

# Procurement Policy Update

## 51<sup>st</sup> Board Meeting

GF/B51/20 Revision 1  
22 – 24 April 2024, Geneva

### Board Decision

Purpose of the paper: This paper seeks Board approval of the amended and restated Global Fund Procurement Policy (“the Policy”), as recommended by the Audit and Finance Committee. The Policy was created in 2008 and needs updating to (i) reflect the Secretariat’s evolution over the last 15 years; (ii) reflect best-in-class procurement practices; (iii) establish overarching principles to guide all procurement activities conducted by the Global Fund; and (iv) clarify delegation, controls and monitoring to drive more efficient operationalization. A fit-for-purpose and fit-for-use Policy will help to drive equitable access to quality assured health products and innovations and improve value for money and supply security in support of the Global Fund’s 2023 – 2028 Strategy.

*Document Classification: Internal.*

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## Decision

### **Decision Point: GF/B51/DPXX: Global Fund Procurement Policy Update**

Based on the recommendation of the Audit and Finance Committee, the Board approves:

- i. The amended and restated Procurement Policy, which replaces in its entirety the Procurement Policy approved in 2008 through GF/B17/DP21 and the decision point contained in GF/FAC11/03, which sets out the general principles that govern the procurement of goods and services by the Global Fund, as set forth in Annex 1 to GF/B51/20- Revision 1;
- ii. Delegation of authority from the Board to the Executive Director for operationalization of the Policy; and
- iii. Delegation of authority to the Secretariat, in consultation with the Audit and Finance Committee Chair and Vice Chair, to make non-material adjustments to the procurement policy referenced above, in line with Annex 2 to GF/B51/20- Revision 1 and to report back to the Audit and Finance Committee and Board on all such changes.

In addition, the Board requests annual updates from the Secretariat reporting on the operationalization of the amended and restated Procurement Policy and asks the Secretariat to work with the Audit and Finance Committee to agree on the appropriate content for these updates.

### **Budgetary implications (included in, or additional to, OPEX budget)**

*This decision has no budgetary implications.*

A summary of relevant past decisions providing context to the proposed Decision Point can be found in Annex 4.

# Executive Summary

## Context

- The Global Fund recognizes the importance of effective procurement as a tool in the fight to end the three diseases. Every year, a significant part of the Global Fund's investments are used for procuring and delivering life-saving interventions, ensuring they reach those who need them most. Global Fund resources are also used to procure goods and services to ensure the Secretariat can successfully execute its administrative and operational duties.
- In 2008, the Global Fund Board conferred a time-limited delegation of authority to the committee with oversight on financial and administrative matters [i.e., the functional equivalent of the Audit and Finance Committee], to approve rules for the purchasing of services and goods.<sup>1</sup> The resulting Procurement Policy remains in effect, governing how the Secretariat procures goods and services focusing on its administrative and operational related procurement activities.<sup>2</sup>
- With approval of the 2023 - 2028 Strategy, the Secretariat committed to reviewing current procurement, quality assurance and supply chain policies to support NextGen market shaping approaches to drive affordable access to quality assured health products, improve supply chain sustainability through regional procurement and manufacturing capacity building, including environmental, social and economic considerations, and improve responsiveness to emerging programmatic needs.
- The review of the Procurement Policy identified amendments required to address existing gaps and emerging priorities, drive simplification, align with best practices, and foster stewardship, increased transparency and accountability to better deliver the 2023 - 2028 Strategy.

## Questions this paper addresses

- A. What do we propose to do and why?
- B. What options were considered?
- C. What is needed next to progress?

## Conclusions

- A. The Secretariat proposes and the Audit and Finance Committee ("AFC") recommends that the Board approve the amended and restated Procurement Policy (the "Policy") (Annex 1), which will replace in its entirety the current Policy.

The updated Policy provides an overarching framework to ensure procurement by the Global Fund achieves value for money, is aligned with public procurement principles and supports the organization's strategy. It sets out guiding principles for Global Fund's procurement processes and activities and helps to drive more efficient procurement.

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<sup>1</sup> The Decision Point is available here: <https://www.theglobalfund.org/kb/board-decisions/b17/b17-dp21/>

<sup>2</sup> The current Procurement Policy is available here: [https://www.theglobalfund.org/media/6389/corporate\\_procurement\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6389/corporate_procurement_policy_en.pdf)

The updated Policy is distinct from rules applicable for Principal Recipients, which are described in Global Fund's Grant Regulations.<sup>3</sup> Health product quality assurance policies are also distinct.<sup>4</sup>

Key updates to the Policy include: (i) updated core procurement principles; (ii) expansion to cover the spectrum of Global Fund's procurement activities, with explicit reference to the pooled procurement mechanism (PPM) and collaborative procurement; (iii) update and clarification of delegation, controls and monitoring, delegating authority for operationalization of the Policy to the Executive Director (ED); and (iv) general maintenance.

