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Independent observer of the Global Fund

The debate over shifting procurement responsibility for Global Fund countries ramping up domestic financing

As countries shift from Global Fund-financed procurement of drugs and other commodities to domestic funding and national procurement control, civil society representatives warn of possible stock outs and difficulties procuring quality items. Global Fund officials agree that there are real challenges in some countries, and are encouraging partners to do whatever possible to reduce the likelihood of this happening.

Civil society organizations have told Aidspan that a shift to co-financing has encouraged many countries to take on procurement, even though they may lack the negotiating power, commitment to quality, and forecasting capabilities that existing international procurement mechanisms have. They also warn that the shift to national procurement could undercut the market for drugs and other commodities, resulting in higher prices.

Matthew Macgregor, the senior project lead for Sustainability, Transition and Co-Financing (STC) at the Global Fund, told Aidspan that while there are real challenges in some contexts, most shifts to national procurement are gradual and include support from the Global Fund, as well as monitoring to limit the likelihood of stockouts and to ensure quality. He emphasized that greater national ownership of this element of national disease responses is necessary, since it allows the Global Fund to invest more resources in other interventions.

“We take a very proactive approach to this issue,” Macgregor said. Country teams are “encouraging countries to maintain quality procurement, they’re encouraging countries to use international pooled procurement platforms, they’re engaging on issues of quantification, they’re thinking about the risks jointly with countries.”

The rise of co-financing

The growth of global pooling mechanisms over the past decade, including the Global Fund's Pooled Procurement Mechanism (PPM) and the Global Drug Facility (GDF) – which focuses on TB drugs and commodities – has made purchasing quality items easier and less expensive for countries. The protocols and benefits include the following:

- Compiling orders allows for volume-based discounts and spurs competition among drug manufacturers, further reducing prices.
- Countries that receive Global Fund support must procure medicines assured under the World Health Organization (WHO) Pre-Qualification Program or a stringent drug regulatory authority (SDRA). The easiest way to do this is often through these international mechanisms.
- In countries where drugs and commodities are not registered, manufacturers receive a waiver under these mechanisms.
- These mechanisms can also include forecasting capabilities.

Civil society representatives warn that countries may lose some of these benefits as they transition to increased domestic procurement.

This transition, they say, has been spurred by the introduction of the Global Fund Sustainability, Transition and Co-Financing Policy (STC). Adopted in 2016, the STC policy promotes sustainability planning. All countries must now meet co-financing requirements that include growing the proportion of domestic funding for key Global Fund-supported programs each allocation period, including spending on human resources, essential drugs and commodities, and rights-based programs for key and vulnerable populations.

Global Fund officials said co-financing is not forcing countries to immediately shift to domestic procurement and that co-financing existed before the STC Policy was introduced. Macgregor emphasized that many countries were already responsible for procuring a range of medications and commodities and that in other cases the Global Fund will continue to provide support.

"What the co-financing policy does is it encourages countries to pick up program costs and increase overall health spending," he said. "That includes health products, but it also includes key and vulnerable population programs. It also includes human resources. We want countries, in a phased manner, to pick these things up."

Kerstin Åkerfeldt, health policy and advocacy advisor with Médecins Sans Frontières (MSF) and the medical assistance group's Global Fund liaison, worries, though, that the STC policy is emphasizing the wrong issues. "There seems to be very much a focus on the financial aspects, but not the quality and programmatic aspects of this co-financing for recurrent costs," she said.

The challenges to domestic procurement

Among the programmatic problems that might occur, NGOs highlighted that:

- Domestic regulations may not allow for access to global PPMs or governments may be unable to efficiently issue the waivers for drugs and commodities that have not been registered domestically.
- Domestic regulations may also compel countries to purchase the lowest-priced medicines and commodities or to prioritize those that are manufactured locally, regardless of whether they have been pre-qualified by the WHO or an SDRA.

- Countries individually may lack the market size to achieve volume-based discounts, which may lead to increased prices or lack of interest from suppliers to bid on tenders.
- Some countries do not have the technical expertise to issue tenders and forecast effectively, which could lead to drug stock outs.

The Technical Review Panel highlighted some of these concerns in its report on investments in resilient and sustainable systems for health in the 2017-2019 funding cycle. Despite these challenges, countries presented funding requests that utilized domestic funding for purchasing first-line drugs, the report said, "while not paying adequate attention to addressing the documented [procurement and supply chain management] challenges, including putting risk mitigation measures in place." The report went on to encourage that "during the development of funding requests, applicants and Secretariat are encouraged to pay attention to the complementary health systems that need to be addressed to enable successful transition of commodity budgets to domestic funding."

