



Update on the Global Fund's Procurement Strategy

WHO UNAIDS Annual Meeting with Pharmaceutical Stakeholders

20 March 2015
Geneva

When we started with Procurement for Impact (P4i) in 2013

Our objective was straightforward: **To Increase Access to Products**

By fundamentally changing the way we work across the supply chain



Earlier involvement and closer collaboration with manufacturers



Improving our purchasing capability and changing our contracting models



Optimising the international supply chain to reduce cost



Better planning & scheduling to support continuity of supply



Delivering more products at the right time and place to more people

Sourcing moved in-house with the procurement agents' role re-defined

Procurement transformation for health products

P4i – Procurement for impact

Focus

- **Direct engagement** with manufacturers
- **Improve disbursement**
- **Leverage** GF spend
- **Organization** and **Tools**
- **Market Dynamics** strengthening:
 - ✓ API and Formulation capability
 - ✓ Market and Supplier analysis
 - ✓ COGS capability
 - ✓ Private sector style strategy formulation and implementation

Performance achieved to date

- Annual Spend through **Pooled Procurement Mechanism/PPM**: US\$ 1.2 billion
- Long term agreement with manufacturers underwritten with PPM volumes
- Savings of US\$ 340 million health products through global tenders on ACTs, bednets and ARVs



The opportunities and requirements for manufacturers

Feature	Impact for Manufacturers
Longer term contracts: 2 - 5 years	Ability to make financial plans and optimize API sourcing and production efficiencies
Financial volume commitments	Risk mitigation
A focus on total cost of ownership	Viability of inward investment
Search for value added services	Opportunity for innovation and investment
Key Quality Requirements	
<ul style="list-style-type: none"> • WHO PQ and/or SRA approvals • National registrations 	GMP and supporting administrative processes

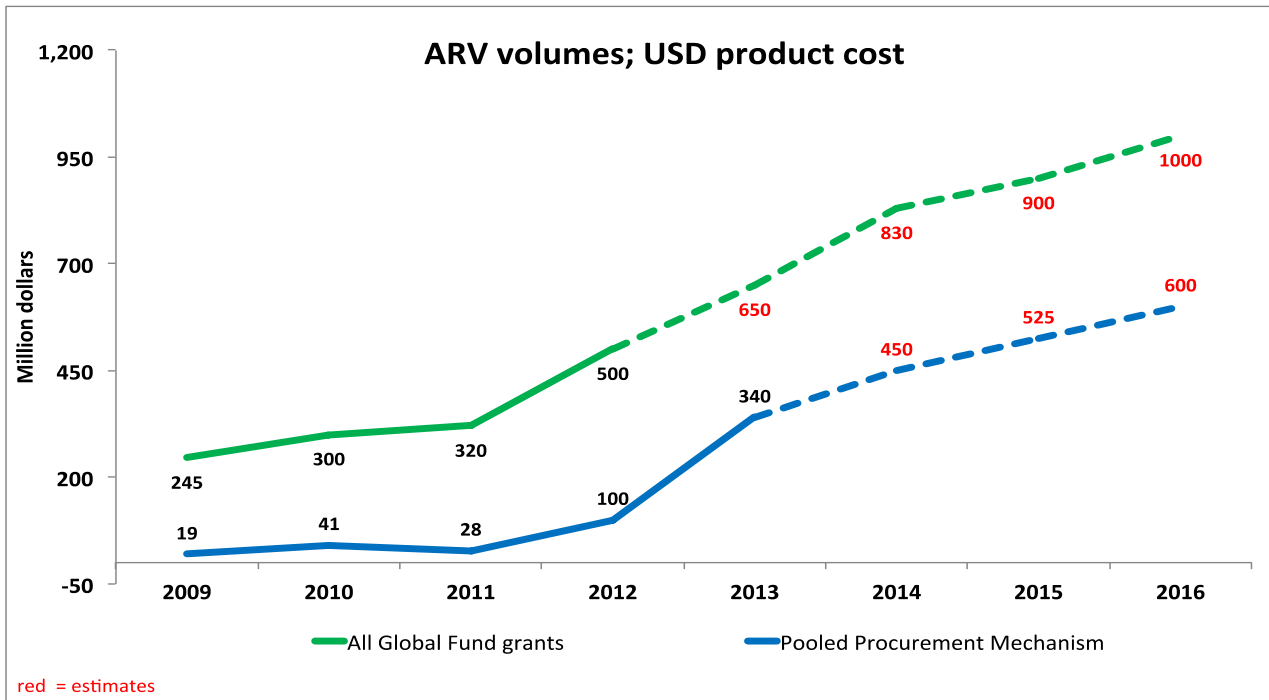
Our Methodology



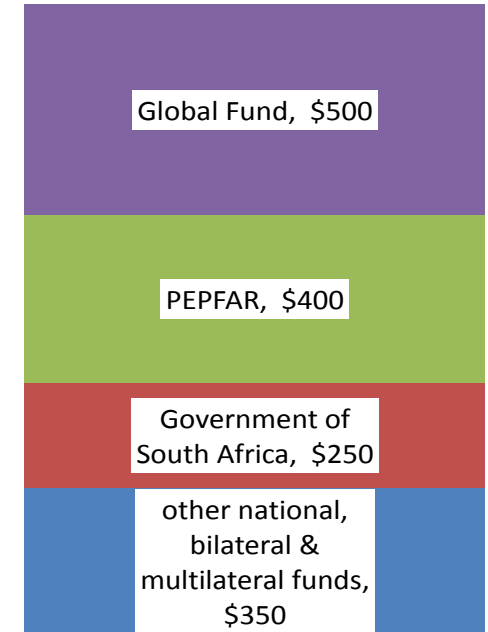
**A connected process to maximise value
(which is not limited to purely to cost)**