- B. The Secretariat considered whether activities could continue to progress without an update to the Procurement Policy; however, this was considered complicated and inefficient given the limitations of the existing Policy.
- C. Following approval of the Policy, the Secretariat will undertake actions to ensure orderly implementation, including updating the operational framework for implementing the Policy and change management. During implementation of the Policy, the Secretariat will engage with the AFC Chair and Vice Chair on any proposed non-material adjustments<sup>5</sup> and inform the AFC and Board accordingly. Material changes will continue to be brought to the AFC for recommendation to the Board for decision. Procurement-related updates will continue to be managed through existing Board and Committee reporting, including periodic updates on the operationalization of the Procurement Policy.

## **Input Received**

Inputs received from the AFC during its 24<sup>th</sup> meeting have been incorporated. [See Annex 3.]

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<sup>3</sup> Grant Regulations refers to the relevant terms and conditions applicable to grants made by the Global Fund, as may be amended from time to time.

<sup>4</sup> For example, see <https://www.theglobalfund.org/en/sourcing-management/quality-assurance/>.

<sup>5</sup> "Non-material" therein refers to the most conservative interpretation of the word, i.e., refers to changes which are of purely administrative or clerical nature. See Annex 2.

# Report

## What is the need or opportunity?

1. In 2008, the Global Fund Board conferred a time-limited delegation of authority to the committee with oversight on financial and administrative matters [i.e., the functional equivalent to the AFC] to approve rules for the purchasing of services and goods.<sup>6</sup> The Global Fund's Procurement Policy<sup>7</sup> was established to govern the procurement of goods and services by or on behalf of the Global Fund and to provide principles for decision-making for procurement.
2. In the following 15 years, the Global Fund's procurement scale and capabilities have evolved and become more established through organizational enhancements of procurement professionals, defined operating models, and proven procurement management systems. This is why the review is necessary and timely as part of continuous improvement of the existing operating models and systems. Currently, the procurement scale covered by this Policy represents approximately US\$ 1.75 billion (at fixed budget rate), across OPEX to execute administrative and operational duties and Strategic Initiative-related procurement (on the order of US\$ 300m) and grant-related health product procurement through PPM/wambo.org (greater than US\$ 1.45b).<sup>8</sup>
3. The Global Fund's Strategy has also evolved around the need to accelerate equitable access to quality assured health products and value for money. This will require procurement activities to be conducted in the most efficient and effective manner to advance on market shaping interventions as well as extracting the best value from the supply chain, making the Global Fund's investments go further. Additionally, other important topics have emerged, including supply security, partnerships, climate, environmental, social and economic sustainability, resulting in renewed attention to procurement efficiency and effectiveness and shifts in procurement priorities in recent years.
4. In response, and as promised to the Board at its 48<sup>th</sup> meeting, the Secretariat undertook a review of the Policy to analyze opportunities and levers required to address existing gaps and benchmark against best practices in public procurement to address ongoing and future needs. Opportunity areas include:
  - (i) The current Policy does not cover modern and emerging procurement principles such as sustainable procurement or client centrality. This potentially leads to missed opportunities for social and environmental impact, as well as diminished stakeholder satisfaction and effectiveness in procurement outcomes.
  - (ii) It does not cover all procurement activities conducted by the Secretariat, including pooled and collaborative procurement. In 2008, the Global Fund's pooled purchasing service for health products<sup>9</sup> [now the Pooled Procurement Mechanism (PPM)] was in its infancy and not addressed in the Procurement Policy. This creates a lack of clarity about which

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<sup>6</sup> The Decision Point is available here: <https://www.theglobalfund.org/kb/board-decisions/b17/b17-dp21/>

<sup>7</sup> The current Procurement Policy is available here: [https://www.theglobalfund.org/media/6389/corporate\\_procurement\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6389/corporate_procurement_policy_en.pdf)

<sup>8</sup> Financial reporting for 2023.

<sup>9</sup> <https://www.theglobalfund.org/kb/board-decisions/b15/b15-dp15/>

activities the Policy applies to, and how the Global Fund can collaborate with partners on procurement.

- (iii) The current Policy is vague about the accountability of Procurement Authorities and is not explicit about which body has oversight on implementation of the Policy. This ambiguity risks creating confusion, and potential conflicts of interest, thereby undermining the transparency, efficiency, and integrity of procurement processes.
- (iv) The current delegation, controls, monitoring and operational elements included in the Policy are no longer fit-for-purpose or fit-for-use given the Global Fund's evolution over the last 15 years. This has contributed to unhelpful complexity and potential inconsistencies in Policy interpretation and implementation.
- (v) References in the current Policy are outdated.

