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J. REVIEW OF THE CHARGE ASSESSED ON THE PROCUREMENT OF PUBLIC HEALTH SUPPLIES FOR MEMBER STATES: PROGRESS REPORT

Background

1. The Pan American Health Organization (PAHO) procurement activities have been supported over the years by three procurement mechanisms: the Revolving Fund for Vaccine Procurement (Revolving Fund - RF), the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund - SF), and the reimbursable procurement mechanism on behalf of Member States. The Revolving Fund was established in 1977 pursuant to Directing Council Resolution CD25.R27 to facilitate the timely availability of quality vaccines at the lowest prices. The Strategic Fund was established in 1999 following requests from Member States for assistance in the procurement of strategic public health supplies focused on combating HIV/AIDs, tuberculosis, malaria, and neglected diseases. Since 2013, the Strategic Fund incorporates medicines to prevent and treat noncommunicable diseases. The mechanism for Reimbursable Procurement on behalf of Member States was established by the Directing Council of PAHO in 1951 to support procurement of health program items that are unobtainable or difficult to procure in Member States.¹ For the 2016-2017 biennium, the total cost of goods procured through the three procurement mechanisms was approximately US\$ 1.363 billion.²

2. In 2013, the 52nd Directing Council adopted Resolution CD52.R12, Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (*I*). This resolution called for an increase in the charge assessed on the procurement of all public health supplies to 4.25% effective 1 January 2014. It also requested the Director to review the charge assessed and to present a report on the revenue and expenses tied to the use of the 1.25% of the total fee to cover administrative, operating, and staffing costs at the end of each biennium. Revenue generated from the remaining 3.0% of the fee is applied to the capitalization of the respective fund used on behalf of Member States.

¹ Resolution CD5.R29.

² Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

3. An initial report was presented at the 29th Pan American Sanitary Conference (Document CSP29/INF/7) in September 2017.

Update on Progress Achieved

4 The biennium 2016-2017 was the first biennium under Resolution CD52.R12 for which a systematic process of defraying the costs of activities associated with the three procurement mechanisms was initiated and sustained. Accumulated revenues from the 2014-2015 biennium revenue from these three mechanisms totaled approximately \$14.7 million.

5 An initial work plan and budget for 2016-2017 was prepared and approved by the Director of the Pan American Sanitary Bureau (PASB). The work plan supported staff dedicated to the management of the three procurement mechanisms and a corresponding Operational Framework. Approximately, \$8.3 million was disbursed during the biennium 2016-2017 as shown below. Most of these resources (approximately \$7.3 million or 88%) met staffing expenses in procurement, finance, quality control and management, legal and for the office of the Revolving Fund for Vaccines. A balance of approximately \$6.4 million remained.

Revenue Earned 2014-2015		\$14,725,216
Expenditure 2016-2017		\$8,346,264
Staff ³	\$7,322,340	
Operations	\$1,023,924	
Balance		\$6,378,952

6. In collaboration with PAHO country offices and Member States, staff supported by this revenue processed more than 3,900 purchase orders representing more than \$1.363 billion for the costs of goods, freight and insurance sold in support of vaccines, syringes and cold chain equipment for national immunization programs and essential medicines for HIV/AIDs, tuberculosis, malaria, and the prevention and treatment of noncommunicable diseases.

7. To further strengthen the value of these three procurement mechanisms for Member States, PASB staff collaborated to address three areas of work, namely *a)* increasing the efficiency of operations, *b)* developing market intelligence, and *c)* strengthening knowledge and awareness.

8. In the biennium 2018-2019 the assessed charge will fully fund staff and operations and enable a scaling up of operations considering recommendations forthcoming from the Revolving Fund Assessment, the Strategic Fund Business Plan and other initiatives to ensure the continued improvement of services to Member States.

³ For positions filled during the biennium actual expenses are reflected.

Actions Necessary to Improve the Situation

9. PASB will continue to monitor the situation to ensure that the procurement activities and staff needed to manage both the Revolving Fund and the Strategic Fund, as well as the reimbursable procurement mechanism on behalf of Member States are covered by revenue generated by the charge assessed on the procurement of public health supplies on behalf of Member States.

Action by the Executive Committee

10. The Executive Committee is invited to take note of this progress report and provide any comments it deems relevant.

References

1. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Internet]. 52nd Directing Council of PAHO, 65th Session of the WHO Regional Committee for the Americas; 2013 Sep 30-Oct 4; Washington, DC. Washington, DC: PAHO; 2013 (Document CD52/15) [cited 2017 May 15]. Available from: http://www.paho.org/hq/index.php?option=com_docman&task=doc_download&gid=22574&Itemid=270&lang=en

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