ARVs: Spend Profile



2012

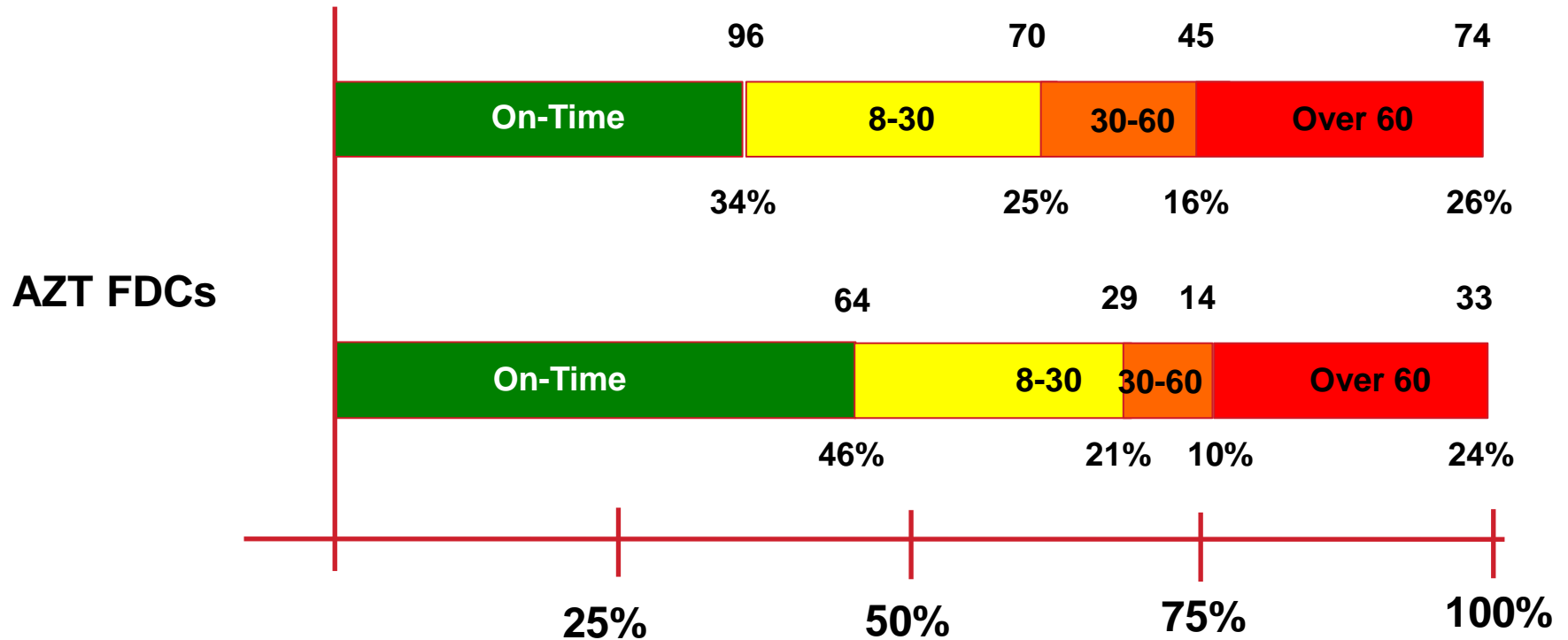


- Increasing demand with increasing numbers on treatment
- Pooled Procurement Mechanism = 50-55% Global Fund spend = 20-22% of the LMIC market → leverage but flexibility in supplier selection

Supplier Delivery Performance

Supplier delivery performance has been poor

TEE and TLE



Data source: PFSCM PPM data 2013-2014

The new procurement approach was broad based and designed to address a range of objectives – it was not just about price

Sustainable Supply

- *Continued supply of all products through all stages of the lifecycle*
- *De-risk API supply chain*
- *Improved forecasting, payment and administrative processes*

