

Last Update: 18 June 2013

The Revolving Fund as a Technical Cooperation Mechanism for Immunization Programs in the Americas

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Introduction

The Revolving Fund for Vaccines, Syringes, and other Related Supplies of the Pan American Health Organization (PAHO) is a technical cooperation mechanism for the joint procurement of vaccines, syringes, and related supplies for participating Member States.

For more than 30 years, participating Member States have been able to obtain a continuous supply of high-quality products at the lowest prices for their immunization programs through the Revolving Fund. Based on the principle of equity, and due to economies of scale, all participating Member States have access to the same products at the same low price.

The Revolving Fund has been key to the success of immunization programs in the Americas, enabling the Region to become the first in the world to eliminate indigenous polio and measles viruses. This Region has also made the greatest strides toward the elimination of rubella and congenital rubella syndrome. The Revolving Fund has been vital to ensuring high coverage vaccination services in the Americas and contributing to this Region's leadership in the introduction of new vaccines.

All participating Member States pay a fee of 3.5% of the net purchase price of the products to a common "revolving" fund, which is divided in the following manner: 3% is goes to the common fund to offer a line of credit to Member States that may require it, and 0.5% is used to cover the administration costs of purchasing activities.

Through a multidisciplinary professional team in the areas of immunization, procurement, vaccine quality control, finance, and legal affairs, the Revolving Fund manages the planning and consolidation of demand, negotiations with producers, placement of purchase orders, coordination with suppliers and monitoring of shipments, as well as the financial aspects involving paying suppliers and billing countries. It does so in accordance with its Operating Procedures¹.

The Revolving Fund has been a critical factor in making the Region of the Americas a global role model for the success of immunization programs and for the Region's successful introduction of new vaccines. For this reason, promoting the Revolving Fund's achievements and protecting its well-being is in everyone's interest.

Bellow we share some frequently asked questions and answers (FAQs) to provide a greater understanding of the Revolving Fund's significance to the Region.

¹ Operating Procedures of the Pan American Health Organization's (PAHO) Revolving Fund for the Purchase of Vaccines, Syringes, and Other Related Supplies. Available at: http://www.paho.org/English/AD/FCH/IM/RF_OperatingProcedures_e.pdf.

FAQs

What is the source of the funds for procuring products through this mechanism?

PAHO established the Revolving Fund pursuant to the mandates of its Governing Bodies. PAHO manages the negotiation and procurement processes for its participating Member States. Almost 100% of the resources used to purchase what is needed through the Revolving Fund come from Member States' national budgets. Thus, the Revolving Fund fosters the financial sustainability of national immunization programs.

What requirements should Member States meet to participate in the PAHO Revolving Fund?

To participate in the Revolving Fund, PAHO Member States need to meet three basic requirements: their immunization program must have a 5-year plan of action; there must be a line item in the national budget for the procurement of vaccines, syringes, and supplies to support its immunization program; and there must be a person or an entity responsible for running the program. Moreover, participating Member States pay 3.5% of the net value of each product and they must be up-to-date with their credit payments.

How does the negotiation process between the Revolving Fund and the producers work?

The Revolving Fund issues an Invitation to Bid (ITB), usually annually or biennially, consolidating demand from the participating Member States. The ITB specifies not only quantities of vaccines, syringes, and related supplies, but also the quality characteristics, presentations, and conditions required by PAHO.

The ITB is sent to producers, inviting them to submit a bid that meets the estimated demand. Following the deadline for the close of the bidding, the bids are opened and disclosed in the presence of the participating bidders.

Based on, among other things, the lowest price, the quantity offered, and the producer's quality and service record, producers are selected to cover the estimated demand that has been calculated. To guarantee the supply, PAHO assigns at least two producers, whenever possible, to cover the demand calculated for each product.

How is the PAHO Revolving Fund able to offer a single, lowest price to participating Member States?

Based on its accurate demand forecasting, the Revolving Fund is able to consolidate estimated quantities for all participating Member States into a single regional purchase for each product. This creates economies of scale that, coupled with well established conditions, rules, and procedures, helps PAHO obtain the lowest prices. All participating Member States pay the same, single price for each product, even when there are multiple suppliers, as PAHO will use weighted averages so Member States pay the same price for each product.

