Sourcing Strategic Review Meeting
Objectives, agenda and participants

July 2015
Objectives: 2015 Sourcing strategic review meeting

Share an update on Sourcing team progress since October 2014 strategic review

Share current thinking on strategies under development and gather partner perspectives
  > TB
  > RDTs
  > LLINs

Conduct focused stakeholder consultation on the market shaping strategy
  > Strategic objectives, Global Fund role and guiding principles
  > Key strategic questions

Share other relevant initiatives and progress at the Global Fund

Provide an opportunity for a diverse set of partners to come together and share perspectives
## Agenda: July Strategic Review meeting – Day 1 (9 July)

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Proposed presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>08:30 – 08:55</td>
<td>Registration (coffee and tea available)</td>
<td></td>
</tr>
<tr>
<td>09:00 – 09:20</td>
<td>Welcome, introductions and overview of agenda</td>
<td>Christopher Game</td>
</tr>
<tr>
<td>09:20 – 09:40</td>
<td>Opening remarks</td>
<td></td>
</tr>
<tr>
<td>09:40 – 10:00</td>
<td>Strategic overview: P4i key achievements and priorities</td>
<td></td>
</tr>
<tr>
<td>10:00 – 11:00</td>
<td>Update on Sourcing Strategies</td>
<td>Mariatou Tala Jallow, Martin Auton</td>
</tr>
<tr>
<td></td>
<td>• Summary overview</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• ARV and viral load tenders</td>
<td></td>
</tr>
<tr>
<td>11:00 – 11:20</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>11:20 – 12:20</td>
<td>Update on Sourcing Strategies</td>
<td>Aziz Jafarov, Silas Holland</td>
</tr>
<tr>
<td></td>
<td>• RDTs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• TB</td>
<td></td>
</tr>
<tr>
<td>12:20 – 13:20</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>13:20 – 13:50</td>
<td>Keynote address</td>
<td>Mark Dybul</td>
</tr>
<tr>
<td>13:50 – 14:20</td>
<td>Overview of market shaping strategy: context and process</td>
<td>Rebecca Solow</td>
</tr>
<tr>
<td>14:20 – 14:40</td>
<td>Feedback and Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>14:40 – 15:00</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>15:00 – 16:30</td>
<td>Pooled procurement: Current status, benefits, mitigating risks,</td>
<td>Mariatou Tala Jallow</td>
</tr>
<tr>
<td>16:30 – 17:00</td>
<td>Closing remarks</td>
<td>Daniel Camus</td>
</tr>
</tbody>
</table>
## Agenda: July Strategic Review meeting – Day 2 (10 July)

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Proposed presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>08:30 – 08:55</td>
<td>Coffee and tea available</td>
<td></td>
</tr>
<tr>
<td>09:00 – 09:20</td>
<td>Opening remarks and agenda for today</td>
<td>Christopher Game</td>
</tr>
<tr>
<td>09:20 – 10:00</td>
<td>Additional feedback and Q&amp;A on Day 1</td>
<td></td>
</tr>
<tr>
<td>10:00 – 10:45</td>
<td>Update on e-marketplace</td>
<td>Maxime Parmentier</td>
</tr>
<tr>
<td>10:45 – 11:00</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Break-out sessions: Strategies to address opportunities</td>
<td>Silas Holland</td>
</tr>
<tr>
<td></td>
<td>and collaboration</td>
<td>Martin Auton</td>
</tr>
<tr>
<td>11:00 – 12:30</td>
<td>• TB drugs &amp; diagnostics</td>
<td>Aziz Jafarov</td>
</tr>
<tr>
<td></td>
<td>• RDTs</td>
<td>Rebecca Solow</td>
</tr>
<tr>
<td></td>
<td>• LLINs</td>
<td>Nana Boohene &amp; Richard Kettle</td>
</tr>
<tr>
<td></td>
<td>• Sustainability &amp; transition</td>
<td>Melisse Murray</td>
</tr>
<tr>
<td></td>
<td>• Coordination on market intelligence</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Role in markets not directly financed by GF (e.g., COIM products, private sector markets)</td>
<td></td>
</tr>
<tr>
<td>12:30 – 13:15</td>
<td>Report back from break-out sessions</td>
<td>Break-out facilitators</td>
</tr>
<tr>
<td>13:15 – 14:00</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>14:00 – 14:30</td>
<td>Next steps</td>
<td>Mariatou Tala Jallow</td>
</tr>
<tr>
<td>14:30 – 15:00</td>
<td>Closing remarks</td>
<td>Christopher Game</td>
</tr>
</tbody>
</table>
## Confirmed attendees from partner organizations (I / II)

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xu Ming</td>
<td>CCCMHPiE</td>
</tr>
<tr>
<td>John Nkengasong</td>
<td>CDC</td>
</tr>
<tr>
<td>Bill Coggin</td>
<td>CDC</td>
</tr>
<tr>
<td>Bhawani Singh</td>
<td>CHAI</td>
</tr>
<tr>
<td>Jessica Fast</td>
<td>CHAI</td>
</tr>
<tr>
<td>Regina Osih</td>
<td>CHAI</td>
</tr>
<tr>
<td>Patrick Hynes</td>
<td>DFID</td>
</tr>
<tr>
<td>Kate McSheffrey</td>
<td>DFID</td>
</tr>
<tr>
<td>Sarah Boulton</td>
<td>DFID</td>
</tr>
<tr>
<td>Janice S.F. Lee</td>
<td>DNDi</td>
</tr>
<tr>
<td>Alastair White</td>
<td>DNDi</td>
</tr>
<tr>
<td>Thomas Nicholson</td>
<td>Duke University</td>
</tr>
<tr>
<td>Michael Wilson</td>
<td>Duke University</td>
</tr>
<tr>
<td>Dan Collins</td>
<td>Eli Lilly Foundation</td>
</tr>
<tr>
<td>Amy Israel</td>
<td>Eli Lilly Foundation</td>
</tr>
<tr>
<td>Catharina Boehme</td>
<td>FIND</td>
</tr>
<tr>
<td>Sandra Incardona</td>
<td>FIND</td>
</tr>
<tr>
<td>Susan Nazzaro</td>
<td>BMGF</td>
</tr>
<tr>
<td>Deepali Patel</td>
<td>GAVI</td>
</tr>
<tr>
<td>Aurelia Nguyen</td>
<td>GAVI</td>
</tr>
<tr>
<td>Edwin de Voogd</td>
<td>IDA</td>
</tr>
<tr>
<td>Tom McLean</td>
<td>IVCC</td>
</tr>
<tr>
<td>Alnaze Nathoo</td>
<td>Medicines Patent Pool</td>
</tr>
<tr>
<td>Esteban Burrone</td>
<td>Medicines Patent Pool</td>
</tr>
<tr>
<td>George Jagoe</td>
<td>MMV</td>
</tr>
<tr>
<td>Jennifer Cohn</td>
<td>MSF</td>
</tr>
<tr>
<td>Christophe Perrin</td>
<td>MSF</td>
</tr>
<tr>
<td>Andre Zagorski</td>
<td>MSH</td>
</tr>
<tr>
<td>Michelle Childs</td>
<td>Open Society Foundations</td>
</tr>
<tr>
<td>Jordi Balleste</td>
<td>PAHO</td>
</tr>
<tr>
<td>David Jamieson</td>
<td>PFSCM</td>
</tr>
<tr>
<td>Gitanjali Sakhuja</td>
<td>PFSCM</td>
</tr>
<tr>
<td>Fatoumata Nafo-Traore</td>
<td>RBM</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Martins Pavelsons</td>
<td>RBM</td>
</tr>
<tr>
<td>Lucica Ditiu</td>
<td>Stop TB Partnership</td>
</tr>
<tr>
<td>Brenda Waning</td>
<td>Stop TB Partnership</td>
</tr>
<tr>
<td>Magali Babailey</td>
<td>Stop TB Partnership</td>
</tr>
<tr>
<td>Thomas Verges</td>
<td>Stop TB Partnership</td>
</tr>
<tr>
<td>Elana Robertson</td>
<td>TB Alliance</td>
</tr>
<tr>
<td>Shelly Malhotra</td>
<td>TB Alliance</td>
</tr>
<tr>
<td>Ian Boulton</td>
<td>TropMed Pharma Consulting</td>
</tr>
<tr>
<td>Badara Samb</td>
<td>UNAIDS</td>
</tr>
<tr>
<td>Abdoul Dieng</td>
<td>UNAIDS</td>
</tr>
<tr>
<td>Benoit Marquet</td>
<td>UNDP</td>
</tr>
<tr>
<td>Ignacio Gimenez</td>
<td>UNICEF</td>
</tr>
<tr>
<td>Gian Gandhi</td>
<td>UNICEF</td>
</tr>
<tr>
<td>John Crowley</td>
<td>USAID</td>
</tr>
<tr>
<td>Thomas Chiang</td>
<td>USAID</td>
</tr>
<tr>
<td>Alexis Leonard</td>
<td>USAID</td>
</tr>
<tr>
<td>Jude Nwokike</td>
<td>USP</td>
</tr>
<tr>
<td>Kelly Willis</td>
<td>USP</td>
</tr>
<tr>
<td>Fathia Terki</td>
<td>WFP</td>
</tr>
<tr>
<td>Benjamin Syne</td>
<td>WFP</td>
</tr>
<tr>
<td>Rajpal Singh Yadav</td>
<td>WHO</td>
</tr>
<tr>
<td>Vincent Habiyambere</td>
<td>WHO</td>
</tr>
<tr>
<td>Joseph Perriens</td>
<td>WHO</td>
</tr>
<tr>
<td>Boniface Dongmo Nguimfack</td>
<td>WHO</td>
</tr>
<tr>
<td>Lembit Rago</td>
<td>WHO</td>
</tr>
<tr>
<td>Nani Nair</td>
<td>WHO</td>
</tr>
<tr>
<td>Moredecek Chibi</td>
<td>WHO</td>
</tr>
<tr>
<td>Christophe Rerat</td>
<td>WHO</td>
</tr>
<tr>
<td>Prashant Yadav</td>
<td>William Davidson Institute</td>
</tr>
</tbody>
</table>
Sourcing & Procurement – The Last Two and a Half Years

9 July
Geneva, Switzerland
What we set out to do 2 ½ years ago
Over the last two and a half years, the Global Fund has transformed its sourcing operations and strategy through the *Procurement 4 Impact (P4i)* transformation.