According to the Global Fund Secretariat, there is only anecdotal evidence of problems that have arisen, including in Guinea where MSF said the transition to co-financing has contributed to jeopardizing the supply of HIV medication. Before any additional problems arise, MSF called for more rigorous preparation efforts and more comprehensive monitoring of countries that are making the shift to co-financing for commodities and drugs.

As countries begin the process of transitioning from Global Fund support, the Secretariat supports countries to conduct a robust readiness assessment, Macgregor explained. He said that Fund staff "look at the whole space around health products to identify issues where countries have health challenges. We highlight the challenges we think they're going to have."

Civil society representatives worry that that same rigor does not take place as countries begin the process of co-financing, though, which can happen well before a transition.

Angelica Perez, a manager with the Health Products Management team, said that Global Fund staff have been working with governments to address these challenges before they arise. That includes encouraging countries to use grant funds, when appropriate, to address identified challenges, like strengthening information systems and data flows.

She said there are also robust monitoring systems in place in case problems arise. These include reports from countries on their progress toward national targets roughly every six months, but also spot checks by Local Fund Agents of the availability of medicines at the central and facility level.

"The only thing that can happen in the short term is that a [domestic] monetary commitment doesn't flow through on time or isn't released on time," Martin Auton, the Global Fund's manager of Global Sourcing Pharmaceuticals, told Aidspan. "Then you can get into a short-term crisis."

Meanwhile, some of the challenges, including domestic regulations or legislation that introduce procurement restrictions, are not solely under the control of the Global Fund to solve. Macgregor said the Global Fund can only work with countries to improve their regulatory environments.

The NGOs have suggested in public documents that the Global Fund take a number of additional actions, including more rigorous risk and readiness assessments as countries introduce co-financing strategies, developing and strengthening mitigation strategies, working with governments to improve procurement access and increasing the flexibility of co-financing agreements.

NGOs have also called for greater collaboration between all the stakeholders involved in procurement activities and monitoring, including the WHO and country representatives. “The issue around where problems are arising and how to prevent negative impact can only be answered if different actors get together to discuss the different risks and mitigation measures that are in place,” Åkerfeldt said.

She emphasized that there was also a role for manufacturers to play in making prices more transparent, for donors to support the watchdog capacity of civil society groups and, especially, for governments to take steps to adapt their own regulatory environments to enable continued access to affordable and quality-assured drugs and commodities at a national level.

Diluting global procurement mechanisms

Lucica Ditiu, the executive director of the Stop TB Partnership, told Aidspan that civil society groups share an additional concern that if countries begin to drop out of global procurement mechanisms, like the GDF, it could undercut the clout of those mechanisms and undermine their ability to procure affordable, high-quality drugs for countries that still want to participate.

“If big countries are moving away from buying [from global pooled procurement mechanisms] and are buying locally produced, we will not be able to maintain quality-assured products globally,” she said.

Global Fund officials said there have been several attempts to respond to this challenge already, even as they acknowledge that additional solutions may be needed.

Auton said countries from Latin America and the Caribbean have pooled $150 million of their domestically-financed health products so far into Global Fund tenders through the PPM, which allowed the Global Fund to leverage those volumes in their negotiations.

The Global Fund also launched Wambo in 2016. This online procurement tool (wambo.org) allows countries to place orders under Global Fund terms and conditions, but using their own money. The Global Fund Board has limited countries to 10 transactions with domestic funds, although a decision to expand access is under discussion at the Strategy Committee and is expected to be on the agenda of the next Board meeting in May 2019.

The civil society groups said Wambo is not an overarching solution, though, as it doesn’t address issues like the regulatory problems that come with spending domestic resources to buy drugs and commodities.

All sides agree that greater domestic responsibility, including relating to procurement, is important to ensure a sustainable response, and are willing to engage with each other on the best way to make that shift happen, while still ensuring access to affordable, high-quality medicines and commodities.

Further reading:

- The Global Fund Sustainability, Transition and Co-financing Policy
- The OIG’s 2017 country audit of Global Fund grants to Guinea
- The article from the GFO on challenges wambo.org has faced
- The Technical Review Panel report on Investments in Resilient and Sustainable Systems for Health
- MSF appeal to the Global Fund Board on to make urgent changes to prevent drug stock-outs and quality issues?

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