## **What do we propose to do and why?**

5. The AFC recommends that the Board approve the amended and restated Procurement Policy (Annex 1), which will replace in its entirety the current Procurement Policy established in 2008.
6. The proposed updated Policy was based on a needs assessment and gap analysis, including external benchmarking of procurement policies of selected organizations. The proposed updated Policy has undergone a consultative process with relevant functions across the Secretariat.
7. The updated Policy sets out principles governing how the Global Fund procures goods and services and decision-making for procurement. It provides an overarching framework to ensure procurement by the Global Fund achieves value for money, is aligned with public procurement principles and supports the organization's strategy implementation. It also offers the opportunity for the Secretariat to enhance and streamline its operational guidance and internal controls.
8. The Policy applies to all Global Fund procurement processes and activities, including those associated with: (i) the procurement of health products and related services via the Pooled Procurement Mechanism ("PPM");<sup>10</sup> (ii) the procurement of goods or services by the Global Fund funded as operating expenses; and (iii) any other procurement either funded by catalytic investments not incorporated into Global Fund-supported grants or, when exceptionally approved by the Board, ED or other appropriate authority, funded by grant funds. The updated Policy also applies to the procurement of Local Fund Agent ("LFA") services, which are also governed by the Principles of the LFA Procurement Method.<sup>11</sup>
9. The updated Policy is distinct from rules applicable for Principal Recipients, which are described in Global Fund's Grant Regulations (as amended from time to time).<sup>12</sup> Health product quality assurance policies are also distinct.<sup>13</sup>
10. The updates further elevate the focus on governance-level issues critical for the Board and Committees' oversight of Policy implementation. By laying out clear principles, the Policy drives

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<sup>10</sup> As approved by the Board in April 2007 under decision point GF/B15/DP15.

<sup>11</sup> As approved by the Board in November 2017 under decision point GF/B38/EDP01.

<sup>12</sup> Grant Regulations refers to the relevant terms and conditions applicable to grants made by the Global Fund.

<sup>13</sup> For example, see <https://www.theglobalfund.org/en/sourcing-management/quality-assurance/>.

the integrity of procurement processes, and fosters transparency and accountability. The framework also supports implementation of the Global Fund's Strategy, including market shaping approaches to drive equitable access to quality assured health products, improved sustainability through regional manufacturing and procurement, responsiveness to emerging programmatic needs and pandemic preparedness and response.

11. The specific proposed changes are outlined in the following paragraphs.

**(a) Elevated and updated core procurement principles.** These updated principles will ensure that the Global Fund's procurement aligns with international standards in public procurement and drive increased sustainability and equitable access across Global Fund's procurement in pursuit of maximizing people-centered health systems. The updated Policy defines six core procurement principles:

- I. **Value for Money** will ensure that the goods or services obtained by Global Fund offer the best possible combination of quality, cost and performance. Emphasizing value for money helps to optimize use of the Global Fund's resources and make informed procurement decisions.
- II. **Effective Competition** means that as a default, Global Fund's procurement should be an open, competitive process among multiple potential suppliers. This helps drive Value for Money but is a standalone principle given its criticality to effective procurement.
- III. **Fairness, Impartiality, and Integrity** will help to build trust and credibility in Global Fund's procurement process among potential suppliers, internal staff and external partners. By upholding these standards, Global Fund will have improved transparency, treat all suppliers equally, and safeguard the integrity of the procurement process.
- IV. **Client centricity** involves understanding the client's specific requirements, preferences, and objectives to tailor procurement within the boundaries set by the Policy. This will ensure Global Fund designs procurement strategies that align with organizational objectives and prioritize client needs, which is consistent with Global Fund's country-led model. It will also ensure Global Fund adopts a service-minded attitude and approach to procurement. In the context of the updated Policy, "*Client*" refers to users or recipients of the goods and services procured.
- V. **Sustainable Procurement** involves systematically integrating environmental, social, and economic factors into purchasing decisions to minimize negative impacts and promote long-term environmental and social responsibility. This aligns with Global Fund's mission of combating HIV, TB and malaria effectively and ethically, while minimizing negative environmental and social impacts across supply chains. Sustainability considerations on markets need to be taken at the programmatic and operational levels.
- VI. **Best interest of the Global Fund** means carrying out procurement in a manner that best enables the organization to pursue its mission and deliver its strategic objectives, as well as protecting the organization's assets and ensuring effective stewardship.

**(b) Expansion to cover the spectrum of Global Fund’s procurement activities.** The current Policy only covers certain aspects of the procurement process and does not reference procurement steps, such as planning, sourcing and solicitation, evaluation of offers, etc. The updated Policy includes the entire scope of procurement processes, which will drive improved consistency and compliance to best procurement practices. Most notably, the updated Policy refers to PPM and Collaborative Procurement as detailed below.

- I. **Explicit reference to PPM:** The current Policy does not reference PPM as it was in its infancy in 2008.<sup>14</sup> The updated Policy clarifies that the principles governing procurement apply to the PPM’s scope and operation.
- II. **Details on Collaborative Procurement:** This aims to re-emphasize Global Fund’s partnership approach, including creating space for Global Fund to leverage partners’ procurement processes and to adopt joint procurement approaches to stimulate innovation, strengthen supply chain resilience and support regional procurement.

**(c) Update and clarification to the delegation, controls and monitoring.** As detailed above, the Global Fund has evolved substantially over the last 15 years, without a commensurate update to the Policy. The proposed updates, as detailed below, aim to drive clarity and streamlining, while maintaining effective controls and oversight. The proposed changes also elevate the Policy to focus on governance-level issues critical for the Board and Committees for oversight of Policy implementation.