One Sourcing team dedicated to fundamentally change the way we work across the supply chain to *increase access to products*.

- Earlier involvement and closer collaboration with manufacturers
- Improving our purchasing capability and changing our contracting models
- Optimising the international supply chain to reduce cost and improve quality and efficiency
- Better planning and scheduling to support continuity of supply
- Delivering more products at the right time and place to more people
Where we started -

<table>
<thead>
<tr>
<th>Jan 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reactive procurement based on grant disbursement</td>
</tr>
<tr>
<td>• Spot tendering through PSA’s</td>
</tr>
<tr>
<td>• Minimal cross agency leverage</td>
</tr>
<tr>
<td>• Multiple negotiation processes</td>
</tr>
<tr>
<td>• Stock-outs and missed delivery windows</td>
</tr>
<tr>
<td>• Lack of standardised processes between Sourcing and PSM</td>
</tr>
<tr>
<td>• Wide discrepancy in prices between VPP and non VPP purchasing</td>
</tr>
</tbody>
</table>
## Progress to-date

<table>
<thead>
<tr>
<th></th>
<th>Market Analysis</th>
<th>Supplier Analysis</th>
<th>API &amp; Form</th>
<th>Strategy</th>
<th>Partnering</th>
<th>Opportunity Analysis</th>
<th>Project</th>
<th>Implementation</th>
<th>Repeat Cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HIV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diagnostics / Machine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diagnostics / RDT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indirect Spend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **July 2013**
- **Approximate Time**
- **Dec 2015**
Successes

Supplier performance

- Increased the on-time and in-full delivery of core health products purchased through pooled procurement from 36% to over 80%
- Approaching same performance as private sector in emerging markets (86% in 2013)

Availability and supply security

- Implemented rapid supply mechanism through vendor managed inventory allowing fast response to product shortages
- Supplier panels selected to ensure diversity, resulting in increased number of suppliers for LLINs and ACTs; 8 suppliers retained for ARVs

Innovation

- Level of innovation included as tender evaluation criteria
- Volume explicitly set aside for new entrants and new products in recent ARV tender
- Collaborative supplier projects focused on new products or formulations

Affordability and savings

- Nearly $500 million in estimated savings achieved through tenders so far. Spend penetration up to $1.5 Billion
- In LLIN and ACT tenders, largely through volume discounts
- ARV tender also used lifecycle segmentation and COGS-based benchmarking to inform negotiations
The Organisation

- Merge Three Teams
- Develop Strategy
- Training
- Tools
- Indirect Spend
- Market Shaping
- RDT's
- Supply Chain
- Viral Load / Diagnostics
- ARV's
- Malaria ACT's
- E-Marketplace
- Malaria LLIN’s
- New Strategy

- TGF Sourcing

The Global Fund
Sourcing team has evolved

Team re-organized and reinforced…
- (In)Voluntary Pooled Procurement, Corporate procurement and Amfm merged into one single Sourcing team
- New Indirect – Category Management / Direct Sourcing, and Supply Chain teams created, with greater capability
- Product, market and supply experts created (e.g., Business Planning and analysis, Active Pharmaceutical Ingredients and Formulation)

With greater responsibilities…
- Spend under control is increasing, PPM up to $1.2Bn
- Relationships upstream and downstream are managed and accountable
- Sharing of the locus of control between manufacturer and buyer
Strategy Development
Procurement 4 Impact (P4i) followed 6 objectives fully aligned with the Global Fund’ strategy ---- with the focus on industrialising thought leadership

1. The Global Fund will become the benchmark organisation in the sector for Sourcing and Procurement

2. Using simple, clear leading edge processes and tools designed by and for the organisation

3. With measurable performance in value and lives saved

4. Building collaborative relationships with partner agencies, suppliers and donors

5. Ensuring effective governance and watertight compliance

6. Minimising waste and eliminating non value adding activities
Training & Tools
Training & Tools

- External Expert Support
- Track & Trace
- Red Flag Tool
- Advanced Metrics
- Strategic Process

Our Strategic Cycle

Market Analysis

Opportunity Analysis

Supplier Analysis

One page strategy

API & Formulation Review
Malaria

- TGF Sourcing
- Diagnostic
- Merge Three Teams
- Develop Strategy
- Training
- Tools
- LLIN's
- ARV's
- Malaria ACT's
- Viral Load / Diagnostics
- RDT's
- Supply Chain
- Market Shaping
- E-Marketplace
- New Strategy
- Market

The Global Fund
Le Fonds mondial
El Fondo Mundial
Глобальный фонд
全球基金
الصندوق العالمي
Malaria

• LLIN Global tender concluded & entering 2nd cycle
  • UNICEF / PMI / DFID engaged
  • Specification Harmonised
  • Demand flattened
  • $140M Value contribution
  • Market re-structured from duopoly
  • Open to non-funded country procurement

• AMFm……Private Sector Co-Payment
  • Integrated into our conventional operations

• ACT Global Tender concluded
  • Value contribution of $102M
  • Different landscape, strong competition between Originators and Generics
  • Includes private sector co-payment
  • COGS transparency and API proved revealing
  • Originators moving close to generic pricing
Supply Chain

- Diagnostic
- Merge Three Teams
- Develop Strategy
- Training
- Tools
- Indirect Spend
- Viral Load / Diagnostics
- ARVs
- Marketplace
- New Strategy
- E-Marketplace
- RDTs
- TB
- RSM
- Organisation
- MALARIA ACT's
- MALARIA LLIN's
- Supply Chain
- TGF Sourcing
We started with the big little number that many of you will remember

36.8% → 80%

Rate of orders delivered On time and in Full (OTIF)
Supply chain aims at several objectives to improve delivery performance and mitigate risks

**Objectives**

- Improve availability of products/reduce stock-outs, improve OTIF and reduce lead-time
- Increase visibility on supply chain
- Improve in-country supply chain capability
- Improve counterfeiting/theft/diversion avoidance
- Improve manufacturers quality
- Take an integrated approach with partners
- Build good basic supply chain capacity
Downstream: In country supply chain: example of Nigeria Program scope – 2014 to 2017 for 14 Focus States
ARV’s
HIV

- Coordinated procurement of paediatric ARVs transitioned from UNITAID to the Global Fund
- Viral Load / CD4
  - Worked with PEPFAR / SA Gov. / CHAI / UNAIDS & others on viral load pricing
  - Viral load scale-up strategy launched with PEPFAR
  - Inclusive tender issued by SA Gov.
- ARV strategy launched with ARV manufacturers and Global Fund partners
- Collaborative approach with partners to leverage our scale
- Tender run and concluded, currently in implementation
The ARV tender objectives are aligned to the Board approved Global Fund Market Shaping Strategy.

**Sustainable Supply**
- Meeting programme needs
- Continued reliable supply
- De-risking API supply
- Improved processes
- To be customer of choice

**On-Time Delivery**
- Reduced lead times
- Improved Delivery Performance
- Mitigate force majeure

**Competitive Pricing and Affordability**
- Leveraged volumes
- Improved planning and longer term contracts
- Use supplier expertise
- Collaboration to protect reasonable margins

**Quality and Regulatory**
- Longer shelf life
- Broader country registrations
- Supporting new product introduction

These objectives result in a new form of supplier engagement.
New Approaches Support Market Shaping

The tender incorporated new concepts to support the market shaping strategy

1. Lifecycle Management
A lifecycle model was built for ARVs and products allocated to a segment within it. Each segment had different strategic objectives

2. Strategic Partnerships
Selected suppliers would be offered 3 year strategic partnerships based on collaborative projects with defined objectives. This will promote investment and market sustainability
Adopting the new approach based on long term, strategic relationships has, from the evidence of the tender, proven successful.

✓ Through the tender the Secretariat has supported the Board approved the Global Fund market shaping strategy through underpinning long term sustainability both at a product and market level.

✓ **Direct savings of $96m for PPM grants** have been achieved with a future price roadmap that will increase affordability equating to at least 800,000 people on treatment for 1 year.

✓ Further **budgetary headroom of up to $125m for non PPM grants** has been identified which equates to up to at least 1,000,000 people on treatment for 1 year.

✓ Supplier relationships have now moved to a state where **future value can be created** for mutual benefit.
Viral Load / Diagnostics
Diagnostics – Viral Load

- Silo’d data and approach on response to WHO HIV guidelines has created division on the strategy for CD4 / Viral Load / Point of Care. To deal with this:
  - We brought together the USG / SA Gov. / UNICEF / UNITAID / WHO / CHAI / GATES
  - We have aligned our studies, data and strategy and leveraged our collective leadership into a strategic roadmap.
  - This also gives us the opportunity to leverage demand and cost.
  - We have launched and concluded a global tender based on total cost of ownership.
Diagnostics – Tender Outcome

- Framework agreements between the Global Fund and seven diagnostic manufacturers which aim to make the market for HIV viral load testing more transparent and competitive, driving cost reductions of up to one third.

- The agreements should deliver net savings of at least US$30 million over three years to the Global Fund, and potentially more.

- The new agreements between the Global Fund and the seven manufacturers provide clarity on prices, aiming for an all-inclusive price as low as US$15, including equipment and other costs such as consumables, maintenance and shipping. It establishes benchmarks at which the Global Fund's implementing partners can expect to purchase.

- While pricing for new diagnostic equipment will be more transparent and reliable, the agreements also aim to expand the use of existing equipment, by providing better benchmark prices for maintenance and servicing.

- The seven manufacturers are Abbott, Alere, bioMérieux, Cepheid, Hologic, QIAGEN and Roche. Each has been through a technical and commercial evaluation before being added to the panel of suppliers. The agreements initially last three years. Other public health funders and agencies will also be able to enter into agreements based on the benchmark prices negotiated.