On-Time Delivery

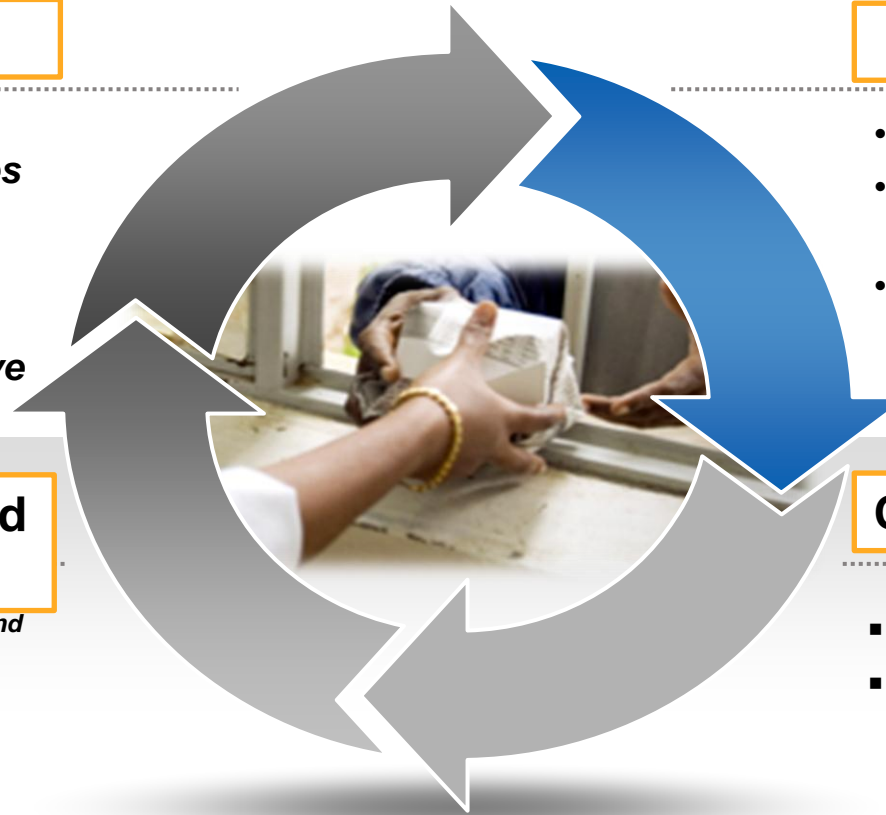
- *Shorter lead times*
- *Improved delivery performance*
- *Mitigate force majeure*

Competitive Pricing and Affordability

- *More affordable 1st and 2nd line regimens through leveraged volumes*
- *Improved planning and longer term contracts*
- *Use supplier expertise*
- *Collaboration to protect reasonable margins*

