

PAHO



PAHO Brief

Brief Owner: Strategic Fund
(HSS/SF)

Effective Date: [09/01/2021]

Brief Overview for the PAHO Strategic Fund

1 Overview

The PAHO Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund) was established during the 42nd Directing Council of the Pan American Health Organization (PAHO), in accordance with PAHO Financial Regulations and at the request of PAHO Member States, in September 2000.

The objectives established for the PAHO Strategic Fund are:

- € Develop a regional platform for PAHO Member States and participating entities to improve the affordability, availability, and quality of essential medicines and strategic health supplies in the Americas
- € Improve the efficiency of expenditures and the availability of quality strategic supplies for national priority health programs
- € Facilitate the sourcing and procurement of strategic public health supplies by PAHO Member States and participating entities at a reduced cost through economies of scale by consolidating demand and applying innovative procurement and negotiation strategies that promote transparency and international competition to achieve significant price reductions
- € Enhance the continuous and timely availability of supplies in PAHO Member States and participating entities
- € Enable Member States to strengthen national capacities in demand planning, supply chain management, and appropriate use of procured products by reducing disruptions due to a lack of supplies or funds for procurement
- € Guarantee that Member States and participating entities receive quality medicines and public health supplies that meet PAHO/WHO standards while promoting the implementation of appropriate quality assurance procedures for the supplies procured, including through collaboration with National Regulatory Authorities
- € Strengthen Member States' public health programs and application of the pertinent PAHO/WHO regulatory mandates to help overcome barriers to access, including challenges for importation
- € Support Member States and participating entities, if needed, through various financial options to purchase essential medicines and supplies through the Strategic Fund, such as facilitating a line of credit or prepayment options

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The Strategic Fund has ensured that all participating Member States and entities have a continuous supply of quality health products while paying the same single price per item (e.g., medicines, strategic public health supplies, etc.), unless otherwise indicated in the purchase agreement in exceptional cases.

Through a multidisciplinary professional team comprised of personnel from health systems and services, procurement, medicines and technologies, finance, and legal teams, the Strategic Fund manages technical cooperation across technical areas and administrative functions. This has contributed towards strengthening regional and national priority public health programs, improving access to safe and quality-assured health products, and increasing the efficiency of health supply chain systems across the Americas region.

1.1 Purpose

The purpose of this brief is to provide stakeholders and partners with a clear, high-level understanding of the Strategic Fund and some of its key functions.

1.2 Scope

The PAHO Strategic Fund provides technical cooperation by managing the assurance of the quality of essential medicines and public health supplies, rational use of medicines, quantification and demand forecasting, consolidation of product demand, bid solicitations, negotiations with suppliers and regulatory authorities, coordination among suppliers, monitoring of shipping and delivery, financing, invoicing, billing, payment processing, and support in resolution of claims.

1.3 Primary Functions

The Strategic Fund operates on an annual cycle. The Ministry of Health for each participating Member State usually establishes annual essential medicine and supply requirements for the coming year. The Strategic Fund then aims to consolidate these annual requirements and issues annual or multi-year international tenders, depending on the product. This is facilitated by interprogrammatic collaboration through technical disease specialists to advise countries on the medicines to purchase in accordance with treatment protocol recommended by WHO, optimized treatment schemes, pharmaceutical presentations, estimated quantities, among other aspects.

Once suppliers and prices are established, PAHO's procurement specialists provide Strategic Fund with the maximum reference prices per product, and the Strategic Fund then distributes the Price Lists to Member States. Upon request from a Member State, PAHO places an order with suppliers, specifying

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order requirements. The Strategic Fund monitors the deliveries to recipient Member States, as well as helps mitigate barriers to access due to patents and importation regulations, among others.

Member States who cannot prepay may, subject to availability of funds in the Strategic Fund Capital Account, use the Strategic Fund credit line that allows them to purchase and reimburse PAHO. As elaborated below, this common fund is capitalized by participating entities through their purchases. If a Member State fails to reimburse PAHO within a 60-day deadline, no further orders will be placed for that Member State until the outstanding balance is paid.