- Builds on the HIV Diagnostic Access Program agreed last September, which was co-ordinated by UNAIDS and included Roche and the Government of South Africa, World Health Organization, U.S. Centers for Disease Control and Prevention, African Society for Laboratory Medicine, UNITAID, the Global Fund, PEPFAR, Clinton Health Access Initiative and UNICEF.
Rapid Supply Mechanism
Rapid Supply Mechanism – Prevent Stock Outs

**Availability**
- Available for all GF PRs (PPM/non PPM)

**Approach: Stock at manufacturer**
- Agreements with selected suppliers to hold stock of optimal ARV, ACT products, either as finished goods or raw material as per framework agreements.
- PPM procurement agent, PFSCM, will execute the orders
- PPM procurement and disbursement processes will be used (details in PPM OPN)

**What to expect**
- 4-6 weeks lead time on key ARVs and ACTs, stocked at manufacturer level, expedited for catalogue items
- 5% RSM premium fee charged on the grants to manage RSM operations

**Products**
- Optimal first line and second ARVs, ACTs, available at supplier level or as direct procurement
- Standard packaging
TB

- Working on MoU with Stop TB Partnership / GDF on procurement of TB products with Global Fund resources
- Consultations with TB manufacturers as part of the market analysis / TB strategy process
- Partner mapping
- Working with GDF to understand current performance along the supply chain
- Develop Global Fund TB Sourcing Strategy
Indirect Spend / Category Management
The objective is to transform the current Indirect team from what has historically been a reactive, transaction focused team into something more akin to a private sector, proactive category management team, becoming increasingly more visible, influential and adding significant benefit to the wider organization.

The intent is to focus our efforts around 7 core principles, with the emphasis on continuous improvement. The intent is to develop a team of procurement professionals, with industry recognized qualifications and strong personal credentials.
The transition process

The category management plans form one element of a longer term strategy to re-position the function to provide greater support for the Secretariat and PRs.

<table>
<thead>
<tr>
<th>Year 1 (2015)</th>
<th>Year 2 (2016)</th>
<th>Future Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build Capacity and Credibility</td>
<td>Continue value creation</td>
<td>Supplier Management</td>
</tr>
<tr>
<td>Change mindset based on the 7 principles</td>
<td>E-Marketplace Support</td>
<td>Support to new building</td>
</tr>
<tr>
<td>Create &amp; measure Value</td>
<td>Develop Innovation</td>
<td>Service provision</td>
</tr>
<tr>
<td>Increase visibility and influence</td>
<td>Increase coverage</td>
<td>Increase Coverage</td>
</tr>
<tr>
<td></td>
<td>Increase Process Efficiency</td>
<td></td>
</tr>
</tbody>
</table>
Implementation plan

Potential Business Impact

Ease of implementation

Wave 1
- Vehicles
- HR Services
- Translators
- IT

Wave 2
- Consultancy
- Freight & logistics
- IT

Wave 3
- Fiscal agents
- Communications
- AMFM

Low
- Ext auditors
- Travel
- Facilities Management
- Catering
- PR Spend

High
- Secretariat Spend
- Ext auditors
- Travel
- Facilities Management
- Catering
- PR Spend

Wave 1 – 6-12 months
Wave 2 – 12-18 months
Wave 3 – 18+ months
Rapid Diagnosis
Tests
Sourcing of Rapid Diagnostic Tests

**Building Knowledge: Rapid tests for HIV & Malaria**

- **UNDERSTAND**
  - Demand and Market analysis
  - Going to the real places, meet the stakeholders and understanding the facts.

- **DESIGN**
  - Strategy Definition
  - Defining a set of objectives based on findings and designing an approach to deliver them

- **ENGAGE**
  - Supplier Engagement
  - Designing tenders to meet our objectives

- **MANAGE**
  - Contract Management
  - Working with suppliers to drive continuous improvement

**Market analysis underway: data & visits**

Visits to manufacturers with 80-90% volume almost done
Market Shaping & Dynamics
Global Fund can play a key role aligning countries, manufacturers and other partners

Countries (or Principal Recipients)
- Decide which products to purchase
- Place orders
- Provide information on product needs

Global Fund example
- Identify where additional technical guidance can help inform country requests

Partners
- Partner to develop new products
- Develop quality & use guidelines
- Pilot and test products
- Provide support to countries

Global Fund example
- Incorporate needed incremental innovation in collaborative supplier projects

Manufacturers
- Develop new products
- Negotiate prices and terms
- Manufacture and deliver products

Global Fund example
- Share data with PRs on total cost of ownership for diagnostic technologies
Our definition of “market shaping”

Market shaping supports health outcomes by...

- Leveraging the Global Fund’s position to facilitate healthier global markets for health products, today and in the future
- Implies a proactive approach
- Focused on global market outcomes, not limited to outcomes for the Global Fund
- Market shaping extends to future possibilities, not limited to current market conditions
Global Fund engages early in the product life cycle, but focuses on products as they begin to scale.

### Pipeline
- **Emerging**
  - Few suppliers, little competition, often low demand
  - Quality assurance, guideline-setting, country registration, market analysis, forecasting, demand generation, country product selection, sourcing

- **Growing**
  - More competition, continuous investment & improvement
  - Forecasting, updated guidelines, country product selection, sourcing

- **Mature**
  - Reducing FPP & API suppliers, continued investment & improvement

- **Declining**
  - Fewer FPP suppliers and few API sources, no further investment, few incentives to manufacture

### Typical activities
- **Volume / price**
  - **Investment, licensing**
  - **R&D, licensing**

### Illustrative actors
- **Companies**
- **Academia**
- **Countries / PRs**

### Dynamics
- **Time**
E-Marketplace

- Marketplace

- Merge Three Teams

- Develop Strategy

- Training

- Tools

- Indirect Spend

- Viral Load / Diagnostics

- ARV's

- Supply Chain

- Market Shaping

- Malaria ACT's

- Malaria LLIN's

- New Strategy

- TGF Sourcing

- E-Marketplace

The Global Fund

Le Fonds mondial

El Fondo Mundial

Глобальный фонд

全球基金

الصندوق العالمي
Developing the E-Marketplace of the Future

MEC presentation

FISA Division 8th of July 2015
A detailed operating model for the e-marketplace has been developed and endorsed.

Approach to operating model

- **Consult with PRs**
  - Consolidate PRs feedback into operating model requirements
  - 7 consultations to date, and ongoing
- **Consult with Global Fund teams**
  - Design operating model jointly with Sourcing, Finance, GMD, IT, legal (10+ functional/30+ individual workshops)
  - Fit with current processes
- **Consult with key suppliers** per product category to incorporate feedback into model
- Core operating model decisions made at **Design Authority**

Key characteristics of the e-marketplace operating model

- **Follows design principles**
  - Standard and effective processes
  - Interfaceable, but not integrated, with Global Fund system to enable spin-off
- **Reflecting PR’s views**
  - PR requirements assessed and prioritized as operating model specifications
- **Useful and flexible**
  - Automates and simplifies current processes
  - Does not add any burden/supports Country Team dialogue and “human element”
- **Robust and complete**
  - Covers 3 mechanisms (e-order from LTA, e-catalogue, e-RFQ)
  - Aligned with core Global Fund processes
  - Transparent and auditable
- **Feasible**
  - Forms core of vendor choice process to ensure most requirements are implementable in solution
What we have heard from PRs as key benefits of e-marketplace

**Key benefits of e-marketplace**

<table>
<thead>
<tr>
<th>Visibility/Transparency</th>
<th>“Seeing the full list of products with the relevant information will make our procurement decisions much easier”</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>– Procurement manager, Zambia</td>
</tr>
<tr>
<td>Access to a list of prequalified suppliers</td>
<td>“Quality is critical for us; having the list of suppliers already checked for quality is a big plus”</td>
</tr>
<tr>
<td></td>
<td>– Procurement officer, Senegal</td>
</tr>
<tr>
<td>Automation/acceleration of workflows leading to significant reduction of paperwork/gaining of time and audit trail</td>
<td>“An approval sometimes gets stuck for a month on someone’s desk, e-max will speed up this process significantly”</td>
</tr>
<tr>
<td></td>
<td>– Head of procurement, Ghana</td>
</tr>
<tr>
<td>Generation of savings through access to larger variety of suppliers and long-term agreements for certain product categories</td>
<td></td>
</tr>
</tbody>
</table>

Quotes by PRs
New Strategy

- New Strategy
- TGF Sourcing
- Diagnostic
- Merge Three Teams
- Develop Strategy
- Training
- Tools
- Indirect Spend
- Malaria
- ARV's
- ACT's
- Viral Load / Diagnostics
- RDT's
- Supply Chain
- Market Shaping
- E-Marketplace
- Malaria ACT's
- Malaria LLIN's
- X - New Strategy

The Global Fund
Le Fonds mondial
El Fondo Mundial
Глобальный фонд
Global Fund
The UNITAID MOU

**Shaping Markets for Increased Access**

**The basis of the Partnership**

Ensure more rapid development and uptake of high-quality medicines and diagnostics through market-shaping activities that increase access among underserved populations. Promote simpler treatment, including fixed-dose combinations and point-of-care diagnostics that improve adherence and reduce pill burden and opportunity costs for patients. Improve the value-for-money of donor investments by achieving greater market effect and public health impact.

