An overview of Global Fund’s procurement and market shaping strategy

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Organization: The Global Fund
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2 Global Fund’s Balanced Supply System and Global Fund Tenders
3 Recap of key considerations when intending to bid
The Global Fund

A 21st-century partnership organization to accelerate the end of HIV, tuberculosis and malaria as epidemics

- Founded in 2002, leading contributor of resources in the fight against the three diseases
- Mobilizes and invests nearly US$4 billion a year, supporting countries and communities most in need
- Over 430 active grants in over 100 countries, implemented by local experts
- Nearly half of disbursements are for the purchase of health products needed to fight the diseases

Received pledges of US$14.02 billion for the next three years

- Unprecedented show of global solidarity at replenishment conference in October 2019
- Largest amount ever raised for a multilateral health organization
- > 90% from government donors

The US$ 4 billion per year spent by the Global Fund is critical in the fight against HIV, TB and malaria. The Global Fund is a leading international provider of grants to fight HIV, TB and malaria. Approximately 72% of disbursements currently go to countries in sub-Saharan Africa, where HIV and malaria are most graphically concentrated, and to more than 100 countries worldwide.

The Global Fund Strategy is supported by a Market Shaping Strategy, which extends beyond its direct spend to help ensure healthy markets and value for money.

Mission of the Global Fund’s Market Shaping Strategy:
Leverage the Global Fund’s position to facilitate healthier global markets for health products – today and in the future.

The Global Fund’s Pooled Procurement Mechanism is a key tool for implementing the Market Shaping Strategy.

The Global Fund Strategy 2017-2022:
- Maximize Impact Against HIV, TB and Malaria
- Build Resilient & Sustainable Systems for Health
- Mobilize Increased Resources
- Promote & Protect Human Rights and Gender Equality

Strategic Enablers: Innovate and differentiate along the development continuum + Support mutually accountable partnerships

The Global Fund Strategy 2017-2022:
https://www.theglobalfund.org/en/strategy/

Global Fund’s Market Shaping Strategy:
The Pooled Procurement Mechanism is the largest of the Global Fund’s procurement channels, representing just over half of the Global Fund health product spend.

<table>
<thead>
<tr>
<th>Funding</th>
<th>Procurement Services Agent (PSA)</th>
<th>Principal Recipient (PR) Country</th>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>~55% of Global Fund health product spend</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Pooled Procurement Mechanism (PPM)**

**National Procurement Mechanisms**

**Other Procurement Agents, Global Drug Facility (TB)**
~44% of the Global Fund’s Pooled Procurement Mechanism (PPM) health product spend is for malaria-related products

Total 2018 PPM spend on all health products: US$ 913m

Acronyms:
ANTMs: Antimalarial medicines
ARVs: Antiretroviral medicines
hRDTs: HIV Rapid Diagnostic Tests
IRS: Indoor Residual Spraying
LLINs: Long-Lasting Insecticidal Nets
m: million
mRDTs: Malaria Rapid Diagnostic Tests
Other: General lab equipment & supplies, condoms, and other diagnostics
VL/EID: Viral Load/Early infant diagnosis

Data source: 2018 Procurement Services Agent data, includes product cost, freight, logistics and other costs.
The Global Fund’s Pooled Procurement Mechanism connects buyers with suppliers across the globe.

<table>
<thead>
<tr>
<th>Demand</th>
<th>Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPM procured products for 63 countries in 2018.</td>
<td>PPM procures quality-assured products from a geographically dispersed footprint.</td>
</tr>
</tbody>
</table>


China, Cyprus, France, Germany, India, Italy, Japan, Kenya, Pakistan, South Korea, Tanzania, Uganda, USA
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3 Recap of key considerations when intending to bid
Global Fund’s balanced supply system embedded in its strategic sourcing work is based on 5 elements

- **A. Cost competitiveness**
  - Providing quality assured products at the lowest possible affordable and sustainable price to reach the maximum number of patients
  - Reducing price volatility and eliminating predatory pricing
  - Operationalizing value creation levers

- **B. Performance**
  - Supplying product timely and in full
  - Incentivizing the introduction of new regimen and better formulations

