-quality TB drugs, including mobilization of funds, procurement of high-quality TB drugs through competitive bidding process, and reviewing requests for drugs from countries linked with monitoring expansion in the use of directly observed treatment short-course (DOTS). • Goals are to (1) ensure uninterrupted access to quality TB drug, (2) catalyze rapid DOTS expansion to achieve TB goal targets, (3) stimulate political and popular support for public funding of TB drug supplies, and (4) secure sustainable TB global TB control and elimination. Fulfills this mission by (a) providing grants to countries that qualify for support, (b) procuring drugs through bulk purchasing, and (c) mobilizing Stop TB partners for technical assistance to National TB Programmes. • Governments and NGOs with well-defined plan to expand DOTS can apply for GDF support. In first-round countries with GNP per capita of less than \$1,000 and estimated TB cases of at least 100 per 100,000 population were eligible to apply. Five countries were approved for support: Kenya, Myanmar, Republic of Moldova, Somalia, and Tajikistan. Seven more countries approved in round 2, including Togo, Liberia, Republic of Congo, Sudan, Pakistan, Democratic Republic of Korea, and Yemen. Six rounds completed as of 2004, and 46 governments and NGOs approved. Eleven countries awarded emergency grants of anti-TB drugs. • Access for high burden countries to quality drugs for DOTS implementation has been increased: one-half million patients reached in first year; and 1.9 million in 26 months. Goal is to treat 11.6 million people by 2005, and 45 million by 2010. • Approach of GDF has facilitated the creation of a flexible supply system to meet differing program needs, standardization of products, and collaboration with partners. • Estimated that drug prices were reduced by 30% to less than \$10 for 6–8 month course of treatment. In 2001, estimated that financial savings in reduced drug prices would translate into nearly \$150 million over 5 years. • In future, GDF considering the inclusion of second-line drugs and diagnostic materials for TB.
Organizational Structure	<ul style="list-style-type: none"> • Managed by Stop TB Partnership, Secretariat located in WHO headquarters in Geneva. WHO provides the legal identity for GDF, facilitates access to WHO country and regional offices, coordinates with DOTS Expansion working group, and ensures administrative support. • The Stop TB partnership provides funding and technical assistance. Secretariat provides administrative support (alignment in decision making and execution of grants), manages procurement, and mobilizes partners for technical assistance. • Technical assistance delivered through contractual (fee-based) and collaborative (non-fee-based) partners. Quality of services is frequently evaluated by partner. • Technical Review Committee (TRC) responsible for reviewing applications; Committee consists of independent TB control experts, drug management, and TB program management. Will recommend level of support to countries and will propose agencies to monitor GDF-related country activities. • Coordinating board provides oversight in reviewing annual workplans and TRC recommendations in relation to grants. Responsible for resource mobilization.
Forecasting	<ul style="list-style-type: none"> • GDF specifies and quantifies drugs. • WHO-approved catalogue of TB drugs and formulations is relatively limited, in large part to promote standardization of treatment regimens and products.
Procurement	<ul style="list-style-type: none"> • Arranged through UNDP Inter-Agency Procurement Services Office (IAPSO) which includes among its clients many NGOs, international finance institutions, and United Nations agencies. IAPSO uses state-of-the-art technology to track the movement of TB drugs from purchase to delivery. • Pre-shipment QA and testing of products is outsourced through competitive tender and done externally by Societe Generale de Surveillance (Netherlands and Belgium). IAPSO coordinates services.

	<ul style="list-style-type: none"> • Drugs are tendered through Limited International Competitive Bidding of pre-qualified suppliers. Pre-qualification is based on document review, good manufacturing practices inspection, and quality control. Suppliers are included in white list, which is available on the GDF web site. • GDF grants are typically for 3 years and include 100% buffer of drugs to prevent stockouts.
Financing	<ul style="list-style-type: none"> • Initial \$10 million funding for the GDF was provided by the Canadian International Development Agency. • Relies heavily for financial as well as technical and logistics support on Stop TB Partners, such as Dutch Government, USAID, World Bank, International Union Against Tuberculosis and Lung Disease, Royal Netherlands Tuberculosis Association, MSH, Rockefeller Foundation, and UNDP IAPSO. • GDF estimated that \$250 million would be needed between 2001 to 2005 to catalyze national DOTS expansion efforts. However, estimated that 2004 would see funding gap of \$25 million increasing to \$30 million in 2005.
Distribution	<ul style="list-style-type: none"> • Drugs purchased for direct shipment to recipient country. • IAPSO is responsible for managing delivery plan of TB drugs, ensuring that shipping information is available through the Web Buy system. IAPSO is also responsible for payment to suppliers, freight forwarders, insurance company, and inspection agency. • Countries can track orders online.
Threats to Success	<ul style="list-style-type: none"> • Reliance on grant funding mechanism to catalyze TB DOTS expansion programs may lead to over-dependence on external funding; this means there is still a need for developing sustainable strategies to support TB programs. GDF tries to deal with this issue by ensuring that grants are in addition to funding that is already ear-marked by countries for TB drugs or programs. It also makes continued funding conditional on local funding not being reduced or can be reallocated for pediatric drugs or single drugs (for side effects), which are not provided by the GDF. <p>GDF also provides direct procurement services (established in 2002) and a white list of quality drugs and suppliers, which are intended to strengthen the drug procurement and QA systems in countries. Countries are encouraged to use direct procurement as cost-sharing exercise. Direct procurement, while restricted to the WHO-approved treatment regimens for DOTS, includes a requirement that drugs be provided free to patients, expects procurers to obtain competitive prices, benefits from quality control, accesses web-based tracking systems, allows selection from loose or blister packed tablets with easy to understand packaging, and accesses valuable on-going technical support and annual monitoring missions.</p>
Best when ...	<ul style="list-style-type: none"> • Drug supply can be tied to efforts to expand programmatic goals (in this case the DOTS program). • Successful case studies include countries where political and public commitment was expressed to dealing with threat to health. • Spirit of collaboration, “dynamism, innovation, “can-do” (...), and technically competent leadership”¹¹ exists in Secretariat and overall implementing team. This creates a supportive operating environment of partnership, mobilizing technical support, donor support, and strategic guidance to GDF. • Range of products in bulk purchasing is relatively limited (and product packaging [blisters and patient packs] used to simplify drug management). Again, this is tied to specific public health programs, particularly where rational use is critical—unlike the case for contraceptives, for instance, where choice is more important for adherence to methods for example—and where there is a significant economic case for providing drugs for free. • Pooled procurement tied to a focused mandate that addresses drug supply. • Single operating entity combining grants, procurement, and technical assistance can be implemented (unlinked system would not have the same effect).

¹¹ (McKinsey & Co. 2003)

	<ul style="list-style-type: none">• Virtual organization can be set up, including competitive bidding of QQA, freight forwarding services, and outsourcing of technical services on contractual or collaborative basis. Creates a lean organization.• Diverse funding base, particularly the use of direct procurement mechanism offered by GDF to countries and NGOs who access their own resources through donors/lending agencies or donations.
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