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Greater Value for Money Through Enhanced Pooled Procurement

From January to June of 2013, the Global Fund to Fight AIDS, Tuberculosis and Malaria has saved \$42.5 million in procurement. And our goal is to double that in the remaining six months of the year. As an example, earlier this year, the Tanzania National Malaria Programme acquired 16 million rapid diagnostic test kits for malaria by accessing the Global Fund's pooled procurement facility. What was unusual about the transaction was not just its size but the fact that the price tag was less than half of what was originally budgeted for the purchase. Even more remarkable, the diagnostic kits were procured at a price per kit that was about one-third of what was paid in previous procurements of this vital tool in our fight against malaria.

These big savings are the result of an increasingly proactive approach at the Global Fund to procurement, aimed at bringing down prices for high-quality products and managing the supply chain to extract maximum value and ensure timely delivery. Running a smooth procurement process not only delivers better value for money, it also allows the Global Fund to better support countries to reach more people with life-saving programmes.

The Global Fund is one of the largest buyers of pharmaceuticals and health products in global health. More than 40% of Global Fund grant spending is for products ranging from drugs to treat HIV, TB and malaria; to mosquito nets; and to diagnostics that can ensure children are treated appropriately when they have a fever, and can ensure drug-resistant TB is detected within hours rather than weeks.

Our objective is to make the Global Fund the best possible partner to support national procurement mechanisms to obtain the greatest value for money in commodity and supply purchase and distribution. We aim to be their benchmark organisation in global health for sourcing and procurement by building collaborative relationships with partner agencies, including funders and suppliers to best meet country needs. That means harnessing the Global Fund's enormous buying power – \$1 billion for drugs and

another \$1 billion on health equipment, goods and services annually – to negotiate the best possible terms from our suppliers.

The Global Fund is working with national procurement agencies to develop simple leading-edge processes and tools that meet their needs and that will be “branded” as their own procurement systems for accessing globally negotiated prices. But our strategy is about more than just lower prices. At the heart of our effort is a programme to improve the way we manage pooled procurement by cutting out waste and activities that do not add value; and by ensuring effective governance and watertight compliance.

About half of the procurement supported by the Global Fund is currently managed through the pooled mechanism. To increase the return on investment, we plan to work with countries to ensure that the system meets their needs and that, increasingly, it becomes their mechanism of choice. This would enable us to raise the share of procurement done through the pool to about 80% within two years.

To ensure that we get the greatest value for money for the long term, our strategy includes working with the other large procurers for each commodity to develop long-term agreements with suppliers; forecasting demand more accurately; and ensuring a smooth supply chain that minimises delays in delivery and eliminates stock-outs. For example, the Global Fund is collaborating with organisations such as the (UK) Department for International Development, the (US) President’s Emergency Plan for AIDS Relief and UNICEF to better manage supply markets and relationships with manufacturers of health products, thereby increasing our negotiating leverage and security of supply. Until recently, we made “spot” purchases of relatively small amounts of medicines and paid a significant premium as a result. Long-term supply deals with drugs makers obviate that need by ensuring that purchase orders are in synch with production cycles of pharmaceutical companies, thus ensuring the best value for money. Standardising our procedures by narrowing the number of products that we procure to an approved list will also drive down costs.

One significant issue is counterfeit medicines and loss of commodities as they move through parts of the supply chain. We are working with international and national partners to establish rigorous systems to detect and weed out counterfeit drugs. We have recently introduced a “track and trace” system which locates the exact whereabouts of much of what the Global Fund procures, by means of an online tracking tool. For example, track and trace will keep tabs on the diagnostic kits ordered by Tanzania as they move from a manufacturer, across the ocean and through ports; and from central medical stores into the hands of health workers.

Better procurement systems are just one of the many ways that the Global Fund is putting more rigorous systems of accountability and transparency in place to increase value for money, while supporting national procurement systems to develop long-term capacity. But because of the large part of the Global Fund’s portfolio that supports the purchase of commodities and supply, it’s an essential element of our strong forward progress to maximise impact and save and lift up more lives.

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