- I. **Specify implementation oversight:** While the current Policy is governed by the Board and the AFC, this was not explicit in the existing Policy and has been updated.
- II. **Specify roles of Procurement Authority:** The current Policy specifies that the ED will delegate authority to individuals for committing funds for procurement, without specifying their responsibilities. The updated Policy details these, which will help to drive clarity and consistency in how these are actioned and will strengthen the accountability of the Procurement Authorities and the associated control of the procurement process.
- III. **Delegation of authority for operationalization of the Policy to the Executive Director:** The updated Policy delegates authority for operationalizing the Policy to the ED. This will enable the ED to establish an operational framework to ensure effective and efficient end-to-end procurement processes at the Secretariat. This includes establishing integrated and risk-based controls and monitoring, commensurate with the scale of procurement. The ED is further accountable to ensure the procurement processes remain agile and responsive to evolving needs as the Global Fund implements its 2023 – 2028 Strategy. In line with the applicable sections of the AFC oversight functions in its Charter, the AFC will continue to receive procurement-related updates through existing Board and Committee reporting.

**(d) General maintenance:** Minor, less substantial changes to the Policy include replacing outdated references and documents, adding a definitions section and updating wording. This improved clarity will help increase understanding and therefore compliance.

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<sup>14</sup> <https://www.theglobalfund.org/kb/board-decisions/b15/b15-dp15/>



12. In line with the Board decisions taken in November 2023 on two Quality Assurance policies,<sup>15</sup> the proposed decision point includes delegating authority to the Secretariat, in consultation with Chair and Vice Chair of the AFC, to make non-material adjustments to the Policy, informing the AFC and Board (as described in Annex 2). Examples of non-material adjustments include updating a Table of Contents, updating references, in particular, external references, and adjusting the terminology to better articulate the intent of a term. This will avoid delays in making minor changes needed to improve clarity, and therefore compliance by procurement stakeholders. This delegation is consistent with delegation provided for in the Quality Assurance policies.

### **What options did we consider?**

13. The Secretariat and AFC considered whether activities could continue to progress without, or with a later, update to the Procurement Policy. However, this was deemed inefficient for the issues raised above. As the Procurement Policy had not been updated since 2008, the Secretariat and AFC determined that a comprehensive re-work of the Policy was necessary to ensure that the Policy is up to date and is fit-for-purpose and fit-for-use to optimally support the Global Fund in its procurement activities.

### **What do we need to do next to progress?**

14. Following the Board decision, the Secretariat will update the operational framework for implementing the Policy, including required change management activities to ensure an orderly transition. This will include updating templates used for procurement as well as offering training to relevant Secretariat personnel. In updating the operational framework, the Secretariat will engage with key partners on elements that are relevant, such as collaborative procurement and sustainability.
15. Procurement-related updates will continue to be managed through existing Board and Committee reporting. This includes periodic updates on the operationalization of the Procurement Policy.
16. The Secretariat will engage with AFC Leadership on any proposed non-material adjustments and will inform the AFC and Board accordingly. Any material changes to the Policy will be brought to the AFC for recommendation and to the Board for decision.

## **Recommendation**

The Board is requested to approve the Decision Point presented on page 2.

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<sup>15</sup> <https://www.theglobalfund.org/kb/board-decisions/b50/b50-dp06/>

# **Annexes**

The following items can be found in Annex:

**Annex 1:** Amended and Restated Procurement Policy

**Annex 2:** Secretariat's Proposed Approach to Make Non-material Adjustments to the Procurement Policy

**Annex 3:** Summary of the Audit and Finance Committee's Input

**Annex 4:** Relevant Past Board Decisions

**Annex 5:** Links to Relevant Past Documents and Reference Materials

## **Annex 1: Amended and Restated Procurement Policy**

# **Procurement Policy**

**Amended and restated on XX April 2024\***

\* As per Board Decision GF/XXX/XXX and replacing in its entirety the Procurement Policy originally approved in 2008.

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# 1. Introduction

## 1.1 Purpose

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) recognizes the importance of effective Procurement as a tool in the fight to end the three diseases. Every year, a significant part of the Global Fund’s investments are used for life-saving interventions, ensuring they are available to those who need them most. Global Fund resources are also used to procure goods and services to ensure the Secretariat can successfully execute its administrative and operational duties.

This Procurement Policy (the “Policy”) sets out principles governing how the Global Fund procures goods and services and establishes the principles for decision-making for Procurement. The Policy provides an overarching framework to ensure Procurement by the Global Fund achieves value for money, is aligned with public procurement principles and supports the organization’s strategy. Quality assurance requirements for health products are outlined in separate policies.<sup>16</sup>

By laying out clear principles, the Policy ensures the integrity of procurement processes, and fosters transparency and accountability. The framework also supports implementation of the Global Fund’s Strategy, including market shaping approaches to drive equitable access to quality assured health products, improved sustainability through regional manufacturing and procurement, responsiveness to emerging programmatic needs and pandemic preparedness and response.

The Executive Director is responsible for establishing the operational framework for the rules, procedures and other guidance needed to implement this Policy in accordance with his authority described in Section 4.

## 1.2 Scope and Application

**Covered Activities.** The Policy applies to all Global Fund procurement processes and activities, which include those associated with:

- (i) The Procurement of health products and related services via the Pooled Procurement Mechanism (PPM);<sup>17</sup> and
- (ii) The Procurement of goods or services by the Global Fund funded by operating expenses; and
- (iii) Any other Procurement either funded by catalytic investments not incorporated into Global Fund-supported grants or, when exceptionally approved by the Board, Executive Director or other appropriate authority, funded by Grant Funds.

