Global Fund Procurement channels

The Global Fund

- Pooled Procurement Mechanism (PPM)
  - Procurement Agent
  - HIV/Malaria manufacturers

- GDF
  - Procurement Agent
  - TB manufacturers

- Country Procurement
  - National Systems
  - Procurement Agent
  - HIV/TB/Malaria manufacturers

Principal Recipients (countries)
The Global Fund introduced a balanced supply system for sourcing ARVs based on 5 elements to improve performance:

- **A** Providing products at the lowest possible affordable and sustainable price to reach the maximum number of patients
  - Reducing price volatility and eliminating predatory pricing

- **B** Supplying product timely and in full
  - Incentivizing suppliers to introduce better formulations

- **C** Supporting new suppliers to ensure sufficient supply and mitigate geographic supply risks
  - Investing in suppliers with sustainable manufacturing practices

- **D** Maintaining well-diversified supplier base
  - Meeting The Global Fund and national quality requirements
  - Mitigating implementation risks

- **E** Publishing reference prices and providing access to others
  - Building capacity and implementing rapid supply mechanisms

Detailed analysis @ November 2016 available:
PPM: 50 million packs ARVs procured in 2016

12 months for 3.4 million adults & children

Financial commitments met at the company level and product level

Purchase orders issued in calendar year 2016
Procurement strategies and implementation

Sourcing & Management of Health Products

Antiretrovirals

The Global Fund is working to increase access to all the needed WHO-recommended antiretroviral medicines (ARVs) and formulations at the optimum price while simultaneously maintaining a sustainable competitive market. We have entered into framework agreements with a number of manufacturers to ensure prices and availability, based on anticipated market demand.

Strategy presentations

- The Global Fund, PEPFAR, Republic of South Africa: Demand Management Presentation (March 2017)
  - download in English
- The Global Fund, PEPFAR, Republic of South Africa: Demand Management Presentation Data (March 2017)
  - download in English
- The Global Fund, PEPFAR and South Africa: Large Buyer and Sellers Forum Presentation (November 2016)
  - download in English
- The Global Fund, PEPFAR and South Africa: Large Buyer and Sellers Forum Presentation Data: Spreadsheet (November 2016)
  - download in English
- The Global Fund, PEPFAR and South Africa: Large Buyer and Sellers Forum Presentation Data: PDF (November 2016)
  - download in English

- The Global Fund and PEPFAR ARV Supplier Conference Presentation (June 2014)
  - download in English
- Paediatric ARV Procurement Working Group and Coordinating Procurement Presentation (2014)
  - download in English

Improving the management of demand is a key priority

There are tangible benefits for all stakeholders from the improved demand management process

<table>
<thead>
<tr>
<th>Patients &amp; HIV programs</th>
<th>Partner organizations</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased delivery reliability</td>
<td>More affordable and sustainable prices</td>
<td>Optimized raw materials sourcing</td>
</tr>
<tr>
<td>Supply security and less need for “rush orders”</td>
<td>Better transparency into country requirements</td>
<td>More efficient production scheduling</td>
</tr>
<tr>
<td>Lower “safety stock” requirements</td>
<td>Lead time reduction</td>
<td>Reduced write-offs and obsolescence</td>
</tr>
</tbody>
</table>
2017: The Pooled Procurement Mechanism expects to procure 58 million packs
Latest phase of the Procurement for Impact transformation, building on and enhancing the impact of the **Pooled Procurement Mechanism (PPM)**

- Leverages contracts established through the PPM with suppliers and procurement service agents (PSAs); and other partners (e.g. UNFPA) to provide the full range of health products

**Online platform** that enables countries to browse catalogues of products and services and place orders, with **complete approval chains (including country as well as Global Fund controls)** and full and transparent **audit trail**

- Long term vision (**subject to Board decision**): a **global public good**, open to countries procuring with own funds and interested development partners to share benefits beyond the Global Fund
Coordinated procurement of high risk low volume products

- Coordinating order cycles and promoting the use of optimal regimens
- Supply of most paediatric products mainstreamed
- Expanded scope to also include challenging adult ARVs and to support consolidation of volumes when new products are introduced

Supporting ART optimization and introduction of new regimens

- UNITAID ART Optimization investments
- USAID Project OPTIMIZE
- CHAI Market Entry activities

Working with partners - amongst many others…
2017-2018

- Year 3 of implementation of the Framework Agreements

- Focus on demand management and visibility; and integration into the Global Fund’s broader Supply Chain Strategy

- Harmonization of packaging requirements/pack-sizes; labelling and bar-code standards ➔ simplification and reduction in the number of SKUs

- New ARV Strategy by Q4 2017 with associated tender launched in Q1 2018 (Available & listening through end Q3)
Global Fund, PEPFAR, Republic of South Africa Demand Management outlook

March 2017 Update

28 March 2017
Geneva, Switzerland
The Global Fund, PEPFAR, and Government of South Africa are working together to improve the consolidated demand outlook.