- **C. Sustainability**
  - Supporting existing and new suppliers to ensure sufficient supply of all the needed products and mitigate geographic supply risks
  - Investing in suppliers with responsible and sustainable practices

- **D. Risk management**
  - Maintaining well-diversified supplier base
  - Meeting the Global Fund and national quality requirements
  - Mitigating implementation risks including quality & supply security risks

- **E. Benefit sharing**
  - Publishing reference prices
  - Building capabilities and implementing rapid supply mechanisms
  - Providing access to PPM contract terms for other buyers
  - Further incentivizing broad national registration footprint
  - Leveraging volumes to improve access to other products
Moving from spot tenders to long term agreements with supplier relationship management permits PPM to deliver better value

- Previous approaches focused on the price value lever
- Value creation has been extended and can be further extended across a range of levers
- The importance of this will increase in importance as cost is optimized

<table>
<thead>
<tr>
<th>Previously</th>
<th>Now</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managed periodically through tender</td>
<td>Price</td>
</tr>
<tr>
<td>Largely ignored</td>
<td>Other Elements</td>
</tr>
</tbody>
</table>

**Security of Value Created**

- Lower
- Higher

Other Elements
- Performance
- Total cost of ownership approach
- Responsible procurement

Manage and realize through implementation
The commercial and technical criteria weighting is adjusted for each Global Fund tender, in line with the specific health product category objectives and the market situation.
Supplier/products eligibility are determined by the Global Fund’s **Quality Assurance Policies** and must comply with the relevant quality standards established by the **national pharmaceutical or diagnostic regulatory authority** in the country of use.

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**Global Fund Quality Assurance Requirements for Health Products**

<table>
<thead>
<tr>
<th>Clinical Requirements</th>
<th>Pharmaceutical Products</th>
<th>Diagnostics Products</th>
<th>Vector Control Products</th>
<th>Male and Female Condoms</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Quality Requirements</th>
<th>Pharmaceutical Products</th>
<th>Diagnostics Products</th>
<th>Vector Control Products</th>
<th>Male and Female Condoms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized by national regulators OR Approved by Stringent Authorities</td>
<td>Authorized by national regulators OR Approved by Stringent Authorities</td>
<td>Authorized by national regulators</td>
<td>Authorized by national regulators</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WHO Prequalification</th>
<th>WHO Prequalification</th>
<th>WHO Prequalification</th>
<th>UNFPA Prequalification</th>
</tr>
</thead>
</table>

*Data source: https://www.theglobalfund.org/en/sourcing-management/quality-assurance/*
Current Long-term Agreement products are managed directly through the Global Fund’s Sourcing Team according to the list of eligible suppliers/products and category strategies.

<table>
<thead>
<tr>
<th>Current LTA Product Groups</th>
<th># of eligible suppliers</th>
<th># of eligible products on wambo.org</th>
<th>GF Category Specific Quality Policy*</th>
<th>Global Fund Supplier Allocation</th>
<th>Sourcing / selection of Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARV</td>
<td>30</td>
<td>113</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>ANTM</td>
<td>20</td>
<td>29</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>LLINs</td>
<td>13</td>
<td>19</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Viral Load/EID</td>
<td>11</td>
<td>99</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Current Non-LTA Product Groups</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Essential medicines</td>
<td>No GF List of Eligible Products</td>
<td>PSA QA System</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>HIV RDTs</td>
<td>18</td>
<td>35</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Malaria RDTs</td>
<td>16</td>
<td>75</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Other Diagnostics</td>
<td>No GF List of Eligible Products for most diagnostics</td>
<td>PSA QA System</td>
<td>No</td>
<td>Mostly</td>
<td></td>
</tr>
<tr>
<td>Lab and Medical supplies</td>
<td>No GF List of Eligible Products</td>
<td>PSA QA System</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Condoms</td>
<td>24</td>
<td>27</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Indoor residual spray</td>
<td>12</td>
<td>11</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

*Note: GF objective is to have all products operating under LTA held by GF or PSA