The Policy also applies to the Procurement of Local Fund Agent (LFA) services. Procurement of LFA services is also governed by the Principles of the LFA Procurement

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<sup>16</sup> See <https://www.theglobalfund.org/en/sourcing-management/quality-assurance/>

<sup>17</sup> As approved by the Board in April 2007 under decision point GF/B15/DP15.

Method<sup>18</sup> and the LFA Procurement Procedures.

**Covered Individuals.** The Policy covers any of the following institutions and individuals when they are directly or indirectly involved in the Covered Activities, collectively referred to as “Covered Individuals”:

- (i) **Governance Level.** Global Fund governance officials, including members of the Board, alternates, focal points, members of any committee, task force, the Technical Review Panel, the Independent Evaluation Panel, or any other advisory or affiliate body of the Global Fund.
- (ii) **The Secretariat and the Office of the Inspector General.** All directors, employees, secondees, consultants and interns employed directly or indirectly by the Global Fund.

The Policy does not apply to recipients of Grant Funds who are responsible for complying with the relevant requirements related to Procurement as detailed in grant agreements.

The Covered Individuals must adhere to this Policy and any other applicable Global Fund policies, operational rules or procedures, or codes of conduct, as amended from time to time.<sup>19</sup>

### 1.3 Definitions

Capitalized terms used in this Policy have the meaning given to them below unless the context requires otherwise.

<b>Bidder</b>	means an entity that submits an offer (bid, quotation, or proposal) in response to a Solicitation. Generally, the term Bidder is used to refer to the entity responding to a Solicitation.
<b>Covered Individuals</b>	means the persons defined in Section 1.2.
<b>Grant Funds</b>	means the funds specified in a grant confirmation, which the Global Fund, subject to the terms and conditions set forth in a grant agreement, agrees to make available to a recipient in the form of a grant for the implementation of the relevant program.
<b>Partner Organization</b>	means a United Nations system organization, a public international organization, a donor Government agency, or a non-government organization with a close cooperative relationship with the Global Fund whose procurement policies are comparable to those of the Global Fund.
<b>Procurement Authority</b>	means a person who has been delegated signatory authority for procurement contracts. Only Procurement Authorities may enter into a procurement contract on behalf of the Global Fund.

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<sup>18</sup> As approved by the Board in November 2017 under decision point GF/B38/EDP01.

<sup>19</sup> Codes of conduct are available here: <https://www.theglobalfund.org/en/governance-policies/>

<b>Procurement</b>	means all processes and activities related to planning and development of a procurement strategy, definition of the requirements, sourcing, Solicitation, management of offers, evaluation, review and award, contract finalization and issuance, and contract administration and management.
<b>Prohibited Practices</b>	means all forms of fraud, corruption and other proscribed practices as described in detail in the <a href="#">Global Fund Policy to Combat Fraud and Corruption</a> . <sup>20</sup>
<b>Solicitation</b>	means the generic term for a request to potential Suppliers to submit an offer (bid, quotation or proposal).
<b>Supplier</b>	means an external entity, which could include organizations, individual contractors, or service providers, supplying goods, services, or support to the Global Fund. Suppliers are usually subjected to a contractual agreement which outlines deliverables, quality standards, pricing, and terms of service.

## 2. Procurement Principles

The Global Fund recognizes the importance of adhering to a consistent set of principles that govern procurement processes and activities that serve to uphold, inter alia, the integrity, transparency, efficiency, and effectiveness of the procurement process. The principles ensure the delivery of quality goods and services, drive equitable access, maximize value for money, and promote sustainable partnerships.

The Global Fund's Procurement of goods and services shall adhere to the procurement principles set out in this section.

### 2.1 Value for Money

Procurement by the Global Fund shall achieve value for money. "Value for money" refers to the trade-off between the price, quality, and performance that provides the greatest overall benefit under the specified selection criteria. To obtain value for money, Covered Individuals must consider, among other factors, the optimum combination of the total cost of ownership of a purchase (i.e., acquisition and delivery costs, maintenance and running costs, and disposal costs) or delivery of a service, and that it is fit for purpose (i.e., quality and ability to meet the Global Fund's requirements).

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<sup>20</sup> [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

This can be achieved by assessing technical, commercial, organizational, and pricing factors, weighted by their relative importance. This should be supplemented by consideration of environmental, social, sustainability and risk factors where relevant and supportive of the Global Fund's strategic objectives and appropriate due diligence.

## **2.2 Effective Competition**

Procurement by the Global Fund should generally be based on effective competition. Effective competition is achieved when procurement opportunities are published for open competition or a sufficient number of prospective Suppliers are invited to apply; prospective Suppliers act independently; competition for the same business opportunity occurs under the same conditions; and a sufficient number of offers are received. Open competition is the Global Fund's standard method of procurement.

## **2.3 Fairness, Impartiality, and Integrity**

Procurement by the Global Fund shall provide all internal and external stakeholders with assurance that the process is fair, impartial and that the organization's integrity has been maintained.