Quality and Regulatory

- *Longer shelf life*
- *Broader country registration footprints*



These objectives will result in a new form of supplier engagement

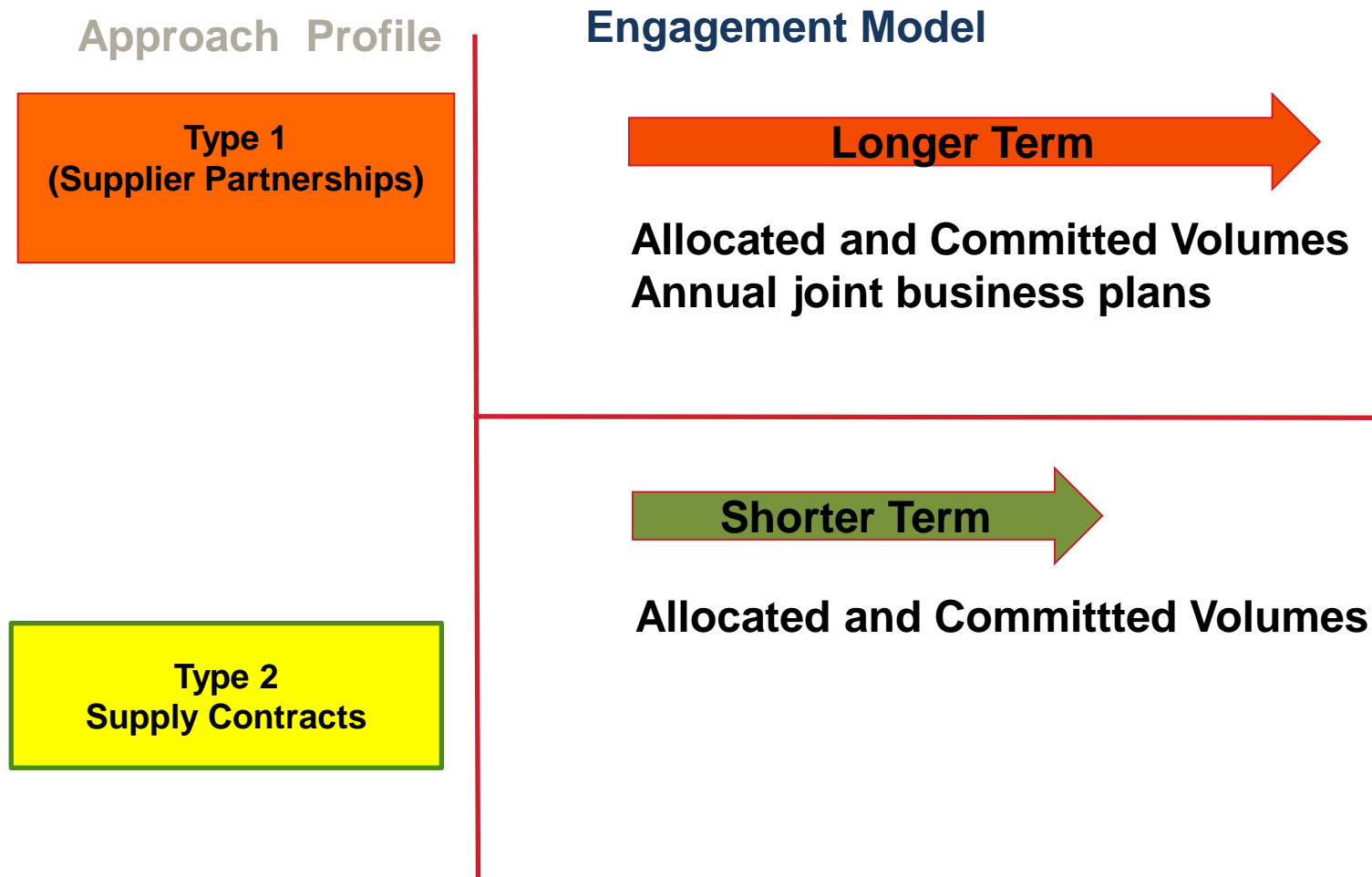
The Product Strategy: Key Elements



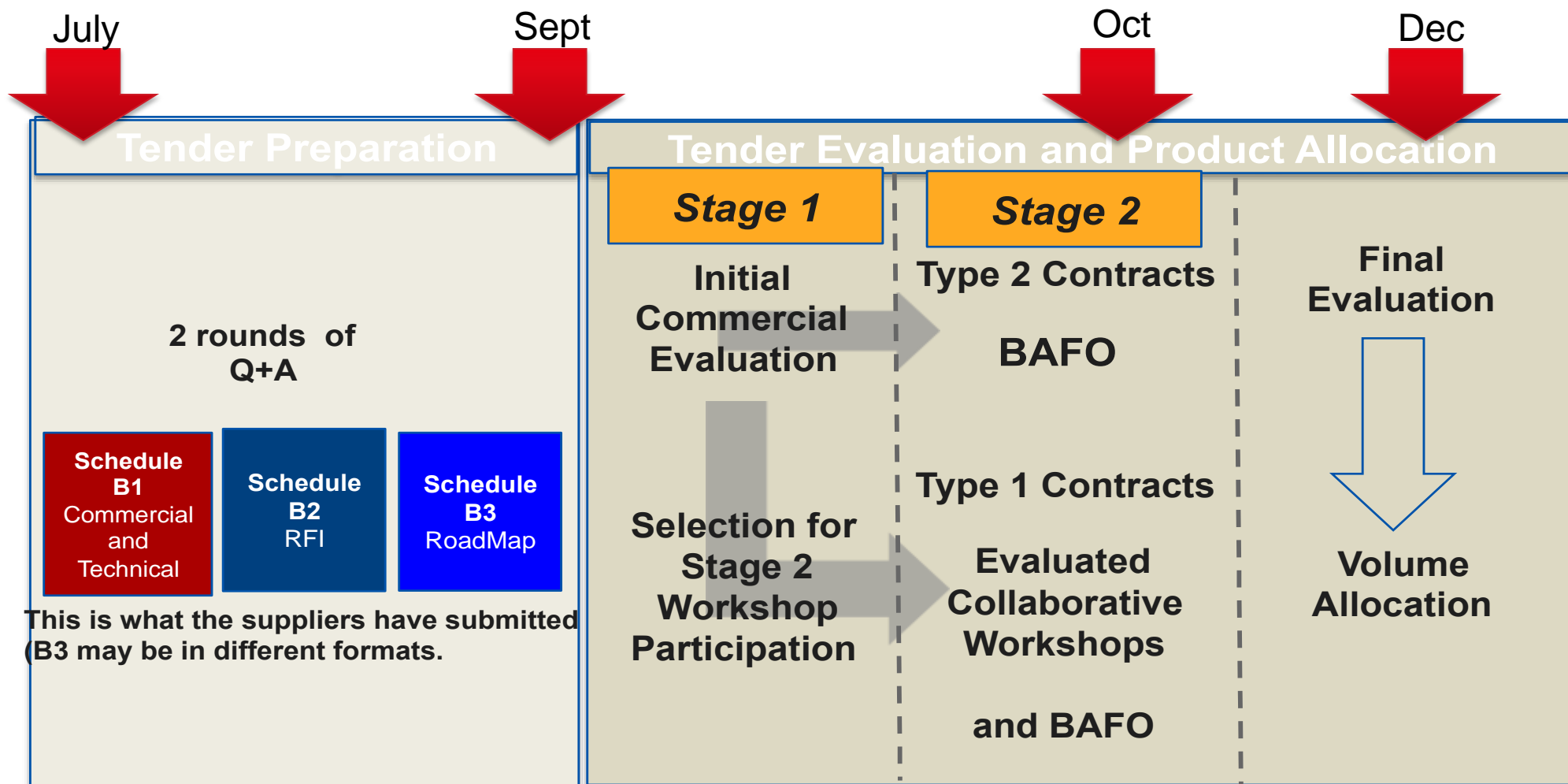
1. The product strategy was based on lifecycle management to drive affordability and availability.
2. Initial volume commitments will be made out to the end of 2016
2. New entrants will be encouraged by capping volume commitments in the early lifecycle stages.
3. Suppliers will be encouraged to supply both high volume and low volume products by bundling contracts through the tender process

A two track approach to supplier engagement

Following the tender process two types of contract were awarded.