1. Identify opportunities for strategic cooperation in market-shaping and access interventions
2. Identify opportunities for strategic cooperation in market intelligence activities
3. Measure market and public health impact.
Updated market shaping strategy will build on many past efforts and will be integrated with the Global Fund’s 2017 – 2021 strategy

<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>ACT transition</td>
<td>• Global Fund worked with WHO to facilitate countries to rapidly switch funding from suboptimal therapies to ACTs</td>
</tr>
<tr>
<td>2007</td>
<td>Initial market shaping strategy</td>
<td>• Board decides that the Global Fund should play a “deliberate and strategic role in improving the impact of grants by influencing market dynamics” and endorses the creation of PQR and VPP</td>
</tr>
<tr>
<td>2007 - 2009</td>
<td>Creation of VPP and PQR</td>
<td>• Based on the Board’s 2007 decision, VPP became operational in mid-2009 with 40 countries and 74 grants by end 2010 • PQR implemented to collect transaction-level procurement data</td>
</tr>
<tr>
<td>2011</td>
<td>Latest market shaping strategy</td>
<td>• Board approved strategy “acknowledging the critical role of the Global Fund in shaping markets to maximize global access to health products…and further [emphasizing] its desire for the Global Fund to more actively shape markets…”</td>
</tr>
<tr>
<td>2013</td>
<td>Procurement 4 Impact</td>
<td>• P4i transforms the way the Global Fund works across the supply chain, especially through the transition from VPP to PPM and the implementation of new long-term supplier agreements</td>
</tr>
<tr>
<td>2015 - 2016</td>
<td>2017 – 2021 strategy</td>
<td>• Global Fund currently developing its strategy for 2017-2021, to be reviewed by the Board in March 2016</td>
</tr>
</tbody>
</table>
Sourcing is leading a refresh of the Global Fund’s Market Shaping Strategy for the November Board meeting

- **Lay out approach**
- **Assess markets, role, key questions**
- **Develop and test strategies**
- **Socialize and iterate**

**Strategy development**

- **Apr**: Sourcing strategic review
- **May**: SIIC
- **Jun**: FOPC
- **Jul**: SIIC, Sourcing strategic review
- **Aug**: FOPC
- **Sept**, **Oct**, **Nov**: SIIC, FOPC, Board meeting

**Key meetings**

- **TERG**
  - Thematic review: Initial findings
  - Draft report
  - Final report

- **SIIC**
- **FOPC**
# Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Topic</th>
<th>Presenter(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>08:30 – 08:55</td>
<td>Registration (coffee and tea available)</td>
<td></td>
</tr>
<tr>
<td>09:00 – 09:20</td>
<td>Welcome, introductions and overview of agenda</td>
<td>Christopher Game</td>
</tr>
<tr>
<td>09:20 – 09:40</td>
<td>Opening remarks</td>
<td></td>
</tr>
<tr>
<td>09:40 – 10:00</td>
<td>Strategic overview: P4i key achievements and priorities</td>
<td></td>
</tr>
<tr>
<td>10:00 – 11:00</td>
<td>Update on Sourcing Strategies</td>
<td>Mariatou Tala Jallow</td>
</tr>
<tr>
<td></td>
<td>• Summary overview</td>
<td>Martin Auton</td>
</tr>
<tr>
<td></td>
<td>• ARV and viral load tenders</td>
<td></td>
</tr>
<tr>
<td>11:00 – 11:20</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>11:20 – 12:20</td>
<td>Update on Sourcing Strategies</td>
<td>Aziz Jafarov</td>
</tr>
<tr>
<td></td>
<td>• RDTs</td>
<td>Silas Holland</td>
</tr>
<tr>
<td></td>
<td>• TB</td>
<td></td>
</tr>
<tr>
<td>12:20 – 13:20</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>13:20 – 13:50</td>
<td>Keynote address</td>
<td>Mark Dybul</td>
</tr>
<tr>
<td>13:50 – 14:20</td>
<td>Overview of market shaping strategy</td>
<td>Rebecca Solow</td>
</tr>
<tr>
<td>14:20 – 14:40</td>
<td>Feedback and Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>14:40 – 15:00</td>
<td>Break</td>
<td></td>
</tr>
<tr>
<td>15:00 – 16:30</td>
<td>Pooled procurement: Current status, benefits, risks</td>
<td>Mariatou Tala Jallow</td>
</tr>
<tr>
<td>16:30 – 17:00</td>
<td>Closing remarks</td>
<td>Daniel Camus</td>
</tr>
</tbody>
</table>
Reminders

Please make sure to sign up for one of tomorrow’s break-out sessions
• Space is limited – first come, first serve

Break-out rooms are also available for individual or small group meetings after our agenda finishes tomorrow at 1500
• Sign up for rooms on the same break-out session sign-up sheets

If you have questions or need anything, stop by the Registration Desk

For all your social media: #Procurement4impact
Update: Sourcing of Antiretroviral Medicines
Implementing The Global Fund’s Framework Agreements: the first two quarters
Sourcing Strategic Review Meeting
9 July 2015
The new procurement approach was broad based and designed to address a range of objectives – it was not just about price.

**Sustainable Supply**
- Continued supply of all needed products through all stages of the lifecycle
- De-risk API supply chain
- Improved forecasting, payment and administrative processes

**On-Time Delivery**
- Improved delivery performance
- Shorter lead times
- Mitigate force majeure

**Competitive Pricing and Affordability**
- More affordable 1st and 2nd line regimens through leveraged volumes
- Improved planning and longer term contracts
- Use supplier expertise
- Collaboration to protect reasonable margins

**Quality and Regulatory**
- Longer shelf life
- Broader country registration footprints

These objectives will result in a new form of supplier engagement.
Key elements of the strategy: continuous supply

**Challenge to address:** ensuring availability of all 75 ARVs where some essential products have limited and intermittent demand

**Solutions:**
- Designed to support access according the product lifecycle stage attributes
- Evaluation of API supply security at the product level
Key element of the strategy: market and product sustainability

**Challenge to Address:** Ensuring ongoing and new supplier participation in a market associated with low returns.

**Solution:**
- Work with a panel of suppliers including developing long term supplier partnerships with collaborative projects and committed volumes over 3-5 years.
- Mechanism to support new entrants and new products from existing players.
A broad range of factors were evaluated to meet the range of objectives.

Schematically & illustratively

The overall weighting comprised:
- 46% price criteria
- 54% other technical & value elements
Recall: key numbers

- High income market = 10x LMIC value
- Spend significantly skewed to high volume 1st line optimal treatments (85% of spend)
- In LMICs, ARVs are mostly supplied under licenses from originators
- South Africa has also entered into 3 year arrangement
- PPM + South Africa = 1/3 volumes that can encourage investment for scale for increasing numbers of people on treatment

**Products**

<table>
<thead>
<tr>
<th>Products</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 products QA-approved</td>
<td>30 (10 originators; 20 generic)</td>
</tr>
<tr>
<td>Average 2.9 suppliers make each product</td>
<td>15-20 suppliers participated in PPM 2010-13</td>
</tr>
<tr>
<td>(1 → 13)</td>
<td></td>
</tr>
<tr>
<td>20 products are made by 5 suppliers</td>
<td>Average 10.6 products produced by each supplier (1 → 50)</td>
</tr>
<tr>
<td>50 products are made by only 1 supplier</td>
<td>10 suppliers produce ≥ 10 products</td>
</tr>
<tr>
<td>75 products regularly procured</td>
<td>16 suppliers produce ≥ 5 products</td>
</tr>
<tr>
<td>Average 16 ARVs procured by GF-PR (1 → 38)</td>
<td></td>
</tr>
</tbody>
</table>

**ARV volumes; USD product cost**


2013

2014
Objective: sustainable supply: the first 2 quarters 2015

1. Continued supply of all needed products through all stages of the lifecycle
   • Few challenges in obtaining ARVs including low volume products
   • Bundling low & high volume products; multiple awardees/ product ; diversification of API sources
   • Procured from 13 ARV suppliers in first half of 2015 (including 8 with Framework Agreements)
   • Coordinated procurement of paediatric ARVs with the PAPWG
   • Commitments as a tool to support new product introduction
   • Supply security improved for all buyers

2. De-risk API supply chain
   • Evidence of more API sourcing diversification
   • Finished dosage form suppliers establishing longer terms contracts with API suppliers
   • Supplier partnership projects being implemented through objectivized annual business plans

3. Improved forecasting, payment and administrative processes
   • Rolling monthly forecasts of demand and allocation provided to individual manufacturers for coming 6-12 months+
   • Reduced administrative timelines (PSA, financing and PR approval) – 3 weeks less in 2014; working to reduce by a further 4 weeks by end 2015
Objective: On-time (reliable) delivery: the first 2 quarters 2015

1. Improved delivery performance
   • Improved from +/- 40% OTIF in 2013/2014 to 70-80% by end Q2 2015

2. Shorter lead-times
   • Manufacturer lead-times reducing especially for high volume products

3. Mitigate force majeure
   • Diversification of manufacturing locations: finished dosage forms; APIs; and key starting materials
   • Engagement with Indian, Chinese and African suppliers
   • Vendor managed inventory linked to commitments as a viable solution to respond to stock-outs across the Global Fund portfolio
   • Initial target stocks held for 18 1st & 2nd line optimal ARVs for adults and children
   • ACTs

Rapid Supply Mechanism – Prevent Stock Outs

Availability
• Available for all GF PRs (PPM/teen PPM)

Approach: Stock at manufacturer
• Agreements with selected suppliers to hold stock of optimal ARV, ACT products, either as finished goods or raw material as per framework agreements.
• PPM procurement agent, PFSCM, will execute the orders
• PPM procurement and disbursement processes will be used (details in PPM OPI)

What to expect
• 4-6 weeks lead-time on key ARVs and ACTs, stocked at manufacturer level, expedited for catalogue items
• 6% RSM premium fee charged on the grants to manage RSM operations

Products
• Optimal first line and second ARVs, ACTs, available at supplier level or as direct procurement
• Standard packaging
Objective: Competitive pricing and affordability: the first 2 quarters 2015

1. More affordable 1st and 2nd line regimens through leveraged volumes
   • Cost reductions and changes in price dynamics for optimal 1st & 2nd line regimens for adults and children: immediate and over time: TDF FDCs; boosted-PI’s; better paediatric products
   • Cost avoidance through mitigation of proposed price increases for zidovudine-based regimens
   • Enabling PAHO Strategic Fund to access Framework Agreement - including for non-GF financing
   • Efficiency opportunities will be benefit all buyers

2. Improved planning and longer term contracts
   • Rolling monthly forecasts of demand and allocation provided to individual manufacturers for coming 6-12 months+ resulting in more reliable on-time supply and shorter lead-times

3. Use supplier expertise
   • Supplier partnership projects:
     • Price targets
     • API security & shelf life
     • New product introduction; dose reduction
     • Supply chain efficiency
     • Local manufacture

4. Collaboration to protect reasonable margins
   • On target with price targets to pass on benefits of process efficiencies and improved API sourcing resulting from longer term contracts and commitments
Objective: Quality and Regulatory: the first 2 quarters 2015

1. **Longer shelf life**
   - Longer shelf life rewarded in evaluation
   - Supplier partnership project to extend shelf life
   - Improved for all buyers

2. **Broader country registration footprints**
   - Allocations linked to country registrations
   - Regular reporting on registration status
   - Country registration footprint monitored for expansion

3. **Other**
   - Shorter and more focused list of priority products eligible for ERP mechanism
Further work is required to exploit all of the opportunities

- Better forecasting
- Earlier ordering from PRs: optimize production planning
- Exploiting the opportunities for using better products and enabling clinical choices to drive selection through price roadmaps for priority products
- Standardization and harmonization of packaging
In conclusion, we have a new form of supplier engagement with opportunities for further future value to be created and ultimately a more reliable and sustainable supply for more ARVs for more patients.