Impartiality in Procurement means treating all parties equally throughout the process and requires the objective evaluation of offers, adhering strictly to predetermined criteria and avoiding any actual, potential, or perceived conflict of interest. This ensures a level playing field for Bidders, preventing favoritism or discrimination. Fairness includes transparent disclosure of information and impartial evaluation of offers, ultimately promoting efficiency, effective competition, and trust in the procurement process.

## **2.4 Client centricity**

Procurement by the Global Fund shall be client centric. This means focusing on the needs and requirements of the person or unit requesting the goods or services to ensure client satisfaction is at the core of every purchasing decision. It involves understanding the client's specific requirements, preferences, and objectives to tailor the Procurement within the boundaries set by this Policy.

## **2.5 Sustainable Procurement**

Procurement by the Global Fund shall promote sustainability. Sustainable Procurement seeks to minimize the environmental impact of the supply chain, support fair and humane working conditions, and contribute to the long-term well-being of communities. Sustainable Procurement includes the practice of integrating requirements, specifications and criteria that are compatible with and in favor of the protection of the environment, social progress, and the support of economic development.



## 2.6 Best interest of the Global Fund

Procurement by the Global Fund shall support the best interest of the Global Fund. This means carrying out Procurement in a manner that best enables the organization to pursue its mission and deliver its strategic objectives, as well as protecting the organization's assets and providing for effective stewardship of the organization's resources.

## 3. Procurement Ethics

### 3.1 Covered Individuals

The Global Fund has zero tolerance for all forms of fraud and corruption. The Covered Individuals involved in a Procurement must:

- comply with the standards of conduct of the applicable Codes of Conduct<sup>21</sup> as specified in the established Ethics and Human Resources policies and procedures;
- comply with the [Global Fund Policy to Combat Fraud and Corruption](#)<sup>22</sup> and the [Policy on Conflict of Interest](#),<sup>23</sup>
- preserve their independence from any source external to the Global Fund and their impartiality in discharging their functions;
- maintain confidentiality of information;
- avoid actual, potential, or perceived conflicts between their personal interests and those of the Global Fund; and disclose any actual, potential, or perceived conflicts of interest as defined by the Ethics Office; and
- comply with the requirements on giving and accepting gifts, entertainment and hospitality as set out in the [Policy on Conflict of Interest](#).<sup>24</sup>

Any acts or omissions by a Covered Individual that are a violation of this Policy or other applicable policy or operational rules or procedures will be dealt with under the established Ethics and Human Resources policies, as applicable. Covered Individuals may be held personally liable for non-compliance with applicable policies or operational rules or procedures.

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<sup>21</sup> For example, see content here, which may be updated from time to time: <https://www.theglobalfund.org/en/governance-policies/>

<sup>22</sup> [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>23</sup> As approved by the Board in June 2020 under decision point GF/B43/EDP04.

[https://www.theglobalfund.org/media/6016/core\\_ethicsandconflictofinterest\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6016/core_ethicsandconflictofinterest_policy_en.pdf)

<sup>24</sup> Ibid.

## 3.2 Bidders and Suppliers

Suppliers to the Global Fund must provide written contractual undertakings that they will comply with the standards established in the [Code of Conduct for Suppliers](#),<sup>25</sup> such as on human rights, labor, and the environment.

Should a Bidder or Supplier engage in a Prohibited Practice as defined in the [Global Fund Policy to Combat Fraud and Corruption](#)<sup>26</sup> (i.e., corruption, fraud, coercion, collusion or any other unethical practice) or otherwise violate the [Code of Conduct for Suppliers](#)<sup>27</sup> it may be sanctioned in accordance with the [Sanctions Panel Procedures Relating to the Code of Conduct for Suppliers](#).<sup>28</sup>

## 4. Procurement Authority

The Executive Director holds ultimate accountability for the prudent stewardship of organizational funds within the parameters of this Policy. This accountability encompasses aligning procurement processes and activities with the strategic goals of the Global Fund and its procurement principles, and fostering transparency and accountability throughout the procurement process.

The Executive Director is responsible for managing the day-to-day operations of the Global Fund and is delegated the authority to manage all matters related to Procurement, in accordance with the principles established in this Policy. The Executive Director may delegate the authority considered appropriate for the implementation of this Policy in writing to Global Fund personnel. This includes delegation to Procurement Authorities.

## 5. Collaborative Procurement

The Global Fund actively pursues opportunities to collaborate with Partner Organizations in Procurement. Such collaboration can take many different forms such as sharing technical requirements or developing common technical and performance requirements, leveraging technical expertise of Partner Organizations, joint procurement strategies with Partner Organizations to stimulate innovation and product development or strengthen the resilience of supply chains and support regional production. Collaborative procurement can also include joint Solicitations, entering into a contract relying on the results of a procurement process conducted by a Partner Organization, using existing contracts established by a Partner Organization or procuring goods or services (including procurement services) from a Partner Organization.

