



PAN AMERICAN HEALTH ORGANIZATION  
WORLD HEALTH ORGANIZATION



## **THIRD SESSION OF THE SUBCOMMITTEE ON PROGRAM, BUDGET, AND ADMINISTRATION OF THE EXECUTIVE COMMITTEE**

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### **PAHO PROCUREMENT MECHANISMS FOR STRATEGIC SUPPLIES, INCLUDING VACCINES**

#### **Introduction**

1. At the 48th Directing Council of PAHO, held in 2008, the item *PAHO Procurement Mechanisms for Strategic Supplies, including Vaccines* (CD48/INF/8) was presented as an information document.
2. It was noted that:
  - (a) The Pan American Health Organization (PAHO) has been charged to provide cooperation and the necessary technical assistance to Member States so they can improve the health of their populations and maintain their populations' health at optimal levels;
  - (b) Some of this assistance involves creating and putting into operation collaborative mechanisms that facilitate the timely, adequate access to quality strategic supplies for the implementation of health programs;
  - (c) Through Directing Council resolutions (see paragraphs 5 and 9 herein), PAHO has put in place and is operating the Reimbursable Procurement Mechanism, the Revolving Fund for Vaccine Procurement (RF), and the Regional Revolving Fund for Strategic Public Health Supplies (SF); and
  - (d) These procurement mechanisms secure the availability of strategic public health supplies, are important technical cooperation instruments available to the countries, and have contributed to the prevention of disease and the progress of control programs for achieving the Development Goals of the Millennium Declaration (MDG) and the goals set in the Strategic Plan of the Pan American Health Organization.

3. PAHO Member States have expressed their determination in several national and international fora to ensure that these supply procurement mechanisms would continue operating and benefitting public health programs and disadvantaged populations.

4. In light of the above, an information document on the operational status of these procurement mechanisms is being presented to the Subcommittee on Program, Budget, and Administration.

### **Reimbursable Procurement**

5. Pursuant Resolution XXIX of the V Meeting of the Directing Council (1951), PASB undertakes reimbursable procurement on behalf of a Member State, acting as a facilitator between the Member State and suppliers.

6. In 2008, 22 Member States used the reimbursable procurement mechanism to obtain supplies totaling US\$ 18.4 million, three times the figure for 2004. Supplies procured through this mechanism include drugs, canine rabies vaccine, and laboratory reagents.

7. Reimbursable procurement is often a unique alternative for PAHO Member States to gain access to drugs, diagnostic kits, reagents, equipment, and other quality health supplies that are otherwise hard to obtain given the countries' limited negotiating capacity or a limited availability in the national market. Moreover, reimbursable procurement is a key mechanism in assisting Member States to respond to health emergencies, especially in those countries with reduced markets or a single supplier.

8. Over the years, the reimbursable procurement mechanism has served as the basis for and has contributed to the creation of the Revolving Fund for Vaccine Procurement and the Regional Revolving Fund for Strategic Public Health Supplies.

### **PAHO Revolving Fund for Vaccine Procurement (RF)**

9. In 1977, by Resolution CD25.R27 of the 25th Directing Council, the Expanded Program on Immunization (EPI) was created, and the PAHO Revolving Fund for Vaccine Procurement (RF) was established as a technical cooperation mechanism that allowed Member States to gain access to vaccines, syringes, and other supplies; this mechanism has continuously operated for 30 years.

10. The RF advances equity in access to vaccines and supplies through the application of global and regional standards that assure product quality. It promotes Pan-Americanism and guarantees transparency in procurement and supply management, thus

making a significant contribution to the reduction of morbidity and mortality from vaccine-preventable diseases.

11. The RF began to function in 1979: there were eight countries participating, and six antigens were offered. By 2008, it offered 27 antigens with 39 different presentations through 13 pre-qualified suppliers and was used by the majority of Member States.

12. Some 270.3 million doses of vaccines were procured in 2008 through the RF, at a total cost of \$271.7 million; four times the figure for 2000. Procurement for 2009 is projected at approximately \$369.5 million dollars. Three new suppliers have been recently included in the public bidding.

13. Use of the RF is directly linked to the technical work with the Member States, with whom regional and national plans of action on immunization have been drafted, making it possible to strengthen program operations, infrastructure, and capacity. The RF also has contributed to a better forecast of demand, a more orderly market, and more stable and reduced vaccine prices.