<table>
<thead>
<tr>
<th>Feature</th>
<th>Impact for Supplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Longer term contracts: 2 - 5 years</td>
<td>Ability to secure financial resources and optimize API sourcing and production efficiencies</td>
</tr>
<tr>
<td>Financial volume commitments</td>
<td>Risk mitigation</td>
</tr>
<tr>
<td>A focus on total cost of ownership</td>
<td>Viability of inward investments</td>
</tr>
<tr>
<td>Search for value added services</td>
<td>Opportunity for innovation and investment</td>
</tr>
<tr>
<td>Regular performance review with focused KPIs</td>
<td>Facilitates improvement and potential for additional volumes in new allocations</td>
</tr>
<tr>
<td>- OTIF; lead-time; progress of projects including</td>
<td></td>
</tr>
<tr>
<td>against target pricing</td>
<td></td>
</tr>
<tr>
<td>Key Quality Requirements</td>
<td></td>
</tr>
<tr>
<td>• WHO PQ and/or SRA approvals</td>
<td>GMP and supporting administrative processes for other products and markets</td>
</tr>
<tr>
<td>• Country registrations</td>
<td></td>
</tr>
</tbody>
</table>
Further information


- More information to follow shortly
THANK YOU
Finished Pharmaceutical Product (FPP) Market Observations

1. Spend is significantly skewed towards high volume 1st line optimal treatments which form 85% of current spend.

2. In this space ARVs are mostly supplied by generic companies under license from originators in LMIC with a small number of suppliers supplying most of ARV requirements.

3. Low volume specialist adult and pediatric treatments form a long tail and supply chain integrity proves a major challenge owing to smaller order quantities and fragmented demand.

4. Relatively short product life combined with high regulatory burden adds complexity to managing the operation.

5. Sustainability becomes an emerging concern:
   - Some suppliers not participating in the tenders for some products
   - Competition for production between products of different margins
   - Poor supplier delivery performance

ARV FPPS are a high volume and complex business with a number of challenges
Active Pharmaceutical Ingredient (API) Market Observations

1. Despite sufficient oral solid finished dosage form capacity to meet forecast requirements for new products, active FPP suppliers could be limited by API availability.

2. Few generic suppliers are able to supply their entire API requirements and some of them rely on 100% external supply.

3. Some large, vertically integrated suppliers have made significant investment in API production to underwrite FPP supply. Others are taking a more selective approach with a focus on vertical integration in emerging products.

4. Opportunities for sourcing API for older products are reducing.

5. API supply interruption and price increase can be caused by Key Starting Material supply challenges.

API make or buy decisions are fundamental to determining cost competitiveness, supply security and long term FPP strategy.
Lifecycle Management and ARVs

We have overlaid the key ARV attributes to the lifecycle to determine the strategic priorities.

- **Pipeline**
  - Few FPP suppliers
  - Technical Driven Licensing
  - Focus on in-house API supply
  - Less competition

- **Emerging**
  - More suppliers
  - Continuous process improvement and investment
  - Diversification of API sources
  - Competitive drive

- **Growing**
  - Reducing FPP suppliers
  - Concentration of API sources
  - Few API sources

- **Mature**
  - Fewer FPP suppliers
  - No more investment
  - Concentration of API sources
  - Few incentives to manufacture

- **Declining**
  - Fewer FPP suppliers
  - No more investment
  - Concentration of API sources
  - Few incentives to manufacture

**Challenges for suppliers**
- Lack of clarity for investment
- Recover from investment and Growth
- Brutal competition
- Ethical exit plan

**GF Strategy Implication**
- Early engagement
- Competitive cost
- Deliver Sustainability: Mitigate price volatility and secure supply
- Address Long lead-time and poor delivery performance
Update: Sourcing of viral load & early infant diagnostic tests
Providing transparency in pricing, costs, acquisition and contracting options

Sourcing Strategic Review Meeting

9 July 2015
Geneva
The Global Fund is supporting the implementation of WHO Recommendations through programmatic, financing & procurement actions

1. Securing the Financing: Strategic Investment Notes: HIV & Health Systems Strengthening
2. Working with partners to support programmes scale-up: guidance and targeted support
4. Policies for the procurement of health products including QA Policy & Expert Review Panel (with UNITAID)
5. Engaging with suppliers to understand the products and market (with PEPFAR, USAID, CDC)
6. Tender with objectives of transparency of pricing, total cost of ownership and contracting options
Working with partners to support scale-up

VL Strategy Workshop (Addis, Sept 2014)

Objectives
- The objective of the workshop was to develop country-specific plans for scaling-up HIV viral load testing using a network approach.

Main Outcomes
- Development of partnerships between countries, donors and IPs to develop country-specific viral load scale-up and implementation plans.
- Establishment of a taskforce to guide the implementation of the plans.

VL Toolkit
- Costing framework
- Training tools for Clinicians/Nurses
- M&E Framework
- Guidelines for Sample Referral Systems
- Quantification/Forecasting Tools
- Training Manual for Laboratorians
Historically there has been little visibility in pricing with arrangements country-by-country or even machine-by-machine.

Wide variability in pricing.
Viral load & EID tender: completed June 2015

1. To select a panel of manufacturers to enter into Framework Agreements to supply PRs both through all procurement channels of Global Fund recipients

2. To improve transparency of cost and contracting elements to enable better selection, acquisition and procurement of analyzers, reagents and support services

3. Panel Suppliers are expected to enter into agreements that have the same terms, conditions and pricing with other public sector buyers
Tender process

Only bidders who were manufacturers of products in compliance with the Global Fund’s Quality Assurance Policy on Diagnostics were eligible to participate.

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation, submission, preliminary examination, screening and evaluation of proposals</td>
<td>Opportunity to discuss more detailed information and seek clarifications through dialogue and meetings</td>
</tr>
<tr>
<td>Invitation of selected bidders to participate in Stage 2</td>
<td>Review of assumptions for total cost of ownership model</td>
</tr>
<tr>
<td></td>
<td>Submission of Best and Final Offer (BAFO)</td>
</tr>
</tbody>
</table>

The same 2-stage process is available for new entrants when they meet the QA policy.
<table>
<thead>
<tr>
<th>Supplier panel</th>
<th>Eligibility and Testing products</th>
<th>Regulatory status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abbott</td>
<td>WHO PQ</td>
<td>VL, EID</td>
</tr>
<tr>
<td>Alere</td>
<td>CE mark</td>
<td>EID</td>
</tr>
<tr>
<td>bioMérieux</td>
<td>WHO PQ</td>
<td>VL</td>
</tr>
<tr>
<td>Cepheid</td>
<td>CE mark</td>
<td>VL, EID</td>
</tr>
<tr>
<td>Hologic</td>
<td>CE mark</td>
<td>VL</td>
</tr>
<tr>
<td>Qiagen</td>
<td>CE mark</td>
<td>VL</td>
</tr>
<tr>
<td>Roche</td>
<td>WHO PQ</td>
<td>VL, EID</td>
</tr>
</tbody>
</table>
Outcome: a range of credible, cost-effective, competitive options with more transparent pricing and contracting: viral load & EID

<table>
<thead>
<tr>
<th><strong>Leveraged volumes</strong></th>
<th>✓ Enables volumes to be leveraged and promotes maximum up-time and throughput</th>
</tr>
</thead>
</table>
| **Transparent contracting** | ✓ Guides new selection and establish contracting modalities and templates  
✓ Benchmarks existing arrangements with forward-applicability in many cases  
✓ Delivers Framework Contracts and Transaction Agreements |
| **Transparent costing** | ✓ Provides standardized costing enabling easier and more transparent decision-making  
✓ Provides clear cost build-up to Total Cost of Ownership for a more meaningful and fair comparison |
| **Additional acquisition models** | ✓ Provides options of different acquisition models: purchase and reagent rental  
✓ “Reagent rental” now available from majority of suppliers that is comparable with the equivalent “all in” bottom up price – no or small “premium”  
✓ Identifies various value-added solutions available |
| **Broader supplier base** | ✓ Includes 2 new offerings for lab-based systems  
✓ Includes 2 new entrants for lower throughput/near-Point-of-Care offerings  
✓ Establishes process for new entrants with a clear target for pricing and contracting |
| **Global visibility** | ✓ Enables better global visibility and framework for performance management (rather than fragmented country-level) and sustained delivery  
✓ Includes agreement to make key elements of this RFP “available” in the public domain including TCO calculations |
Transparency in pricing, total cost of ownership, contracting and acquisition options


Selection and Procurement Tool

The detailed information is presented in hypertextual tool (currently presented as a PDF document) that can be downloaded.

PDF - 4 MB | English

to enable navigation through the in-depth information according your needs (select CHN-L to view in full-screen mode).

