

# 29th PAN AMERICAN SANITARY CONFERENCE

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*Provisional Agenda Item 8.7-L*

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### **L. REVIEW OF THE CHARGE ASSESSED ON THE PROCUREMENT OF PUBLIC HEALTH SUPPLIES FOR MEMBER STATES: PROGRESS REPORT**

#### **Background**

1. The Pan American Health Organization (PAHO) procurement activities have been supported over the years by three procurement mechanisms: the Revolving Fund for Vaccine Procurement (Revolving Fund), the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund), and the reimbursable procurement on behalf of Member States. The Revolving Fund was established in 1977 pursuant to Directing Council Resolution CD25.R27 in order to facilitate the timely availability of quality vaccines at the lowest prices. The Strategic Fund was established in 1999 following requests from Member States for assistance in the procurement of strategic supplies focused on combating HIV/AIDs, tuberculosis, malaria, and neglected diseases. Since 2013, the Strategic Fund incorporates medicines to prevent and treat noncommunicable diseases. The total value of goods procured on behalf of Member States continues to rise significantly every year. In 2016, it was approximately 15% higher than in the previous period (Revolving Fund, US\$ 628 million;<sup>1</sup> Strategic Fund, \$82 million).

2. In 2013, the 52nd Directing Council adopted Resolution CD52.R12, *Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (1)*. This resolution called for an increase in the charge assessed on the procurement of all public health supplies to 4.25% effective 1 January 2014. It also requested the Director to review the charge assessed and to present a report on the revenue and expenses tied to the use of the 1.25% of the total fee to cover administrative, operating, and staffing costs at the end of each biennium. Revenue generated from the remaining 3% of the fee is applied to the capitalization of procurement mechanisms on behalf of Member States.

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<sup>1</sup> Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

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### Update on Progress Achieved

3. The accrued revenue generated from the 1.25% fee during the 2014-2015 biennium totaled \$14,725,000. In keeping with current practice for the allocation of support costs, the revenue was made available for the following biennium, 2016-2017. Bearing this practice in mind, as well as the amount generated, a work plan and budget for 2016-2017 biennium was prepared and approved by the Director of the Pan American Sanitary Bureau (PASB) (Table 1). The budget for the plan, amounting to \$12.1 million, supports all the costs of key personnel assigned to the procurement mechanisms, as well as activities in support of the approved operational framework and its four key enabling functions.

**Table 1. Approved Budget, 2016-2017**

<b>Staffing</b>		<b>\$10,362,700</b>
	Revolving Fund for Vaccines	1,513,000
	Health Systems Strengthening	893,100
	Procurement	4,694,900
	Legal	180,390
	Finance	1,022,000
	Sub-regional (CPC, ELS, PER)	2,059,310
<b>Supporting Activities</b>		<b>\$1,735,000</b>
<b>Totals</b>		<b>\$12,097,700</b>

4. Details on the operational framework, its four enabling functions, and the supporting activities to be implemented by the staff are described below. Since the biennium ends in December 2017, actual expenditures will be reported to the PAHO Directing Council in 2018.

#### *Strengthening of Knowledge and Awareness*

5. Technical cooperation missions were carried out on behalf of both Funds to increase awareness as well as understanding of supply chain management and demand forecasting, and to assist in trouble-shooting issues related to quality, supply, and financing.

6. With support from the national country offices, working missions provided training and other institutional strengthening activities in areas related to supply chain management and improved utilization of the Funds. As a result, countries are now able to reduce risky stock situations (excesses or shortages) and improve the forecasting of needs for essential medicines and vaccines. In addition, using an interprogrammatic approach, technical cooperation included support on the improvement of treatment guidelines and the rational use of medicines. Also, plans were made to develop a forecasting tool and design an appropriate demand forecasting platform to support countries in preparing plans to meet their demands for vaccines and syringes.

7. In addition, country missions provided advice and assistance in analyzing the potential savings from using the Funds. For example, to ensure the availability of hard-to-procure medicines, vaccines, and other emergency and strategic health supplies for neglected tropical diseases, malaria, and other diseases, the Strategic Fund conducted consolidation-of-demand exercises and found ways to incentivize the timely supply of products.

8. With support from the Centers for Disease Control and Prevention (CDC), staff from both Funds worked together to develop a communications framework. The framework distinguishes between common areas of collaboration across both Funds and specific areas of work integral to the continued development of each Fund, as well as their communication with Member States.

### ***Increasing the Efficiency of Operations***

9. During the period of this report, staff supported by this charge developed a series of specific strategies geared towards improving supplier engagement and performance. Eligibility and technical criteria were reviewed for products procured through these mechanisms and the findings were presented at a suppliers' forum organized by PASB. These criteria were included in all new calls for bids. This initiative streamlined the bid solicitation process, by eliminating ad hoc changes and reducing the time required to review documents from competing suppliers, which improved the efficiencies of both Funds.

