

Pooled Procurement Mechanism:

(version: quarter 4 2019)

Freight, Insurance, and QA/QC Indicative Reference Costs

Below are indicative reference costs for freight, insurance, and quality assurance, as a percentage of product value, for some key product categories. These costs are based on 2018/19 transactional data from the Global Fund's Pooled Procurement Mechanism. This information will be updated periodically, with the latest made available [here](#).

Insurance and quality assurance reference costs are relatively straightforward, and the numbers below can be directly used for benchmarking.

Reference freight costs, however, are less so for a few reasons:

1. Freight costs are contingent upon several factors, including geography (origin, destination); delivery arrangements (modality, route, incoterm); product-specific considerations (temperature requirements, packaging, type of equipment needed, weight/volume); and other factors (such as oil price, global trade economics, and air/ocean port infrastructure).
 - For this reason, both the median and interquartile range (25th / 75th percentiles) have been presented.
 - Destination country knowledge should also be applied to determine what point within the range (or possibly outside) should be used. Historical costs for similar products using similar freight modalities should be used to validate this estimate.
2. By contrast, freight costs are **not** related to product value. They have been presented as a percentage of product value for simplicity and ease of use.
 - Assuming product specifications and other factors of freight costs remain constant, as product costs fall the proportion of freight costs to product value will increase (as is evident with ACTs, where prices have fallen significantly, and proportion of freight is high).
3. This proportional approach also assumes some level of homogeneity within product categories, which may or may not be the case.
 - For this reason, it is not possible to provide indicative reference costs for categories such as diagnostics, lab and medical supplies, and other pharmaceuticals as product specifications vary significantly. For such categories, previous costs should be the only guide.
 - Even for the categories listed below, care needs to be taken. For example, with ARVs, the volume of a container full of low unit cost 'heavy' syrups (e.g. USD 1.50 each for 100ml Nevirapine) would be the same as a container of 1st line oral tablets (e.g. USD 16.49 each for 90 tablets TLD). The proportions below, therefore, may not hold for containers of low value products.

Freight (based on DAP Incoterm)

Air freight can be 4 times more expensive than sea freight; all products are advised to be shipped by sea.

With thoughtful allocation feasible container/sea volumes can be reached for most countries.

LLINs are transported by sea only.

Indicative Quantities: Sea-freight Feasibility ¹				
	Unit	20-foot container	40-foot container	High capacity 40ft container
ARVs	Packs of "1-month supply" ²	50,000 - 75,000	90,000 - 150,000	
ACTs	Single courses	300,000 -360,000	660,000 – 750,000	
RDTs	Single RDT	300,000	625,000	
LLIN	Single LLIN	11,760-12,800	26,350-27,200	29,400-30,000

Indicative Freight Costs as Proportion of Product Value: By Modality ³						
	Ocean			Air		
	25 th Percentile	Median	75 th Percentile	25 th Percentile	Median	75 th Percentile
ARV	3%	4%	8%	10%	19%	65%
ANTMs (ACTs, Injectables)	6%	10%	17%	13%	30%	45%
LLINs	5%	8%	15%			
HRDT	0%	4%	5%	7%	12%	23%
MRDT	8%	11%	18%	24%	31%	46%
IRS	1%	3%	4%	18%	24%	31%
Condoms	10%	14%	16%	107%	115%	125%

Insurance

Indicative Insurance Costs as a Proportion of Product Value and Freight Cost	
Pharmaceuticals (ARVs, ANTMs, Essential Medicines)	0.1940%
Vector Control (LLINs, IRS)	0.4386%
Diagnostics (HRDTs, MRDTs, GeneXpert)	0.1829%
Lab and Medical Supplies	0.1829%
Condoms	0.1000%

*Additional country risk insurance for high risk countries may apply to the above percentages

QA/QC costs

QA/QC costs apply to product categories for which there is a mandatory pre-shipment testing related to the Global Fund's Quality Assurance Policy.

Indicative QA/AC Costs as Proportion of Product Value	
LLINs	1.0%
Condoms	5.0%
IRS	1.0%

¹ Quantities below these thresholds are likely not workable and/or cost-efficient by sea.

² Or equivalent multi-month packs (e.g. 90 or 180 tablets), although thresholds will be lower.

³ See the [Category and Product-level Procurement and Delivery Planning Guide](#) for indicative lead times by product category.