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<sup>25</sup> For example, available here, [https://www.theglobalfund.org/media/3275/corporate\\_codeofconductforsuppliers\\_policy\\_en.pdf](https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf), as may be updated from time to time

<sup>26</sup> [https://www.theglobalfund.org/media/6960/core\\_combatfraudcorruption\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf)

<sup>27</sup> For example, available here, [https://www.theglobalfund.org/media/3275/corporate\\_codeofconductforsuppliers\\_policy\\_en.pdf](https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf), as may be updated from time to time

<sup>28</sup> [https://www.theglobalfund.org/media/6015/corporate\\_sanctionsprocedures\\_policy\\_en.pdf](https://www.theglobalfund.org/media/6015/corporate_sanctionsprocedures_policy_en.pdf)

## **6. Procurement Oversight and Control**

Procurement includes all processes and activities related to planning and development of a procurement strategy, definition of the requirements, sourcing, Solicitation, management of offers, evaluation, review and award, contract finalization and issuance, and contract administration and management. The operational details for each of these processes and activities are included in the operational framework as established by the Executive Director, with special attention to non-conflict of interest and segregation of duties to ensure the integrity of procurement processes.

All procurement contracts are subject to a mandatory review process prior to award to ensure compliance with applicable policies and operational framework as established by the Executive Director. No award may be made before such review has taken place. The operational guidance, as established by the Executive Director, shall describe the appropriate individual or body to undertake this review, which, for instance, may be the Procurement Authority or an independent review committee depending and based on established thresholds and parameters.

Only a Procurement Authority may be a signatory to a procurement contract on behalf of the Global Fund. The Procurement Authority shall ensure that (i) the Procurement complies with applicable policies and operational rules and procedures; (ii) goods and services procured are necessary for achievement of the Global Fund's objectives; (iii) sufficient funds are available for the commitment; and (iv) the terms and conditions of the funding for such Procurement, if any, are complied with.

## **7. Policy Oversight**

The Audit and Finance Committee oversees the implementation of this Policy.

The Executive Director has the authority to establish the necessary controls and monitoring system for Procurement, which is risk-based and commensurate with the value of each applicable Procurement.

# **Annex 2: Secretariat's Proposed Approach to Make Non-material Adjustments to the Procurement Policy**

## **Introduction**

The Secretariat is proposing that the Board delegates the authority to make non-material adjustments to the Procurement Policy to the Secretariat, in consultation with the Chair and Vice Chair of the AFC, informing the AFC and the Board, to enable timely updates to improve clarification and thus improve compliance. "Non-material" therein refers to the most conservative interpretation of the word, i.e., refers to changes which are of purely administrative or clerical nature.

## **Examples of non-material adjustments:**

- Updating the Table of Contents;
- Changes to the formatting or layout of the document, e.g., to align with Global Fund corporate design guidelines;
- Correcting grammar mistakes, typographical errors, or punctuation;
- Updating broken hyperlinks;
- Updating the document meta data;
- Updating names of organizations, groups, committees etc. referenced in the document if those entities have changed their names and if the change in name carries no material implications for the Policy;
- Updating references to policy documents; and
- Ensuring compliance with Web Content Accessibility Guidelines (WCAG).

Any proposed changes which are not considered to be non-material by the Secretariat, in consultation with the Chair and Vice Chair of the AFC, will automatically be considered material and be proposed to the AFC for recommendation to the Board.

## Annex 3: Summary of Committee Input

### Draft Extract of AFC24's Chair's Notes: Supply Operations Update

#### Presentation

1. The Secretariat presented an update on Supply Operations, including pooled procurement, in-country supply chain interventions, NextGen market shaping, and of the amended and restated Procurement Policy for recommendation to the Board.

#### AFC Discussion

2. **Secretariat engagement and operational guidance:** AFC members flagged pre-meeting engagement with the Secretariat as an influencing factor for their support, while noting the importance of continued input in the development of an operational framework following anticipated Board approval of the Policy. The Secretariat was asked to elaborate on the impact of this Policy on other policies. One AFC member requested clarification on operationalization of collaborative procurement, including whose organizational rules would apply in such cases.
3. **Policy feedback and review:** The necessity of this policy update was acknowledged by AFC members given its criticality in the face of resistance, biological threats, evolution of the three diseases, new tools and creation of markets and systems for procuring products at affordable prices for impact. The core value, contribution and responsibility of the Global Fund in this context of market shaping and its Pooled Procurement Mechanism/wambo.org procurement platform was strongly emphasized. The AFC requested that the Policy be evaluated for governance body feedback after one year of implementation, due to the rapidly changing procurement landscape and potential misalignment of Policy intentions and impacts.
4. **Sustainability:** The AFC emphasized the importance of procurement sustainability beyond the life of the Global Fund, noting that supply chain and procurement investments must support domestic, government procurement further down the line. One AFC member flagged sustainability considerations to include not only environmental and social aspects, but also sustainable viability of ongoing production, which is addressed through the proposed Policy.
5. **Market shaping:** The AFC commended the past success of Global Fund market shaping work, including the reduction in prices for antiretroviral drugs (ARVs).

#### Secretariat Response

6. **Secretariat engagement and operational guidance:** The Secretariat underscored that a Policy update focused on core principles for procurement would allow the Secretariat to enhance the operational framework and advance on NextGen Market Shaping interventions. The Secretariat assured the AFC that relevant internal and external stakeholders and partners would be engaged in developing relevant elements of the operational guidance, including the processes for collaborative procurement.

