Aidspan
Independent observer of the Global Fund

Global Fund and Others Announce Cheaper Drug Possibilities for Grant Recipients

The Global Fund and three other organizations today announced ways in which grant recipients can obtain high quality antiretroviral drugs and diagnostics at very low prices that previously were only available to a few countries.

The press statement by the four organizations is reproduced below, together with a supporting “Question and Answer” document. This article is based in part upon interviews that GFO conducted today with the Global Fund and the Clinton Foundation.

Under the plan, generic drugs made by four Indian companies and one South African company could eventually become available in over 120 countries eligible for Global Fund grants at prices as low as $140 per patient per year.

The drugs in these agreements include two- and three-drug fixed dose combinations which have been certified by the WHO as being of acceptable quality and efficacy.

The four organizations that have agreed to work together are the Global Fund, the William J. Clinton Presidential Foundation, the World Bank, and UNICEF. The Clinton Foundation helps to negotiate price agreements with drug manufacturers; the Global Fund and the World Bank provide AIDS-related grants; and UNICEF offers a bulk procurement facility.

Last year, the Clinton Foundation negotiated agreements whereby suppliers of generic ARV drugs agreed to offer prices to a few countries in Africa and several in the Caribbean that were significantly lower than any prices previously available. The Foundation did so by pooling volumes across multiple countries, by

moving to a system of multi-year tenders, and by finding ways in which the buyers could guarantee full and prompt payment. This gave the manufacturers the ability to plan their production more efficiently and to realize cost savings that they could pass on in the form of lower prices.

In today's agreement, these terms and prices will be made available, in principle, to all countries that have received Global Fund HIV/AIDS grants and that meet certain additional conditions for participation.

In each such country, the Clinton Foundation has negotiated or will negotiate a low "ceiling price" for each relevant ARV drug. Any company – be it a generic manufacturer or one of the original patent-holders – that is willing to produce these drugs to acceptable standards and to sell them at or below this price is welcome to compete for contracts within the program.

A Global Fund Principal Recipient (PR) that is administering an HIV/AIDS grant and that wishes to become eligible for these low prices should proceed as follows:

- First, as in the past, the PR should go through the arduous assessment process that comes after Global Fund grant approval and before signing of the Global Fund grant agreement. This assessment will be conducted by the relevant Local Fund Agent (LFA), and will include, in particular, the need to develop an acceptable Procurement Plan.
- During this process, the PR should make initial contact with the Clinton Foundation's HIV/AIDS Initiative (www.clintonpresidentialcenter.com/AIDS_overview.html) by sending an email to info@hivaidsinitiative.org and writing "Procurement expression of interest" in the Subject line, or by phoning +1-617-774-0110 and asking to speak with the Procurement Department. Foundation staff will ask for some basic information to get the process started.
- If technical assistance is needed during the development of the Procurement Plan, the PR can seek such help from the Clinton Foundation, the WHO, the World Bank, or others. (See, for instance, the 160 TA providers listed in "The Aidspan Guide to Obtaining Global Fund-Related Technical Assistance", available at www.aidspan.org/guides. See also the "The Aidspan Guide to Procurement and Supply Management for Recipients of Global Fund Grants," scheduled for release by July.)
- Once the Procurement Plan has been approved by the Fund, the PR should submit the plan to the Clinton Foundation. The Foundation will accept the Plan as valid, and will not require that the work it contains be repeated. However, to become eligible for the low prices that the Clinton Foundation has negotiated with the manufacturers, the PR will have to go through some extra steps, some of which will involve a country visit by a team from the Clinton Foundation.
- In particular, the PR will need to show that it is able and willing to move to a system of long-term tenders. And it should, at an appropriate moment in the negotiations, ask the Fund to place the relevant grant money in an escrow account (or to use the money to pay for a letter of credit) rather than sending the money to the PR. The escrow account or letter of credit will later be used to pay for the drug purchases.
- The PR will also need to prove that procedures will be put in place to ensure that the low-cost drugs will be given to the patients for whom they are intended and, in particular, that the drugs will not get stolen and/or sent to countries where these low prices are not available.
- If the PR ends up being able to purchase drugs and diagnostics at a significantly lower price than was anticipated when the original proposal was submitted to the Global Fund, the PR can, subject to agreement by the CCM (if it was a CCM proposal) use some of the savings to increase the scale of the original proposal, or to add modestly to the project's activities, so long as the objectives remain broadly consistent with the original approved proposal.

Starting in mid-2004, the Global Fund will publish information on the products purchased and the prices paid by all its grant recipients. This transparency will help to keep prices low.

The strength of the plan announced today is that as more and more recipients of Global Fund and World

Bank grants get involved, the procurement budgets that they have access to can, in effect, become aggregated and can make possible substantial competition and very large production runs. This, in turn, means that the drug manufacturers can guarantee large long term contracts to their own suppliers, leading to yet further reductions in cost.

In the past, prices were kept high because low volume, uncertain demand and late payment led to inefficient production runs and high administrative costs per order. Today's agreement seeks to avoid all these problems, and to pass the benefits to those who need the drugs.

Stephen Lewis, the UN Secretary General's Special Envoy for HIV/AIDS in Africa, commented, "This is all tremendously exciting, and it will be made even more so if WHO finally receives the seed money it needs – $200 million over two years – to help to coordinate the interventions at country level [and] to provide the emergency technical assistance [that is needed] to achieve '3 by 5.'

"The inexplicable financial torpor which has anaesthetized the donor world may now be broken, as the donor countries see the extraordinary opportunity to come in behind this initiative and give it an additional dramatic push. Surely the increasingly realistic prospect of prolonging and saving the lives of millions of men, women and children, will galvanize the international community."

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