The high-level topic areas are:

- Country scenario – from looking to scale-up or to simply re-order
- Prequalification and funding – guidelines for planning including Concept Notes and Grant Making
- RFP process and outcomes – the recent Global Fund RFP
- Platform technology selection – suppliers on the supplier panel
- Pricing options – comparison of different costing models
- Contracting options

Viral Load and Early Infant Diagnosis (EID) Navigation diagram – Home page

Frequently Asked Questions (FAQ)

download
Global Fund Procurement
Strategy Review: HIV and Malaria RDTs
Aziz Jafarov
Developing the Sourcing Strategy in RDT

An approach that spanned two diseases, malaria and HIV, designed to understand the supply and demand side of both and any synergies (work in progress)

- Extensive supplier visits to manufacturers who account for > 80% of the combined $145m spend a year.
- Started engagement with partner agencies to better understand challenges and opportunities
- Strategy development and refinement in progress
## Supplier visits

<table>
<thead>
<tr>
<th>Supplier</th>
<th>HIV RDTs</th>
<th>Malaria RDTs</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Bio</td>
<td>Developing</td>
<td>Yes</td>
<td>USA, South Korea, Ethiopia</td>
</tr>
<tr>
<td>Alere</td>
<td>Yes</td>
<td>Yes</td>
<td>Japan</td>
</tr>
<tr>
<td>Chembio</td>
<td>Yes</td>
<td>Developing</td>
<td>USA</td>
</tr>
<tr>
<td>KHB</td>
<td>Yes</td>
<td>Developing</td>
<td>China</td>
</tr>
<tr>
<td>Premier Medical</td>
<td>Yes</td>
<td>Yes</td>
<td>India</td>
</tr>
<tr>
<td>Standard Diagnostics</td>
<td>Yes</td>
<td>Yes</td>
<td>South Korea</td>
</tr>
</tbody>
</table>
Summarised Findings of the Analysis

Malaria

- Sometimes brand specific demand
- RDT Selection
- Limited harmonization
- Low acceptance
- Evolving QA requirements

Demand

HIV

- Complex algorithms

Supply

- Significant over-capacity in manufacturing sector
- Perceived lower margin
- No test for elimination
- Perceived higher margin
- Variable and generally short shelf life
- Opportunities for improvements in product & packaging design
Product development / improvements

**HIV**

- RDTs for self-testing: saliva & blood
- Next Generation Assays for the detection of HIV Antibody and Antigen

**Malaria**

- Development more sensitive malaria RDTs in collaboration with BMGF to primarily apply in the elimination stage
- Introducing new single buffer packaging materials to address evaporation issue
- Reduced cassette size for environmental and freight savings
Thoughts on Strategy

Joint Tender
Some disease specific evaluation criteria

Longer term collaborative projects against a specific objectives mandated in framework agreements
(This list is indicative)

- Improving Demand Profiles
- Improvements of product labeling
- Reducing Freight Costs
- Product improvements inc. increasing Shelf Life
- Clarifying testing algorithms

Some Project will address more than one objective

Malaria

HIV

Framework Agreements
The Global Fund will issue the tender in Q4 and commence the improvement projects early in 2016.
Global Fund Strategic Review Meeting
Update on TB Strategy

09 July 2015
Strategy Development and Implementation

UNDERSTAND

Going to the real places, meet the stakeholders and understanding the facts.

DESIGN

Defining a set of objectives based on findings and designing an approach to deliver them.

ENGAGE

Designing tenders to meet our objectives.

MANAGE

Working with suppliers to drive continuous improvement.
GF TB Sourcing Strategy

- Market analysis and manufacturer engagement
- Understanding current supply chain & GF demand
- Partner mapping
- Opportunities to increase GF leverage

Strengthening of GF/GDF relationship
Market analysis and manufacturer engagement
When is lunch?

2015 is the Year of TB!

Wait... Tell me again - who are you?

When is lunch?
GF TB Sourcing Strategy

- Market analysis and manufacturer engagement
- Understanding current supply chain & GF demand
- Partner mapping
- Opportunities to increase GF leverage

Strengthening of GF/GDF relationship
Emerging Themes

Demand management is key
• Understand volumes/timings
• Communicate with manufacturers (dialogue vs commitment)
• More explicit links to in-country activities, diagnostic scaleup, HIV/TB, adoption
• Tools to understand/nudge demand

PRs need new flexibilities
• Respond to reality on the ground
• Sustainable/reliable supply
Emerging Themes

TB market is dynamic
• New entrants, new products, growing competition
• Opportunities and interest in new ways of working
• Market still small; need for partnership with other large procurers

Harmonization opportunities
• New tools/mechanisms needed to advance this work

P4i approach and ARV tender
As the largest international funder of TB, what role should Global Fund play to address challenges and shape the TB market?

What lessons can be applied from malaria and HIV? Synergies? Risks?
Strategic Review Meeting
Market Shaping Strategy

9 July, 2015
Objectives

Recap the context for revising the Global Fund’s Market Shaping Strategy

Provide an overview of our approach

Share elements of the revised strategy drafted so far
  > Harmonized framework for dimensions of market health, developed with UNITAID
  > Definition of Global Fund’s role in market shaping
  > Strategic objectives
  > Guiding principles

Answer questions and get your input
What is “market shaping”?

Market shaping is an approach to maximizing public health impact by addressing market shortcomings which reduce access to health products.

Common symptoms of market shortcomings

- High prices that are unaffordable for LMICs
- Low uptake of products, even if affordable or cost effective
- Unstable supply, with limited or volatile ability to meet global needs
- Unknown product quality
- Limited pipeline of new products or presentations

Root causes

- Limited or asymmetric market information
- High transaction costs
- Risk imbalances between supply and demand

Illustrative interventions

- Demand forecasting
- Published quality assessments
- Pooled procurement
- Variant optimization
- Order coordination
- Volume guarantee
- Product development partnership

2011 Market Shaping Strategy emphasized a set of four objectives, applied to the ARV market

“Designed to achieve an overall goal of dramatically expanding the Global Fund’s impact on the three diseases by improving market outcomes of and therefore access to essential health products.

i. Accelerate the introduction and maturation of new, more cost-effective products;

ii. Ensure recipients procure the most cost-effective, WHO-recommended health products or regimens that meet the Global Fund’s quality assurance policies;

iii. Strengthen countries’ capacity to implement strategic procurement practices; and

iv. Ensure the continued availability, affordability, and innovation of products, including those where there are not currently sustainable market conditions

-- Report of the Market Dynamics and Commodities Ad-Hoc Committee
GF/B23/9, May 2011
Global Fund is taking a four-phase approach to revise Market Shaping Strategy

I: Plan
Define approach and scope of market shaping strategy

II: Diagnose & frame
Understand past efforts
Assess current status vs. ideal state
- Product markets
- Enablers
Assess partner landscape and identify Global Fund role
Identify and assess key strategic questions
Develop objectives and guiding principles

III: Define strategy
For categories with existing strategies:
- Summarize and pressure-test
Integrate market shaping lens in new strategies
Identify and prioritize initiatives to strengthen enablers
Address key strategic questions
- Options, implications

IV: Plan implementation
Lay out high level implementation plan
- Sequencing and timeline
- Resource requirements
- Impact of additional resources
Define dashboard to monitor strategy
- KPIs to monitor markets and initiatives
- Data sources and process

Consult internal & external stakeholders; align with other Global Fund efforts
Recent work focused on a set of assessments to inform role, strategic objectives and guiding principles

- 2011 strategy implementation
- Updated market opportunities
- M&E plan (metrics, dashboard)
- Harmonized market health framework
- Global Fund role
- Strategic objectives
- Guiding principles
- Other market shaping initiatives (P4i)
- Market shaping enablers
- Partner landscape
- Initiatives to strengthen enablers
- Implementation plan (resources, timeline)
- Next phases

Consultations
### Dimensions of market health harmonized with UNITAID

**Current DRAFT**

*Applies to markets for medicines or technologies to effectively prevent, diagnose or treat a disease or condition.*

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description of healthy market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>• There is a robust pipeline of new products, regimens or formulations intended to improve clinical efficacy, reduce cost, or better meet the needs of end users, providers or supply chain managers</td>
</tr>
<tr>
<td>Availability</td>
<td>• New and/or superior evidence-supported, quality-assured products are rapidly introduced in the market and made available to those in LMICs. Adequate and sustainable supply exists to meet global needs</td>
</tr>
<tr>
<td>Demand and adoption</td>
<td>• Countries, providers (e.g., healthcare providers, retailers) and end users rapidly introduce and adopt the most cost-effective products (within their local context)</td>
</tr>
</tbody>
</table>
| Quality            | • Products are available at a high standard of quality and there is reliable information on the quality of the product. This includes not only the quality of the final, finished product, but also the quality of starting and intermediary materials used to manufacture the final product

1 For the Global Fund, this is operationalized through the existing Quality Assurance Policies. 2 For the Global Fund, issues related to Delivery are typically handled by Health Product Managers in the Grant Management Division. This area is also being addressed through a supply chain strategy currently in development.
Global Fund engages early in the product life cycle, but focuses on products as they begin to scale
The Global Fund’s role is complementary to its partners

<table>
<thead>
<tr>
<th>The Global Fund focuses on sourcing, product selection, market intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Sourcing products demanded by Global Fund Principal Recipients</td>
</tr>
<tr>
<td>✓ Informing product selection</td>
</tr>
<tr>
<td>✓ Gathering and analyzing market intelligence</td>
</tr>
<tr>
<td>✓ Scaling up new products, in close alignment with partners</td>
</tr>
<tr>
<td>✓ Facilitating alignment among partners, countries and manufacturers</td>
</tr>
<tr>
<td>✓ Providing input and supporting partners working on other areas of market shaping</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Partners lead a core set of activities, especially early in the product life cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Assessing user needs and developing target product profiles</td>
</tr>
<tr>
<td>✓ Investing in research and development</td>
</tr>
<tr>
<td>✓ Negotiating licensing arrangements</td>
</tr>
<tr>
<td>✓ Setting clinical or normative guidance</td>
</tr>
<tr>
<td>✓ Assuring product quality</td>
</tr>
<tr>
<td>✓ Supporting country registration and inclusion in treatment guidelines</td>
</tr>
<tr>
<td>✓ Piloting products and generating evidence</td>
</tr>
</tbody>
</table>
The Global Fund can play a key role aligning countries, manufacturers and other partners

**Countries (or Principal Recipients)**
- Decide which products to purchase
- Place orders
- Provide information on product needs

**Countries**
- Decide which products to purchase
- Place orders
- Provide information on product needs

**Global Fund example**
- Identify where additional technical guidance can help inform country requests

**Global Fund example**
- Incorporate needed incremental innovation in collaborative supplier projects

**Manufacturers**
- Develop new products
- Negotiate prices and terms
- Manufacture and deliver products

**Manufacturers**
- Develop new products
- Negotiate prices and terms
- Manufacture and deliver products

**Partners**
- Partner to develop new products
- Develop quality & use guidelines
- Pilot and test products
- Provide support to countries

**Partners**
- Partner to develop new products
- Develop quality & use guidelines
- Pilot and test products
- Provide support to countries

*Note: Other large buyers can play a similar role (e.g., PEPFAR, PMI).*
Strategic objectives will link directly to Global Fund strategy and market health dimensions