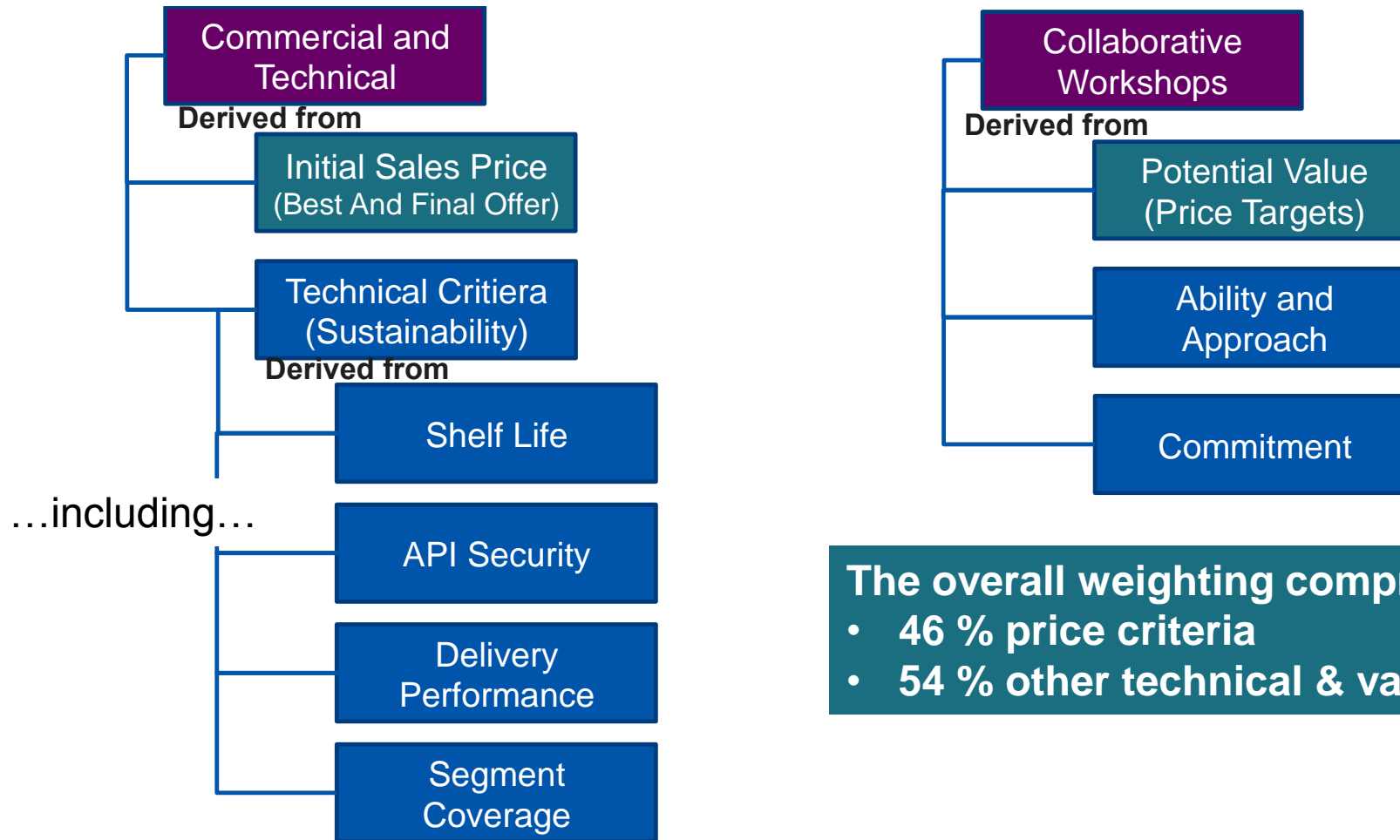


The Tender Process



Weighting criteria

To achieve a complex range of objectives a number of criteria were evaluated – schematically and illustratively:



The overall weighting comprised

- 46 % price criteria
- 54 % other technical & value elements

Key outcomes

- ✓ The long term collaborative agreements will support continuous supply through improved lead times and better delivery performance
- ✓ Supply risks mitigated with multiple awardees per product and diversification of API sources
- ✓ Proposals received for improvements to the supply of paediatric products
- ✓ Cost reductions for optimal 1st & 2nd line regimens for adults & children: immediate and further reductions over time
- ✓ The new approach will drive further improvements through the deployment of objectivized annual business plans
- ✓ Vendor managed inventory linked to commitments a viable solution to respond to stock-outs across Global Fund portfolio
- ✓ Delivers Global Fund's Market Shaping Strategy through underpinning long term sustainability both at a product and market level.