10. Vaccine supply challenges for inactivated polio vaccine (IPV), yellow fever (YF), and seasonal influenza were monitored closely by the Revolving Fund in coordination with PAHO Country Offices and the Regional Immunization Program. A review and analysis of credit lines linked to national immunization plans and national budgets was also initiated.

11. Personnel covered by this charge worked intensively on increasing Strategic Fund membership, which now stands at 30 Member States. The expanded membership resulted in larger procurement volume, which allowed to negotiate better terms and conditions, including prices, for the Member States.

12. In January 2016, PAHO deployed a new enterprise resource planning system to manage all operational, financial, and procurement transactions across the Organization, including those related to both Funds. With the goal to provide countries with timely updates on the status of their orders and financial obligations, staff assigned full time to these Funds are developing a set of reports and dashboards that will be integrated into this new system, thus leveraging its functionalities. These tools will provide a better picture of the performance of both Funds and ensure greater efficiency.

### ***Developing Market Intelligence***

13. PASB staff from across the Organization who are funded by this charge participated in the Annual Developing Country Vaccine Manufacturers Network (DCVMN) meeting, held in Buenos Aires in October 2016. This event provided an opportunity to gather market intelligence and promote awareness of the Revolving Fund's success over the past four decades with this key group of suppliers. Staff gave talks as part of the agenda and met separately with suppliers. The PAHO vaccine market outlook was published along with the results of the meeting (2). In this same vein, ongoing quarterly meetings are held with all vaccine suppliers under long-term agreements with the Revolving Fund. These meetings provide an opportunity to review supply/demand performance, identify challenges, and gather market intelligence.

14. Member States are kept up to date on changes in the vaccine market through regional forums and country visits. Ongoing monitoring of the vaccine market continued despite the challenges associated with aligning the regional demand with the supply.

15. Using funds provided from this charge, the Strategic Fund conducted a series of strategic meetings with Member States in order to better understand their needs, identify opportunities for collaboration, and explore ways to improve support in the exchange of information on pricing and market trends. Staff have participated actively in fora and international meetings with other United Nations agencies and international organizations, sharing information on market trends, practices, potential new suppliers, and challenges and opportunities.

16. In addition, meetings have been held with vendors on a regular basis to discuss current business, new products, changes in the market, and potential new strategies and areas of collaboration.

### ***Leveraging Strategic Alliances and Partnerships***

17. During the period, existing partnerships were strengthened and new ones were forged. The Revolving Fund staff supported by this charge networked with Gavi, the Vaccine Alliance (GAVI) during negotiations with suppliers of pneumococcal vaccine in 2016 and again in 2017. In addition the Revolving Fund in collaboration with the Gates Foundation successfully implemented a supply agreement on bivalent human papilloma virus (HPV) vaccine for Member States.

18. The Strategic Fund developed and strengthened partnerships with key international organizations such as the United States Agency for International Development (USAID), UNICEF, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria (GFATM). The Strategic Fund now has access to long-term agreements and beneficial price arrangements as part of its collaboration with GFTAM and UNICEF. To strengthen the capacity of Member States in supply chain management and demand forecasting, PAHO signed a collaborative agreement with the GFTAM in this area.

A joint bid has been issued together with UNICEF for responding to requests for antimalarials.

19. A meeting was held with representatives from GFTAM to review vendor performance and discuss prices, which resulted in long-term agreements with significant savings on behalf of the Member States.

#### **Action Necessary to Improve the Situation**

20. PASB will continue to monitor the situation to ensure that the procurement activities and staff needed to manage these two Funds are covered by revenue generated by the charge assessed on the procurement of public health supplies on behalf of Member States.

#### **Action by the Pan American Sanitary Conference**

21. The Conference is invited to take note of this progress report and offer any recommendations it deems relevant.

#### **References**

1. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Internet]. 52nd Directing Council of PAHO, 65th Session of the WHO Regional Committee for the Americas; 2013 Sep 30-Oct 4; Washington, DC. Washington, DC: PAHO; 2013 (Document CD52/15) [cited 2017 May 15]. Available from: [http://www.paho.org/hq/index.php?option=com\\_docman&task=doc\\_download&gid=22574&Itemid=270&lang=en](http://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=22574&Itemid=270&lang=en)
2. Pagliusi S, Ting CC, Lobos F, DCVMN Executive Committee Group. Vaccines: Shaping global health. *Vaccine*. 2017 Feb 23 [cited 2017 2017 May 15]; 35(12): 1579–85. Available from: <http://www.sciencedirect.com/science/article/pii/S0264410X17301986>

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