1. Differentiate for Impact Across the Development Continuum
2. Build Resilient and Sustainable Systems for Health
3. Respect and Promote Human Rights and Gender Equality
4. Expand Access and Public Goods for Health
   - Attract additional financial and programmatic resources from current and new public and private sources
   - Support countries to increase domestic resource mobilization for health
   - Shape markets to support innovation, sustainability, quality, affordability and availability
   - Support the rapid introduction and scale-up of cost effective current and new health technologies

Support health outcomes and access to products by leveraging the Global Fund’s position to facilitate healthier global markets for health products, now and in the future.
DRAFT strategic objectives
Strategy will further detail what would be entailed in each

- Ensure the continued availability and affordability of health products
- Promote consistent quality standards
- Accelerate the adoption of new and/or more cost-effective products
- Support efforts to stimulate innovation
- Prepare for country transition and support long-term market viability
- Strengthen key market shaping enablers
DRAFT strategic objectives
Strategy will further detail what would be entailed in each

Ensure the continued availability and affordability of health products
a) Continue to facilitate market transparency
b) Leverage strategic procurement practices in PPM sourcing
c) Extend the benefits of PPM strategies to all PRs
d) Respond to potential stock-outs and emergency orders

Promote consistent quality standards

Accelerate the adoption of new and/or more cost-effective products

Support efforts to stimulate innovation

Prepare for country transition and support long-term market viability

Strengthen key market shaping enablers
## DRAFT strategic objectives

Strategy will further detail what would be entailed in each

<table>
<thead>
<tr>
<th>Ensure the continued availability and affordability of health products</th>
<th>Promote consistent quality standards</th>
<th>Accelerate the adoption of new and/or more cost-effective products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to facilitate market transparency</td>
<td>a) Continue to define and enforce consistent quality standards for Global Fund-financed procurements of health products</td>
<td></td>
</tr>
<tr>
<td>b) Leverage strategic procurement practices in PPM sourcing</td>
<td>b) Support the WHO prequalification programme</td>
<td></td>
</tr>
<tr>
<td>c) Extend the benefits of PPM strategies to all PRs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Respond to potential stock-outs and emergency orders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Support efforts to stimulate innovation

- Prepare for country transition and support long-term market viability

### Strengthen key market shaping enablers
**Ensure the continued availability and affordability of health products**

a) Continue to facilitate market transparency
b) Leverage strategic procurement practices in PPM sourcing
c) Extend the benefits of PPM strategies to all PRs
d) Respond to potential stock-outs and emergency orders

**Promote consistent quality standards**

a) Continue to define and enforce consistent quality standards for Global Fund-financed procurements of health products
b) Support the WHO prequalification programme

**Accelerate the adoption of new and/or more cost-effective products**

a) Coordinate with partners to develop and implement “roadmaps” for key product needs
b) Engage with PRs on opportunities to optimize product selection within WHO guidance
c) Utilize the Expert Review Panel to accelerate the availability of new quality-assured products

**Support efforts to stimulate innovation**

**Prepare for country transition and support long-term market viability**

**Strengthen key market shaping enablers**
DRAFT strategic objectives
Strategy will further detail what would be entailed in each

<table>
<thead>
<tr>
<th>Ensure the continued availability and affordability of health products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to facilitate market transparency</td>
</tr>
<tr>
<td>b) Leverage strategic procurement practices in PPM sourcing</td>
</tr>
<tr>
<td>c) Extend the benefits of PPM strategies to all PRs</td>
</tr>
<tr>
<td>d) Respond to potential stock-outs and emergency orders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promote consistent quality standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to define and enforce consistent quality standards for Global Fund-financed procurements of health products</td>
</tr>
<tr>
<td>b) Support the WHO prequalification programme</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accelerate the adoption of new and/or more cost-effective products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coordinate with partners to develop and implement “roadmaps” for key product needs</td>
</tr>
<tr>
<td>b) Engage with PRs on opportunities to optimize product selection within WHO guidance</td>
</tr>
<tr>
<td>c) Utilize the Expert Review Panel to accelerate the availability of new quality-assured products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support efforts to stimulate innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coordinate with partners focused on innovation and lend GF capabilities to support their efforts</td>
</tr>
<tr>
<td>b) Recognize the value of innovation in sourcing strategies and procurement policies, differentiating between radical and incremental innovation</td>
</tr>
</tbody>
</table>

| Prepare for country transition and support long-term market viability |

| Strengthen key market shaping enablers |
### DRAFT strategic objectives

Strategy will further detail what would be entailed in each

<table>
<thead>
<tr>
<th>Ensure the continued availability and affordability of health products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to facilitate market transparency</td>
</tr>
<tr>
<td>b) Leverage strategic procurement practices in PPM sourcing</td>
</tr>
<tr>
<td>c) Extend the benefits of PPM strategies to all PRs</td>
</tr>
<tr>
<td>d) Respond to potential stock-outs and emergency orders</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Promote consistent quality standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to define and enforce consistent quality standards for Global Fund-financed procurements of health products</td>
</tr>
<tr>
<td>b) Support the WHO prequalification programme</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accelerate the adoption of new and/or more cost-effective products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coordinate with partners to develop and implement “roadmaps” for key product needs</td>
</tr>
<tr>
<td>b) Engage with PRs on opportunities to optimize product selection within WHO guidance</td>
</tr>
<tr>
<td>c) Utilize the Expert Review Panel to accelerate the availability of new quality-assured products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support efforts to stimulate innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coordinate with partners focused on innovation and lend GF capabilities to support their efforts</td>
</tr>
<tr>
<td>b) Recognize the value of innovation in sourcing strategies and procurement policies, differentiating between radical and incremental innovation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prepare for country transition and support long-term market viability</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Invest in strengthening in-country PSM and regulatory institutions</td>
</tr>
<tr>
<td>b) Develop and implement the e-marketplace and accompanying mentorship program</td>
</tr>
<tr>
<td>c) Assess additional transitioning country needs and strategies to support them</td>
</tr>
</tbody>
</table>

| Strengthen key market shaping enablers |
# DRAFT strategic objectives

Strategy will further detail what would be entailed in each objective.

<table>
<thead>
<tr>
<th>Ensure the continued availability and affordability of health products</th>
<th>Promote consistent quality standards</th>
<th>Accelerate the adoption of new and/or more cost-effective products</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Continue to facilitate market transparency</td>
<td>a) Continue to define and enforce consistent quality standards for Global Fund-financed procurements of health products</td>
<td>a) Coordinate with partners to develop and implement “roadmaps” for key product needs</td>
</tr>
<tr>
<td>b) Leverage strategic procurement practices in PPM sourcing</td>
<td>b) Support the WHO prequalification programme</td>
<td>b) Engage with PRs on opportunities to optimize product selection within WHO guidance</td>
</tr>
<tr>
<td>c) Extend the benefits of PPM strategies to all PRs</td>
<td></td>
<td>c) Utilize the Expert Review Panel to accelerate the availability of new quality-assured products</td>
</tr>
<tr>
<td>d) Respond to potential stock-outs and emergency orders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support efforts to stimulate innovation</th>
<th>Prepare for country transition and support long-term market viability</th>
<th>Strengthen key market shaping enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Coordinate with partners focused on innovation and lend GF capabilities to support their efforts</td>
<td>a) Invest in strengthening in-country PSM and regulatory institutions</td>
<td>a) Through this strategy, ensure the Secretariat’s market shaping mandate is clearly articulated</td>
</tr>
<tr>
<td>b) Recognize the value of innovation in sourcing strategies and procurement policies, differentiating between radical and incremental innovation</td>
<td>b) Develop and implement the e-marketplace and accompanying mentorship program</td>
<td>b) Strengthen the Global Fund’s tools and systems to support forecasting, market intelligence and data management</td>
</tr>
<tr>
<td></td>
<td>c) Assess additional transitioning country needs and strategies to support them</td>
<td>c) Continue to strengthen and operationalize partnerships</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Proposed guiding principles
Build from “benefits” cited in current Market Shaping Strategy

The Global Fund’s market shaping efforts will be...
> Focused
> Sustainable
> Flexible
> Complementary
> Balanced

The Global Fund will also...
> Mitigate risks
> Provide visibility
> Solicit external expertise and perspectives
> Prioritize

Anchored to the Global Fund’s core principles of partnership, country ownership and performance-based funding
Several key milestones coming up as Market Shaping Strategy is revised for November Board meeting

- Lay out approach
- Assess markets, role, key questions
- Develop and test strategies
- Socialize and iterate
- Consult stakeholders

Key milestones:
- April: Sourcing strategic review
- July: Board review
- August: Final report of external evaluation
- September: Board review
- October: Board meeting

Today: Draft report of external evaluation
We welcome your questions and feedback!
Strategic Review Meeting
Pooled Procurement Mechanism

9 July, 2015
Pooled procurement is one of the Global Fund’s primary tools to shape markets

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price and Quality Reporting</td>
<td>Transaction-level procurement data on key health products gathered from Principal Recipients and made publicly available through a tool on the Global Fund’s website</td>
</tr>
<tr>
<td>Quality Assurance policies</td>
<td>Guidelines to ensure that Global Fund-financed procurements are safe, effective and acceptable to patients</td>
</tr>
<tr>
<td>Pooled Procurement Mechanism</td>
<td>Mechanism to pool Global Fund-financed procurements, either on an opt-in basis by Principal Recipients or to manage grant-related risks</td>
</tr>
</tbody>
</table>

*The Global Fund may also shape markets through specific procurement practices or country dialogue, but these are the primary tools at its disposal*
Several channels for Global Fund-financed procurements

The Global Fund

PPM
Procurement Agent
HIV/Malaria Manufacturers

GDF
Procurement Agent
TB Manufacturers

Country Procurement
National Systems
HIV/TB/Malaria Manufacturers

Procurement Agent

Principal Recipients

Products

Products

Products
Context: Pooled procurement is a key tool for the Global Fund to shape markets

### 2009: Voluntary Pooled Procurement (VPP) created
- Mechanism to centrally procure health products to impact markets
- Recognizing need to address common procurement and/or risk-related grant performance issues
- From 2009 – 2011, responsible for:
  - Over US$ 700 million of health product orders from 47 countries
  - Savings of US$ 57 million vs. budgets
- Constrained by procurement process and disbursement of grant funds

### 2013: Transition to Pooled Procurement Mechanism (PPM)
- Market Shaping Strategy calls for policy changes to enable true consolidation of volumes
- Grew to 60 countries and about US$ 1 billion in 2013
- Global Fund can leverage pooled demand to shape markets, delivering benefits for countries and suppliers
  - **Countries**: improved value for money, risk reduction
  - **Suppliers**: greater visibility into demand, more predictable volume and lower transaction costs

Objective is to discuss the concerns raised as PPM has grown and address risks while maintaining its benefits
Participation in pooled procurement has grown from 35 countries to 55 countries since 2009.