THANK YOU



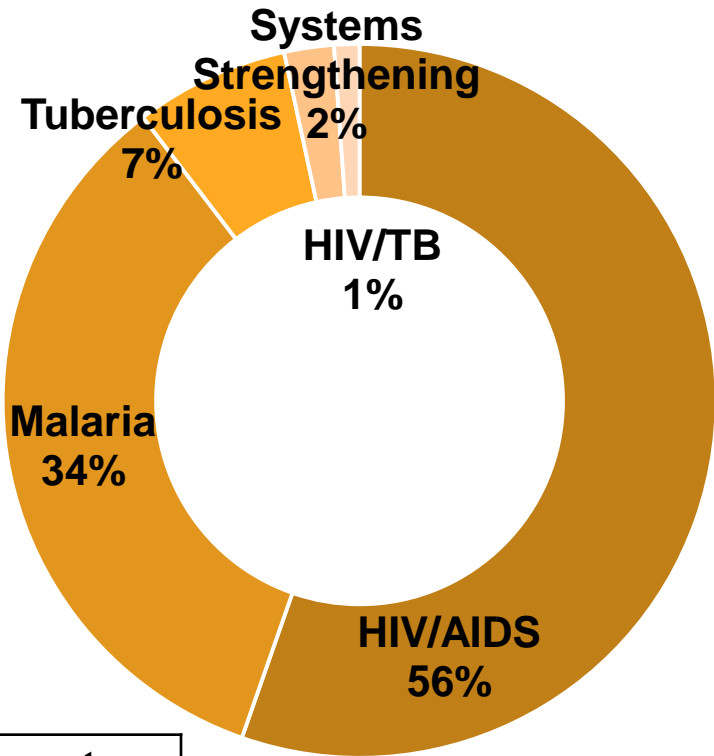
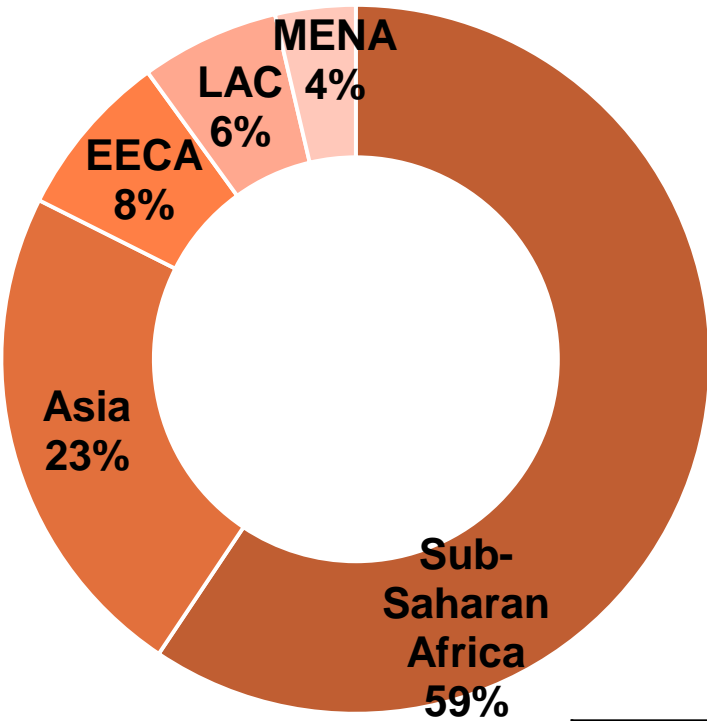


Global Fund's grants to scale-up access to ART

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HISTORY: disbursement distribution since 2002: USD 26.2 billion



Largest HIV disbursements	
Ethiopia	\$1,013.7M
Tanzania	\$717.0M
Rwanda	\$663.5M
Zambia	\$636.2M
Malawi	\$545.9M

The Global Fund Strategy Framework 2012-2016: “Investing for impact”

Vision	A world free of the burden of HIV/AIDS, tuberculosis and malaria with better health for all		
Mission	To attract, manage and disburse additional resources to make a sustainable and significant contribution in the fight against AIDS, tuberculosis and malaria in countries in need, and contributing to poverty reduction as part of the MDGs		
Guiding principles	<ul style="list-style-type: none"> • Being a financing instrument • Additionality • Sustainability • Country ownership 	<ul style="list-style-type: none"> • Multi-sectoral engagement • Partnership • Integrated, balanced approach • Promoting human right to health 	<ul style="list-style-type: none"> • Performance-based funding • Good value for money • Effectiveness and efficiency • Transparency and accountability
Goals	10 million lives saved¹ over 2012-2016 140-180 million new infections prevented over 2012-2016		
	Global plan	Global Fund leading targets for 2016	Indicators for other selected services
Targets² (2016)	HIV / AIDS	UNAIDS 2011-2015 Strategy, 2011 Investment Framework, and UNGASS June 2011 Declaration 7.3 million people alive on ARTs	PMTCT: ARV prophylaxis and/or treatment <ul style="list-style-type: none"> • HIV testing and counseling • Prevention services for MARPs • Male circumcision
	TB	Global Plan to Stop TB 2011-2015 4.6 million DOTS treatments (annual) 21 million DOTS treatments over 2012-2016	<ul style="list-style-type: none"> • HIV co-infected TB patients enrolled on ARTs • MDR-TB treatments
	Malaria	RBM Global Malaria Action Plan 2008 and May 2011 updated goals and targets 90 million LLINs distributed (annual) 390 million LLINs distributed over 2012-2016	<ul style="list-style-type: none"> • Houses sprayed with IRS • Diagnoses with RDTs • Courses of ACT administered to confirmed malaria cases