1.4 Participating Stakeholders - Roles & Responsibilities

The key participating functional areas supporting the Strategic Fund and some (though not all) of their respective responsibilities in relation to the mechanism's strategic pillars are listed below:

- **Strategic Fund Coordination Unit (SF)** facilitates technical cooperation between PAHO offices, Member States, and all related stakeholders from planning to procurement of all products. In addition, SF supports annual forecasting by Member States, helps ensure rational use and quality assurance of essential medicines and strategic public health supplies, and supports financing and competitive prices so that health products are obtainable and available when needed.
 - The Strategic Fund Coordinator serves as the Unit Chief in the PAHO Department of Health Systems and Services (HSS/SF), and is the final point of approval or authorization for all Strategic Fund decisions.
- **Medicines and health technologies specialists** support technical cooperation to ensure that health products procured through the Strategic Fund are safe, effective, and quality-assured. This collaboration is primarily focused on ensuring rational use of medicines (including alignment and adaptability in treatment protocols, cost-effectiveness analysis, suitability for clinical needs) and quality assurance (technical criteria and eligibility for products to be included in the Strategic Fund lists), in collaboration with national regulatory agencies.
- **Procurement and supply management specialists** support SF activities around price reduction (including securing competitive international bids on behalf of Member States, value-for-money agreements, reduction of transaction costs) as well as delivery (including issuing purchase orders, monitoring and tracking shipments, and facilitating claims processing as required).
- **Financial resources management** specialists support the financing related to the SF, including approving requisitions made under the line of credit for the procurement of essential medicines and public health supplies sources through the SF. They also manage and monitor the credit line and prepaid accounts, help prepare the fiscal year budget allocation and periodic financial reports, and the process payments to/from suppliers and Member States.

- **Legal Counsel** provides legal guidance and advice throughout each step in the process, supports the SF when issues arise, and reviews, advises on, and provides technical cooperation on legislative matters related to goods procured through the SF. It also supervises the establishment of agreements with Member States, donors, and partners.

***Note:** Unless otherwise specified, references to any departmental stakeholders in this document refer to those based at the PAHO Regional Office (Headquarters) level.*

1.5 Strategic Fund Capital Account

Pursuant to Directing Council Resolution CD58.R4 (Sept. 2020), all participating Member States pay a 4.25% procurement service fee based on the net purchase price of the goods. As part of this, 2.5% is deposited into the Strategic Fund Capital Account, which provides a line of credit to Member States, if requested. This line of credit enables Member States to secure the goods and repay PAHO within 60 days after receipt of PAHO's invoice. The remaining 1.75% helps defray PAHO's administrative and operating costs.

1.6 Participation in SF

All health ministries and government institutions providing public health services in PAHO Member States can participate in the Strategic Fund after signing a Participation Agreement (also referred to as "Agreement") with PAHO. The Agreement must be signed by PAHO and the government, usually represented by the Ministry of Health, and requires the parties to adhere to the Strategic Fund operating principles and procedures.

Because the Ministry of Health has primary responsibility for facilitating governmental participation in PAHO and its Strategic Fund, other governmental entities may participate in the Strategic Fund upon concurrence by the Ministry of Health, typically by signature of a tripartite agreement between PAHO, the Ministry of Health, and the other governmental entity. These may include national institutes of health, social security agencies, and more. In addition, the Strategic Fund may on occasion engage with non-governmental organizations, despite not participating in the mechanism in an official capacity, to help advance progress on key objectives.

1.7 Goods on Strategic Fund Product List

Procurement of products available on the Strategic Fund's Product List are made through the Strategic Fund.

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Supplies procured through the Strategic Fund must meet the criteria set forth in the Standard Operating Procedures and should be included in the Strategic Fund's latest Product List, available on its website (<https://bit.ly/3aCFZJj>). This Product List includes a diverse list of medicines, treatments, laboratory reagents, In-Vitro diagnostic kits, and other strategic public health products. The Product List also includes vector control products, including pesticides, insecticides, and bed nets, that are prequalified by the WHO (<https://extranet.who.int/pgweb/vector-control-products/prequalified-product-list>).

The Strategic Fund Coordination team will periodically evaluate updates to the Strategic Fund Product List based on recommendations from technical specialists following technical cooperation to ensure efficacy, safety, and quality -- in response to changes to WHO Essential Medicines List (EML) and WHO Guidelines, or based on requests made by Member States.

The Strategic Fund is responsible for arranging the logistics until the port/airport of entry at destination. All goods are consigned to the relevant Ministry of Health or other governmental entity participating in the Strategic Fund, which as consignee manages the custom clearance and transportation from customs to the assigned warehouse.

1.8 Price Information

PAHO publishes an annual Price List of the essential medicines and strategic supplies available through the Strategic Fund. The list indicates the price per product, but does not contain supplier information.

1.9 Restrictions

Medicines, public health supplies, and other related goods procured through the Strategic Fund are for public use only and may not be commercialized at national or subregional levels.