

Price and Quality Reporting (PQR) Data Caveats

The Global Fund makes PQR data publicly available on the Internet in line with its core principles of transparency and accountability. This note describes the data limitations and contextual factors that must be taken into account when using PQR data.

As per grant agreements, Principal Recipients (PRs) of Global Fund grants have to report grant-funded purchases of key pharmaceutical and health products into the online PQR system. Data entry is limited to Principal Recipients and the VPP procurement agents and access to individual grants is restricted. Key pharmaceutical and health products include antiretrovirals, anti-TB medicines, anti-malarial medicines, bednets, condoms and rapid diagnostic tests for HIV and malaria.

PRs are instructed to enter the data on receipt of goods in the country, based on the best available documentation at that time. Because a final invoice might not be issued for some time after the goods arrive in country, the data available to the PR at the time of reporting may not completely capture all costs (particularly final freight and insurance charges). However, PRs are only asked to update the PQR if the final costs differ by more than 5% from the reported costs or are not limited to changes in freight and insurance.

PQR data thus give an indicative picture of the range of prices paid by reporting grant recipients as estimated at the time of delivery of the products in the recipient country.

PQR data are verified using the following mechanisms:

- **Spot checks against invoices:** Local Fund Agents review PR data entries and flag any inconsistencies between the data entries and source documentation. LFA verification of data is mandatory. However, verification can be delayed for a period of several months depending on the schedule of upcoming reviews.
- **Quarantine:** If reported unit prices fall outside an expected range, they are automatically flagged as “pending verification” by the PQR administrators. The PQR administrators review high value flagged entries on a routine basis, however, low value flagged entries are only followed up at the time of the grant’s next major review. Progress updates and disbursement requests require a review of PQR data and LFA verification rates before additional grant funds are disbursed.
- **Periodic Reviews and Phase 2 Reviews:** Every reported transaction is reviewed and benchmarked at the time of a grant’s Periodic or Phase 2 Review. Principal Recipients are asked to correct/validate outliers and to justify higher than expected costs. If PRs achieve high prices and are unable to justify them, corrective action may be taken including: changing PRs, seeking reimbursement, adjusting subsequent budgets downward, and referral to the Office of Inspector General. These reviews are completed after every 2 to 3 years of grant implementation.

Despite the above measures, PQR data have the following limitations:

- **Misreporting:** Data are entered by Principal Recipients in 119 countries, sometimes they make mistakes. Data entry errors most frequently affect

quantities/pack sizes and currencies, but PRs can also misreport manufacturers (e.g. due to problems with predefined drop-down lists in a previous version of the PQR), dosage forms (e.g. by reporting against a single antimalarial formulation instead of a range of age-group specific products purchased) or any other information. For the sake of timeliness and completeness, PQR reports include data that is still pending LFA verification. If prices seem odd, it is recommended that users try to use other reported data points to triangulate proper values, discard outliers, or ask the PQR Administrator to follow up on certain transactions.

- **Inclusion of additional costs:** The aim of the PQR is to collect procurement data that includes a unit price that does not contain add-on costs such as freight, insurance, in-country distribution charges. Add-on costs should be itemized and reported separately. However, this is not standard practice within the industry and, therefore, many invoices and tender documents do not specify the various cost elements. As a result, some PRs report unit costs including freight, insurance, in-country distribution and/or handling fees.

It has been shown that although these add-on costs do not undermine the essential comparability of unit costs, they can add from 3 to 15% to the cost of large-scale ARV purchases¹, and may be even higher if volumes are small, delivery is made to landlocked countries or remote locations or the products require a cold chain.

- **Currency fluctuations:** PRs are instructed to report data to the PQR in the currency stated on the invoice. The PQR converts the amounts into USD using the OANDA exchange rate on the day of the reported purchase order date. If the purchase order date is incorrectly reported or if it represents the date at which the PR entered into a contract with an intermediary supplier, the converted cost in USD may not accurately reflect the manufacturer's sales price. Furthermore, volatility in exchange rates may lead to variability in unit prices.
- **Database issues:** PQR data are made publicly available through an Oracle-based data warehouse system. Although every effort is made to ensure data integrity, errors (e.g. duplication of certain transactions caused by data relation issues) have been known to occur in the past. If you suspect any such issues please email pqr@theglobalfund.org.

To the greatest degree possible it is important to understand context:

In addition to the data limitations noted above, it is important to understand that variability in prices may be the result of contextual factors not captured in the PQR. These include, but are not limited to: procurement undertaken under emergency circumstances, small procurement volumes, lead time requirements, manufacturer capacity constraints, the splitting of tenders to increase market sustainability, the splitting of tenders to serve different geographical regions within a country and access to tiered pricing schemes. Some price variability is to be expected and it should not be assumed to represent market inefficiencies.

¹ US Government Accountability Office. *Global HIV/AIDS Epidemic: Selection of Antiretroviral Medications Provided under U.S. Emergency Plan is Limited*. GAO-05-133. Washington, D.C.: January, 2005. <http://www.gao.gov/products/GAO-05-133>