1. Based on impact of provision of ART, DOTS and LLINs using methodology agreed with partners. 2. Targets refer to service levels to be achieved in low- and middle-income countries.
 Note: Goals and targets are based on results from Global Fund-supported programs which may also be funded by other sources; targets are dependent on resource levels

The Global Fund is a 21st-century partnership designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics.

As a partnership between governments, civil society, the private sector and people affected by the diseases, the Global Fund mobilizes and invests nearly US\$4 billion a year to support programs run by local experts in more than 140 countries. By challenging barriers and embracing innovative approaches, we are working together to end these epidemics.



7.3 MILLION

people on antiretroviral therapy for AIDS

In one year, 1.3 million more people can be counted among those receiving ARV therapy, a 20 percent increase.



12.3 MILLION

people tested and treated for tuberculosis

In one year, programs supported by the Global Fund have treated 1.1 million more people for tuberculosis, a 10 percent increase.



450 MILLION

mosquito nets distributed to protect children and families from malaria

In one year, programs supported by the Global Fund have distributed 90 million more nets for malaria prevention, a 24 percent increase.

2014-2016

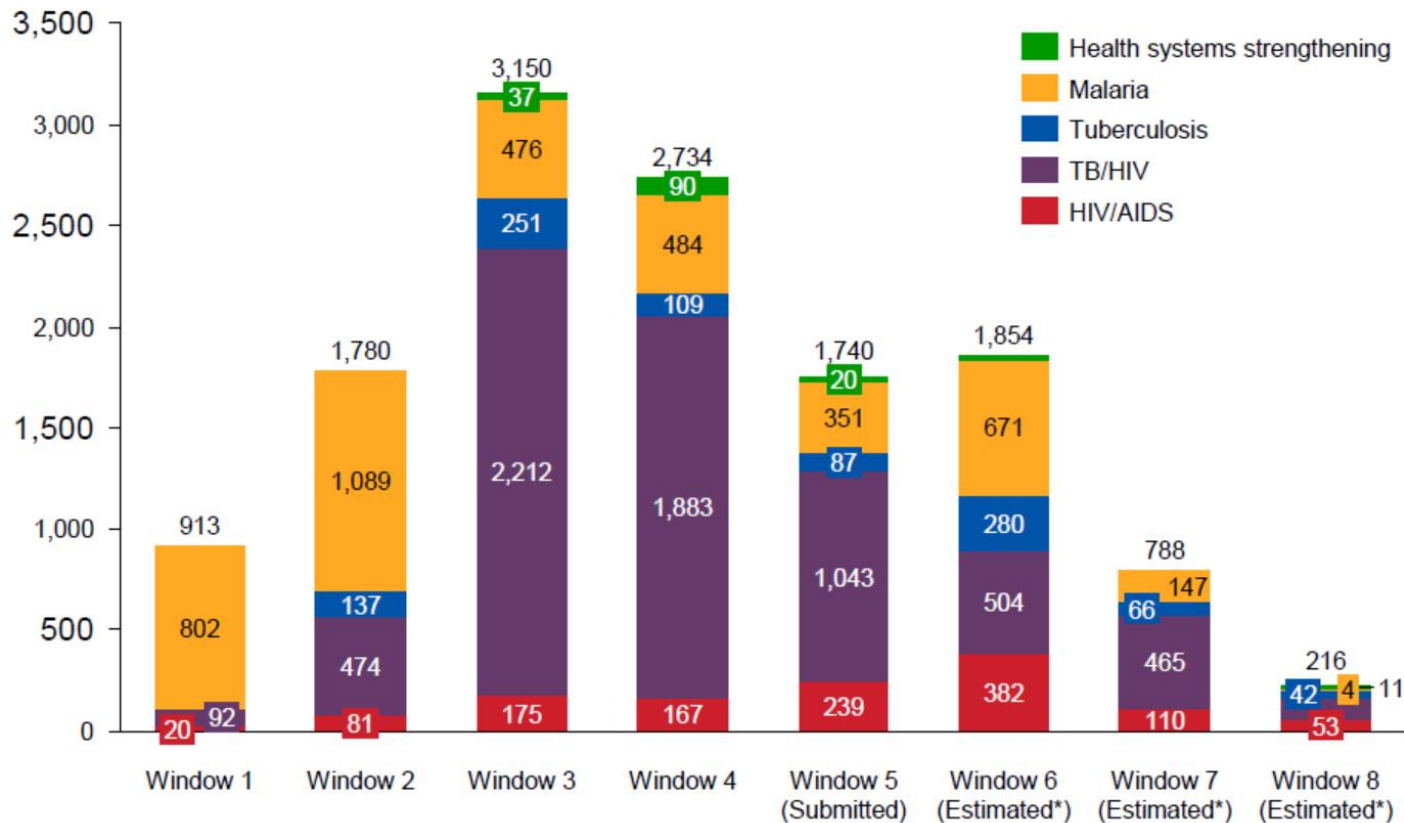
- **USD 12 billion was pledged in the last replenishment for 2014-2016**
- **Between 2014 and 2016 the spend to combat the three target diseases will be USD14.6 billion**
 -including USD 7.8 billion for HIV across 105 countries**
 - ...which based on historical trends, translates into a spend of at least USD 3.4 billion on medicines and health products**

