



Investing in our future

# The Global Fund

To Fight AIDS, Tuberculosis and Malaria

Fifteenth Board Meeting  
Geneva, 25-27 April 2007

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## Market Dynamics and Voluntary Pooled Procurement

### Decision Point GF/B15/DP15:

The Board refers to its decision at the Thirteenth Board Meeting (GF/B14/2, p.13) to approve, in principle, the recommendation that the Global Fund facilitate the provision of voluntary pooled procurement for recipients of grants, subject to the development and Board approval of a suitable feasibility and business plan. It also refers to its decision at the Fourteenth Board Meeting (GF/B14/DP15) that the Global Fund assumes a deliberate and strategic role in improving the impact of grants by influencing market dynamics.

The Board adopts the Objective and Guiding Principles for the Global Fund's Market Dynamics Strategy, as set out in the Report of the Policy and Strategy Committee (GF/B15/6), as amended at the Fifteenth Board meeting.

The Board decides to endorse the following strategic model ("the Model") for voluntary pooled procurement, as a first element of its strategy on market dynamics, and notes additional elements to this strategy may follow.

1. The Secretariat shall rapidly strengthen its existing Price Reporting Mechanism ("PRM"), with the objective of enhancing the completeness and quality of self-reported data as an essential foundation of sound market dynamics and procurement practices. In particular, the Secretariat shall more strictly enforce compliance with the existing requirement that recipients report procurement information (including prices paid) for the relevant health products, and subject the data reported in the PRM to periodic audit by an external agent with appropriate qualifications.
2. The Secretariat shall establish a pooled-purchasing service<sup>1</sup> (the "Pooled Service").
  - i. The Pooled Service shall cover a set of target products and be operated by one or more global or regional procurement agent(s) (the "Procurement Agent") that the Secretariat shall select following a transparent, competitive tender process. The Secretariat shall direct the Procurement Agent to seek to award contracts for a given product to several suppliers, where possible and appropriate in view of considerations of market dynamics.
  - ii. Participants in the Pooled Service must agree to have the Global Fund Trustee make direct payment to the Procurement Agent for purchases. The Procurement Agent will input in the PRM all required information in relation to purchases made through the Pooled Service.
  - iii. Use of the Pooled Service shall be voluntary except for PRs that, in the determination of the Secretariat, have demonstrated inadequate capacity to procure effectively and efficiently, which the Secretariat, if appropriate, may in each case require to procure through the Pooled Service.



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3. The Secretariat shall enter into contracts with global, regional or national providers of procurement capacity-building services and supply-chain-management assistance (the "Capacity-Building Providers"), which it shall select following transparent, competitive tender processes. These services shall be available, on a voluntary basis, to any PR using the Pooled Service. In addition, to further support the development of the national capacity to conduct procurement effectively and efficiently, the Secretariat shall make available the services provided by the Capacity-Building Providers to other relevant entities in those countries with Global Fund grants whose PR procures through the Pooled Service (at their own cost).

Payment for services of the Procurement Agent pertaining to purchases made through the Pooled Service with funds provided by the Global Fund, and payment for services provided to PRs by the Capacity-Building Providers shall, if not otherwise covered by the relevant PRs, be made out of grant funds and not out of the Secretariat's operating budget.

The Board delegates authority to the Secretariat to implement the Model, in conformity with the Guiding Principles for market dynamics, in a phased approach that shall initially cover a small number of target product categories, which the Secretariat shall select based on further, careful analysis, taking into account the Global Fund's comparative advantage and the work already done by different partners.

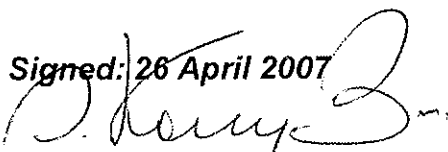
The Board expects the Secretariat to refine the operational implementation of the Model based on lessons learned over time and other considerations, and to report back to the Policy and Strategy Committee on possible strategic refinements or revisions to the model (including the possible use of price ceilings and other incentives) that might prove helpful to better achieving the Objective in conformity with the Guiding Principles.

The Board also requests the Secretariat to report on progress at the Sixteenth Board Meeting. Noting the limited progress to date on improving the PRM, the Board specifically requests the Secretariat to include in its report an analysis of the status of the current PRM (including rates of, and challenges to, compliance by PRs) and specific measures taken to improve compliance with reporting requirements and the data reliability of the PRM.

The budgetary implications of this decision in 2007 are estimated to be US\$ 1.13 million, which includes an allocation for five positions in 2007.

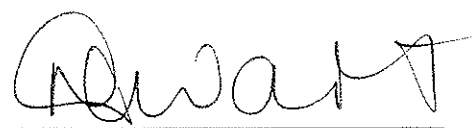
1 This Pooled Service will include, but not be limited to, the functions of demand aggregation; competitive, transparent, international tendering and negotiation with suppliers; order-taking and -processing; shipping to in-country central warehouses; and transfer of funds to suppliers.

Signed: 26 April 2007



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Alexander Konuzin  
Rapporteur



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Dianne Stewart  
Secretariat