Source: Eurohealth Group analysis from Global Fund TERG Thematic Review, based on Global Fund PSA data and PQR.
ARVs and LLINs are largest categories purchased through the Global Fund’s pooled procurement mechanism

<table>
<thead>
<tr>
<th>Category</th>
<th>USD $M</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARVs</td>
<td>414</td>
<td>40%</td>
</tr>
<tr>
<td>LLINs</td>
<td>382</td>
<td>37%</td>
</tr>
<tr>
<td>ACTs</td>
<td>60</td>
<td>6%</td>
</tr>
<tr>
<td>Lab supplies</td>
<td>55</td>
<td>5%</td>
</tr>
<tr>
<td>HIV Dx</td>
<td>39</td>
<td>4%</td>
</tr>
<tr>
<td>Malaria Dx</td>
<td>34</td>
<td>3%</td>
</tr>
<tr>
<td>Other medicines</td>
<td>34</td>
<td>3%</td>
</tr>
<tr>
<td>Condoms</td>
<td>8</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>&lt;1%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,030</td>
<td></td>
</tr>
</tbody>
</table>

Source: Global Fund pooled procurement data.
Pooled procurement has benefits for countries and suppliers

<table>
<thead>
<tr>
<th>Country / PR benefits</th>
<th>Supplier benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For countries / PRs participating in pooled procurement:</strong></td>
<td>✓ Facilitates consolidated forecasting and greater visibility into demand</td>
</tr>
<tr>
<td>✓ Provides better terms that they may not otherwise be able to access</td>
<td>✓ Enables volume commitments, which provide stability and supports better planning</td>
</tr>
<tr>
<td>✓ Ability to optimize across the PPM portfolio to achieve better outcomes</td>
<td>✓ Global Fund team can work with PRs to reduce unnecessary complexity in specifications</td>
</tr>
<tr>
<td>✓ Countries do not need to wait until grant disbursement to place orders</td>
<td>✓ Direct payment from the Global Fund speeds up payment</td>
</tr>
<tr>
<td><strong>For all countries / PRs:</strong></td>
<td>✓ Single, standardized tender and negotiation process with consistent messaging reduces transaction costs</td>
</tr>
<tr>
<td>✓ Visibility on average reference prices negotiated by the Global Fund</td>
<td></td>
</tr>
<tr>
<td>✓ Global Fund sourcing strategies can have “spillover” benefits</td>
<td></td>
</tr>
</tbody>
</table>
Stakeholders sometimes cite risks associated with buyer power that results from pooled procurement.

1. As a large buyer, the Global Fund may cause suppliers to exit the market, thus reducing supply security and potentially leading to higher long-term prices.
   - Could focus too strongly on reducing prices, such that suppliers no longer have sufficient margin to stay in the market.
   - May not allocate volumes to a supplier, leaving the company without enough business to stay in the market.

2. The Global Fund could also deter innovation if prices are reduced too far and companies are not able to recoup their investments.

What can data tell us about the degree and level of these risks and whether they are materializing?
**Approach: Examining the Global Fund’s buyer power in key health product markets**

<table>
<thead>
<tr>
<th>I: Define market</th>
<th>II: Collect data</th>
<th>III: Analyze market share</th>
<th>IV: Deep dive on key markets</th>
<th>V: Assess outcomes</th>
</tr>
</thead>
</table>
| • Conservative approach | • Internal & external data | • Indication of buyer power | • For markets with high share, assess other market structure factors:  
  – # buyers  
  – Size of related markets  
  – Supplier power | • # of suppliers through PPM |
| • Public markets (domestic vs. international funding) | • Differentiate PPM & Non-PPM | • Rule of thumb: > 30% share merits further analysis | | • New suppliers in QA pipeline |
| | • Volume vs. spend | | | • Private sector spend on relevant R&D |
| | • Based on year of order / approval¹ | | | • New products in QA pipeline |

¹ Year of delivery used for paediatric ARVs.
2013 public market share: LLINs and ACTs are only categories with PPM market share over 30%

Market share in LLINs and ACTs merits further analysis
LLINs: Global Fund pricing pressure historically balanced by concentrated supplier base, but competition is increasing

PMI and other donors are smaller buyers, but significant market share

<table>
<thead>
<tr>
<th>% market share</th>
<th>All GF</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMI</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNICEF</td>
<td>48%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DFID</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World Bank</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All GF</td>
<td>57%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Volumes historically concentrated, but competition increasing

<table>
<thead>
<tr>
<th>% Global Fund spend</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>All other suppliers</td>
<td>78%</td>
<td>67%</td>
<td>68%</td>
<td>54%</td>
<td>56%</td>
</tr>
<tr>
<td>Top 2 suppliers</td>
<td>22%</td>
<td>33%</td>
<td>32%</td>
<td>46%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Risks to innovation may not be mitigated if GF or other donors are not able to support new products
ACTs: Presence of other buyers and supply concentration mitigate the Global Fund’s buyer power

**Presence of other buyers**
- PMI and DFID are also substantial buyers in the ACT market
- Smaller volumes with UNICEF and MSF
- While Global Fund has large share, provides alternate business

**Size of private market**
- Also significant private market alternative for ACTs (QA and non QA)
  - Estimated 40% of patients seeking treatment in private sector
  - While the Global Fund provides significant financing for ACTs in the total market (private + public market), the PPM share is low

**Supplier power**
- As of 2012, supply concentrated with four manufacturers: Sanofi, Ajanta, Cipla and Novartis
  - Mix of generics and originators
Still significant supplier diversity through PPM for LLINs and ACTs
Fluctuation in number of suppliers occurred prior to recent tenders

Source: PQR.
Number of ARV suppliers is lower year-to-date, but majority not included yet are originators with typically small volumes

Recall: PPM is < 20% of market share

% of global spend

- GF PPM: 18%
- GF Non-PPM: 15%
- PEPFAR: 27%
- South Africa: 17%
- Other: 23%

GF PPM

Number of PPM ARV suppliers

# of suppliers

- Generics: -3
- Originators: -1
- Current YTD: 13

Source: PQR.
Private sector is ~17% of total R&D spend on “developing world diseases”, but share has doubled since 2007

Total spend on R&D for developing world diseases has increased during this time period

Note: Includes funding for diseases and product categories considered “neglected” in G-Finder Neglected Disease Research and Development survey. For HIV, includes vaccines, diagnostics, microbicides and select basic research and drugs.
Source: IFPMA.
Fewer ongoing R&D projects for “developing world diseases” than other diseases, but also increasing

For comparison: 412 diabetes medicines in development in 2011

Note: Developing world diseases include 17 neglected tropical diseases identified by the WHO. The majority of projects are focused on malaria or tuberculosis.
Source: IFPMA.
13 new LLIN products in the WHOPES review process

### 6 new manufacturers seeking WHOPES approval for LLINs

<table>
<thead>
<tr>
<th>Phase</th>
<th>Product</th>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage I</td>
<td>Akanet</td>
<td>Kuselace</td>
</tr>
<tr>
<td></td>
<td>SafeNet(^1)</td>
<td>Mainpol GmbH</td>
</tr>
<tr>
<td></td>
<td>Christiansen</td>
<td>Christiansen Sarl</td>
</tr>
<tr>
<td>Stage II</td>
<td>Panda Net 2.0</td>
<td>Life Ideas Textiles</td>
</tr>
<tr>
<td></td>
<td>Veeralin</td>
<td>Vector Control Innovations</td>
</tr>
<tr>
<td></td>
<td>Yahe</td>
<td>Fugian Yamei Co.</td>
</tr>
</tbody>
</table>

### 7 new products from existing manufacturers

<table>
<thead>
<tr>
<th>Phase</th>
<th>Product</th>
<th>Manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage I</td>
<td>Interceptor G2</td>
<td>BASF</td>
</tr>
<tr>
<td></td>
<td>Olyset Duo</td>
<td>Sumitomo Chemical</td>
</tr>
<tr>
<td>Stage II</td>
<td>MiraNet</td>
<td>A to Z Textile Mills</td>
</tr>
<tr>
<td>Stage III</td>
<td>DawaPlus 2.0(^2)</td>
<td>Tana</td>
</tr>
<tr>
<td></td>
<td>LifeNet(^2)</td>
<td>Bayer</td>
</tr>
<tr>
<td></td>
<td>Olyset Plus(^2)</td>
<td>Sumitomo</td>
</tr>
<tr>
<td></td>
<td>Permanet 3.0(^2)</td>
<td>Vestergaard</td>
</tr>
</tbody>
</table>

---

1. Product for determination of equivalence. 2. Products have interim WHOPES recommendation. Source: Pesticide products under WHOPES laboratory and/or field testing and evaluation, May 2015.
Global Fund is acting to manage risks that could result from buyer power due to pooled procurement

**Risks identified**

**Drive suppliers out of the market**

**Actions already taken**

- Supplier base explicitly considered in global tenders
  - Volume preserved for new entrants
  - Maximum allocations based on total and available capacity
  - Balance of suppliers across geographies
  - Number of eligible or panel suppliers linked to global demand and supply

**Deter innovation**

- Value of innovation also recognized in recent tenders
  - Innovation level considered in volume allocation criteria
  - In ARV tender, volume set aside for early lifecycle products and new entrants
  - Engagement with innovators to understand required volumes
  - Collaborative projects proposed by suppliers
Key questions for discussion

? Given the benefits of consolidating volume, how many suppliers is sufficient to maintain availability and competition in a market? Is there a baseline threshold?

? If product availability is secure, what are the additional risks if a supplier exits the market? What is the Global Fund’s responsibility for maintaining the supplier base?

? What constitutes a healthy level of innovation? How should the Global Fund assess whether it needs to do more to support innovation?

? Concretely, what other actions could the Global Fund take to realize further benefits of pooled procurement? Or mitigate risks?