What does the 3.5% contribution on net purchases made by Member States participating in the Revolving Fund go towards?

A 3.5% fee is assessed on the net value of products procured through the Revolving Fund, which is paid by Member States for each purchase. Of this, 3% goes to the common capital fund to be used by PAHO as working capital to provide a line of credit to participating Member States, making it possible for PAHO to pay producers before receiving reimbursement from Member States. The remaining 0.5% contributes towards PAHO's administrative and purchasing activity costs.

When Member States acquire vaccines and supplies through the Pan American Health Organization (PAHO), is the Revolving Fund functioning as a distributor to the countries?

PAHO is not the vaccine supplier. As part of PAHO's technical cooperation, countries may purchase through the PAHO Revolving Fund. PAHO assumes the responsibility for negotiation, administration of purchase orders, and coordination of shipments, as well as the financing functions of payment to suppliers and collection. For all Member State purchase transactions, the producer appears as the supplier/seller and the country as the consignee. The producer is responsible for the quality, safety, and effectiveness of the products sold to the purchasing country.

How does PAHO ensure that the vaccines and syringes acquired through the Revolving Fund are of high quality, safe, and effective?

The vast majority of vaccines and syringes that are offered through the Revolving Fund have been prequalified by the World Health Organization (WHO). Prequalification verifies that they comply with the principles and specifications for Good Manufacturing Practices and Good Clinical Practices established by WHO so that the vaccines and syringes used in national immunization services are safe and effective for the recommended groups, and that they comply with particular operational specifications for presentation and packaging.

The Revolving Fund also offers some products that are not considered as priority for the WHO prequalification system, and as a result are not evaluated for prequalification. For these products to be accepted, they must be approved by one of the following reference regulatory agencies: FDA (Food and Drug Administration, USA), EMEA (European Medicines Agency, European Union), Health Canada (Canadian regulatory agency), KFDA (Korea Food and Drug Administration), or TGA (Therapeutic Goods Administration, Australia).

Do other Regions of the world have a mechanism similar to the Revolving Fund for the procurement of vaccines and supplies for public health systems?

Currently, only the Region of the Americas has this centralized procurement mechanism. However, other WHO Regions are in the process of implementing similar mechanisms with support from WHO, PAHO, and other partners, using the PAHO Revolving Fund as a reference model.

What is the relationship between the PAHO Revolving Fund and initiatives such as the GAVI Alliance (Global Alliance for Vaccines and Immunization)?

The GAVI Alliance is a public-private initiative that, using pre-established selection criteria and economic subsidies from donors, helps countries with low per capita income to access new vaccines. In the Americas, six countries currently receive assistance from GAVI: Bolivia, Cuba, Guyana, Haiti, Honduras, and Nicaragua. The Revolving Fund coordinates operationally with GAVI and other initiatives so that these countries can have access to predetermined new vaccines.

Are national laws important to the operation of the Revolving Fund?

Through national laws, countries ensure the allocation of national funds for the procurement of vaccines, syringes, and related supplies, thereby ensuring the financial and operational sustainability of immunization programs.

How does the Revolving Fund contribute to the introduction of new vaccines to country Immunization Programs?

PAHO has a technical team to support countries with the evaluation of cost-effectiveness and technical preparations necessary for the introduction of new vaccines. Once a country decides to introduce a new vaccine into its immunization program, it can do so through the Revolving Fund, provided the vaccine is prequalified by WHO or, if the product is not in the prequalification system, one of the reference national regulatory agencies.

How much could a participating country save by purchasing through the Revolving Fund, compared to purchasing directly from producers?

According to some studies, countries can save up to 11% by purchasing through the Revolving Fund compared to purchasing directly from the producer. This differential can double when compared to prices countries outside the Region pay. The benefit is not only financial, however, as participating in the Revolving Fund also provides access to the vaccine supply, which is especially important for countries that would have difficulties purchasing directly due to the low volumes they need.