ANTM: antimalarial medicines; ARV: anti-retroviral therapies; EID: early infant diagnosis; LLIN: long-lasting insecticidal nets; GF: Global Fund; PSA: Procurement Services Agent; QA: quality-assurance; RDT: rapid diagnostic test

*The PSA’s quality-assurance system must be approved by the GF QA team
Suppliers that have successfully become panel suppliers for the Global Fund proceeded through the following steps:

<table>
<thead>
<tr>
<th>Product development</th>
<th>Comply with GF quality policy</th>
<th>Country registration</th>
<th>Competitive tendering</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Developed health products for which there is current or anticipated demand</td>
<td>• Ensured product compliance with Global Fund Quality Assurance Policies</td>
<td>• Ensured products are registered in countries for which there is current or anticipated demand</td>
<td>• Responded to competitive tenders with a sustainable, competitive offering, balancing technical and commercial considerations as appropriate</td>
<td>• Participated in supplier performance reviews, on metrics as elaborated in Long-Term Framework Agreement</td>
</tr>
</tbody>
</table>
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Global Fund tenders present important business opportunities for eligible manufacturers

<table>
<thead>
<tr>
<th>Feature</th>
<th>Impact for Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Long term contracts with volume allocation and potentially commitment (2 - 5 years)</td>
<td>• Ability to make finance plans</td>
</tr>
<tr>
<td>• Annual Volume Commitments</td>
<td>• Optimize plant loading</td>
</tr>
<tr>
<td>• A focus on total cost of ownership</td>
<td>• Risk mitigation</td>
</tr>
<tr>
<td>• Seek value-added services</td>
<td>• Viability of inward investment</td>
</tr>
<tr>
<td></td>
<td>• Opportunity for innovation and investment</td>
</tr>
</tbody>
</table>

**Key requirements**

- Products need to be compliant with relevant Global Fund Quality Policy.
- National registration.
- Good Manufacturing Processes and product approval are required + supporting administrative processes.
## Recap of key considerations when intending to bid

<table>
<thead>
<tr>
<th>Supplier eligibility</th>
<th><strong>Ensure you are eligible.</strong> Bidders must <strong>meet preconditions</strong> as specified in the tender.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product eligibility</td>
<td><strong>Ensure your products meet the minimum quality assurance requirements</strong> specified in the tender.</td>
</tr>
<tr>
<td>Evaluation criteria</td>
<td>Understand the <strong>balance between Technical and Commercial criteria</strong> that will be evaluated. Being successful will require that your offer is cost-competitive.</td>
</tr>
<tr>
<td>Market understanding</td>
<td><strong>Do your homework to understand the market</strong> (e.g., number of eligible suppliers, main buyers).</td>
</tr>
<tr>
<td>Value proposition</td>
<td>Be clear on the <strong>value you can bring</strong> to the market beyond the specific product (e.g., being closer to the customer/closer to demand).</td>
</tr>
<tr>
<td>Registration footprint</td>
<td>Take steps to ensure your products can be supplied where they are in demand, beyond a single country. A “value-add” is a company with a <strong>wide registration footprint</strong> that can address the needs of a sub-region.</td>
</tr>
</tbody>
</table>
Links for additional information

- Global Fund Overview: https://www.theglobalfund.org/en/overview/
- Global Fund Results and Impact: https://www.theglobalfund.org/en/impact/
- Sourcing and Management of Health Products: https://www.theglobalfund.org/en/sourcing-management/
- Sourcing and Management of Health Products Updates: https://www.theglobalfund.org/en/sourcing-management/updates/
  - From this link, access the product-specific links on the left (e.g., antiretrovirals, antimalarial medicines, long-lasting insecticidal nets, viral load and early infant diagnosis)
    - For example: https://www.theglobalfund.org/en/sourcing-management/health-products/antiretrovirals/ for drop-down boxes to access product-specific sourcing strategies, past tender documents and reference prices
- Transaction-level procurement data as reported by or on behalf of Principal Recipients: https://www.theglobalfund.org/en/sourcing-management/price-quality-reporting/
- Global Fund tender documents can be found at Business Opportunities: https://www.theglobalfund.org/en/business-opportunities