### What we will do

- **Coordinated approach** and messages
- **Synergistic** strategies
- **Direct engagement** with suppliers & supplier visits (sometimes)
- Align on **key supplier performance metrics**
- **Sharing of synthesized market intelligence** and general supplier performance
- **Sharing information** (without providing confidential / sensitive information)
- Providing **improved demand visibility**

### What we will not do together

- **Long-term agreements** with manufacturers
- **Selection of suppliers** and demand allocation
- Execution of **purchase orders**
- We will not manage actual **supplier performance jointly**
- Managing **overall supplier performance** (Price, lead-time, delivery etc.)

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**Timeline:**

- **June 2014:** Joint Global Fund/PEPFAR Supplier Conference
- **November 2016:** Large ARV Buyers and Sellers Forum 2016
- **March 2017:** 4 month update: @ AMDS
- **June 2017:** ?? 7 month update
- **November 2017:** Annual forum
Consolidated demand forecast is derived in 5 simple steps

1. **Gather order information** from across top ~10 countries for top 10 products

2. Translate order dates to the **dates when order is placed towards the supplier**, adjusting for shipment lead times if necessary

3. **Consolidate the information from** The Global Fund, PEPFAR and The Government of South Africa

4. **Triangulate the data** with the general population information and historical order patterns

5. **Prepare a product-specific quarterly forecast breakdown** and share it with supplier and countries for their feedback

Caveats and limitations to the current vision of the data visibility

- **Conservative estimates** based on currently confirmed orders
- Prepared based on **data currently available** to The Global Fund, Government of South Africa and PEPFAR
- **Preliminary estimates for the discussion** – and not final purchase commitments
- **May not yet fully capture lead times** between order placement at manufacturer and in-country delivery
- **Second joint consolidated procurement forecast**
Consolidated Demand Forecast Outlook

Overall ARV Demand Outlook
2017-2018, Number of packs, million

<table>
<thead>
<tr>
<th>Quarter</th>
<th>PEPFAR</th>
<th>Republic of South Africa</th>
<th>The Global Fund</th>
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</thead>
<tbody>
<tr>
<td>Q1</td>
<td>14</td>
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<td>18</td>
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<tr>
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<table>
<thead>
<tr>
<th>Year</th>
<th>TLE/TEE</th>
<th>LZN (adult)</th>
<th>LZN (pediatric)</th>
<th>Lpv/r(adult)</th>
<th>Atz/r</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
<td>8</td>
<td>7</td>
<td>12</td>
<td>12</td>
<td>5</td>
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<tr>
<td>2018</td>
<td>8</td>
<td>7</td>
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NOTE: Dates used are vendor INCO fulfillment dates. For the ease of analysis we excluded South Africa from The Global Fund funding. For South Africa, TEE is a predominant first-line instead of TLE.

DISCLAIMER: This is an initial version of the forecast, and may contain inaccuracies – please refer to caveats and data limitations on page 10. These slides contain a conservative estimate for demand management between the three programs. As such, there may be future volumes not yet financially committed or confirmed.

**TLE/TEE – Consolidated Demand Forecast Outlook**

**ARV Demand Outlook**
2017-2018, Number of packs, million

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<tr>
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<tr>
<td>Q1</td>
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<td></td>
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</tr>
</tbody>
</table>

**Bold font – non-PPM countries**
- Malawi
- Tanzania
- Zimbabwe
- Ethiopia
- Zambia

**Regular font – PPM countries**
- Kenya
- Mozambique
- Nigeria
- Uganda
- Cote d'Ivoire

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**SOURCE:** PEPFAR, Government of South Africa, The Global Fund
Consolidated Demand Forecast Outlook: March 2017 update

- Presentation format
- Excel data