14. The secure and timely supply of vaccines to participating Member States has enabled the EPI in the countries and in the Region as a whole to: (a) hold on to achievements (for example, the eradication of polio, NT, diphtheria); (b) complete the unfinished agenda (for example, the elimination of measles, rubella, and CRS; and also the prevention of yellow fever and influenza); and (c) tackle new challenges (for example, the introduction of new rotavirus and pneumococcus vaccines for children)

15. Since the RF is a mechanism for cooperation among Member States managed by the Pan American Sanitary Bureau (PASB), an internal working group for Revolving Fund operations has been created with all Secretariat areas participating. The working group's purpose is to make RF operations more efficient based on PAHO's guidelines, policies, and principles.

16. The RF continues to function as a platform for the joint efforts of public-sector immunization programs in Member States, other institutions devoted to this issue (such as UNICEF, Global Alliance for Vaccination and Immunization-GAVI, the World Bank, and the Inter-American Development Bank), and the vaccine industry. A PAHO-GAVI Working Group has been recently established with a view to strengthening collaboration between the two institutions in promoting the introduction of new vaccines in poor countries and populations of the Region of the Americas. WHO, UNICEF, and the World Bank also participate in this working group as supporting institutions.

### **The PAHO Regional Revolving Fund for Strategic Public Health Supplies (SF)**

17. In 1999, PAHO recognized the importance of addressing the issue of access to strategic public health supplies. As priority programs continued to develop within the Region, Member States analyzed the possibility of creating a Revolving Fund mechanism based on the success of PAHO's Expanded Program on Immunization's Revolving Fund for Vaccine Procurement. The Regional Revolving Fund for Strategic Public Health Supplies (SF) was established in 1999 by the Director of the PASB under the authority of Financial Regulation 9.3 (originally 6.7), following Brazil's proposal made during the 25th Pan American Sanitary Conference in September 1998. In December 1999, the Director formally invited all Member States to participate in the Strategic Fund.

18. The SF is a reimbursable procurement program through which PAHO Member States can purchase essential public health supplies, including medicines for HIV, TB, malaria, and leishmaniasis, among others. Participation in the SF is open to all PAHO Member States, who may also agree to include principal beneficiaries of the Global Fund against HIV/AIDS, Tuberculosis, and Malaria (GFATM), upon signing a participation agreement with the Organization. As of 31 December 2008, 20 Member States and 4 GFATM beneficiaries have signed agreements to participate in the SF; in the year 2008 11 Member States made purchases totalling \$29.6 million.

19. Technical support through the SF is provided to Member States and beneficiaries of GFATM financed projects in key areas such as procurement planning and needs assessment, pricing, and acquisition of products. Its objectives are:

- (a) To facilitate the acquisition of strategic public health supplies by PAHO Member States at the lowest possible cost by taking advantage of potential savings offered by economies of scale;
- (b) To advance the continuous availability of public health supplies in PAHO Member States;
- (c) To encourage Member States to improve planning and use of public health supplies;
- (d) To promote the implementation of appropriate quality assurance procedures in the procurement of supplies; and
- (e) To strengthen Member States' public health programs and the application of pertinent PAHO/WHO normative mandates.

20. Since its establishment, the SF has provided support to countries in strengthening capacity in programming and product forecasting, assessment of procurement and supply management systems, and acquisition of key essential public health supplies. The

technical program of work is developed jointly with priority disease programs within PAHO and with the support of PAHO Collaborating Centers in procurement and supply management.

21. In 2004, the 45th PAHO Directing Council adopted Resolution CD45.R7 promoting access to medicines in the Region. The Resolution noted the importance of the Strategic Fund as a technical cooperation mechanism within the Region, and its adoption lead to an increase in the use of the Fund mechanism by participating Member States. By the end of 2008, the Strategic Fund has been used to acquire approximately \$74 million of essential public health supplies.

22. The focus of the SF is to strengthen technical capacity in procurement and supply management of essential public health supplies at the national and Regional levels, promote rational use, and realize savings in the procurement of medicines at the national level. In this regard, examples of technical activities developed through the SF include: (a) support to Andean countries in consolidating demand and pooling the procurement of antimalarial medicines in 2006 and 2007, resulting in price reductions between 30% and 96% compared with existing prices within the Region; (b) multi-country tender for HIV/AIDS antiretroviral medicines (ARVs) for participating Member States (2008), resulting in price reductions of 23% compared with reference prices through the Strategic Fund mechanism in 2007; and (c) consolidation of regional demand in 2009 for medicines used in neglected diseases such as Chagas' disease and leishmaniasis (these medicines are produced by few manufacturers in the Region, which creates uncertainty for their continuous supply to national programs).

**Action by the Subcommittee on Program, Budget, and Administration**

23. The Subcommittee is invited to take note of this report.

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