2017-2019

- **Formal replenishment preparation for 2017 -2019 begins December 2015**

USD 4.6 billion still to be reviewed under the New Funding Model through 2015

Value of concept notes by component by 2014-2015 window

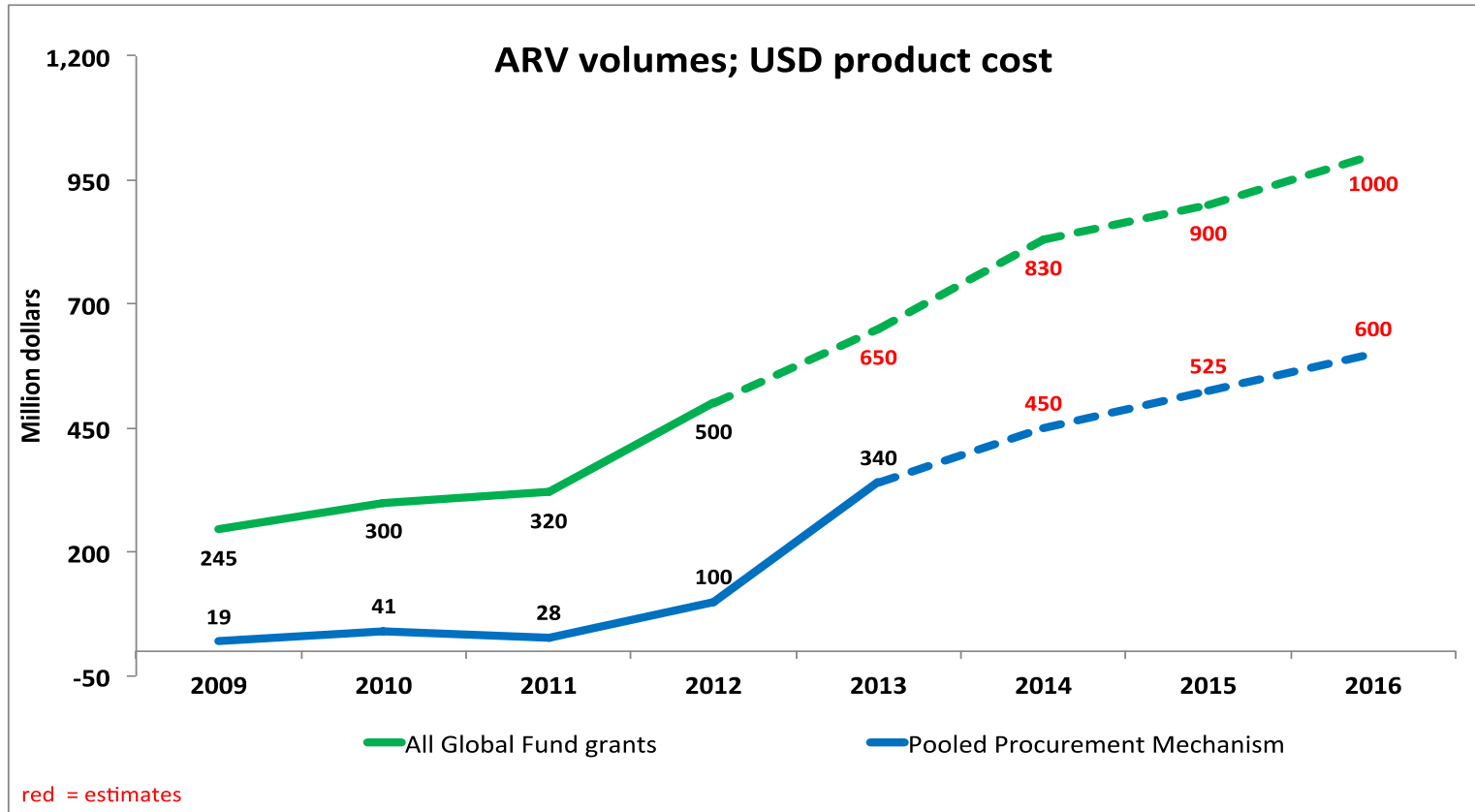


*Figures in future windows reflect current concept note registrations, which are subject to rescheduling.

As of 4 February 2015

Note: Regional concept notes and iterations not included. Values in past windows reflect new concept notes submitted, although not all components move to grant-making.

Increasing spend with increasing numbers on treatment



THANK YOU