7. **Policy feedback and review:** The Executive Director cautioned to balance the call by some of the AFC members for prioritization of Secretariat and governance resources versus cumbersome and potentially conflicted engagement of governance bodies in the development of operational framework. The Secretariat agreed to include an update on implementation of the Policy as part of NextGen market shaping updates to the Board; this includes the operationalization of the Quality Assurance Policies. The Secretariat agreed that regular update and review of the Policy is best practice considering the evolving market landscape.
8. **Sustainability:** The Secretariat echoed AFC comments on the many elements of sustainability, emphasizing the foundational nature of market sustainability and ongoing Secretariat work to build country-level procurement capacity as part of the broader regional capacity building approach.

### **Action Points**

- The Secretariat confirmed the engagement with relevant external stakeholders for the development of the operational framework to implement the updated Policy, as well as periodic updates to the Board on operationalization of the amended and restated Procurement Policy.

### **Decision**

- Based on the feedback from the AFC, Decision Point: GF/AFC24/DP03 was amended to include periodic updates on the operationalization of the amended and restated Procurement Policy.
- The AFC recommended to the Board the Decision Point: GF/AFC24/DP03: Updated Procurement Policy, with two constituencies abstaining.

## Annex 4: Relevant Past Board Decisions

Relevant Past Decision Point	Summary and Impact
<a href="#"><u>GF/B50/DP06: Amended and Restated Global Fund Quality Assurance Policy for Pharmaceutical Products and Amended and Restated Global Fund Quality Assurance Policy for Medical Devices (including In-Vitro Diagnostics) and Core Personal Protective Equipment</u></a> (November 2023)	The Board approved revisions to the Quality Assurance Policy for Pharmaceutical Products. It also approved revisions to the Quality Assurance Policy for Medical Devices (including In-Vitro Diagnostics) and Core Personal Protective Equipment, replacing the Quality Assurance Policy for Diagnostics Products. The Board also delegated authority to the Secretariat, in consultation with the Strategy Committee Chair and Vice Chair, to make non-material adjustments to these two quality assurance policies and to report back to the Strategy Committee and Board on any changes.
<a href="#"><u>GF/B43/EDP01: Amended and Restated Policy on Conflict of Interest</u></a> (June 2020)	The Board approved the amended and restated Policy on Conflict of Interest (Annex 1 to GF/B43/ER04), superseding the decision point GF/B27/DP05, the previous Policy on Ethics and Conflicts of Interest for Global Fund Institutions (Annex 1 to GF/B27/07) and the previous Declaration of Interest Form (Annex 2 to GF/B27/07).
<a href="#"><u>GF/B38/DP09: Approval of Policy to Combat Fraud and Corruption</u></a> (November 2017)	The Board approved the Global Fund Policy to Combat Fraud and Corruption (Annex 4 to GF/B38/06 – Revision 2). Consistent with his/her authority to implement the Policy, the Executive Director was granted delegated authority to approve exceptions to the Policy, noting that delegated authority for access rights of the Office of the Inspector General remain with the Inspector General.
<a href="#"><u>GF/B38/EDP01: Principles of the LFA Procurement Method</u></a> (November 2017)	The Board replaced its prior decision on re-tendering of Local Fund Agent Contracts (GF/B15/DP50) with updated principles of the LFA procurement method. The Board delegated authority to the AFC to approve modifications to these principles. The Board delegated authority to the Secretariat to approve modifications to the procedures for procurement of LFA services.
<a href="#"><u>GF/B17/DP21: Transition from Administrative Services - Human Resources and Financial Rules</u></a> (April 2008)	The Board requested the Finance and Audit Committee (FAC) to invite all interested Board constituencies to participate in preparation of the HR Policy to remain in effect at the end of an interim period, linked to the transition from the Administrative Services Agreement with WHO. In addition, the Board delegated limited authority to the FAC to approve an interim HR policy applicable to the interim period and the initial rules applicable to the purchasing of services and goods and non-grant financial management.
<a href="#"><u>GF/B15/DP15: Market Dynamics and Voluntary Pooled Procurement</u></a> (April 2007)	The Board adopted the Objective and Guiding Principles for the Global Fund's Market Dynamics Strategy, as set out in the Report of the Policy and Strategy Committee (GF/B15/6), as amended at the Fifteenth Board meeting. The Board decided to endorse the strategic model ("the Model") for voluntary pooled procurement, as a first element of its strategy on market dynamics and delegated authority to the Secretariat to implement the Model, in conformity with the Guiding Principles for market dynamics, in a phased approach to initially cover a small number of target product categories, taking into account the Global Fund's comparative advantage and the work already done by different partners.

## **Annex 5: Links to Relevant Past Documents and Reference Materials**

- a. [Global Fund Quality Assurance Policy for Pharmaceutical Products](#), GF/B50/06
- b. [Global Fund Quality Assurance Policy for Medical Devices \(including In-Vitro Diagnostics\) and Core Personal Protective Equipment](#), GF/B50/06
- c. [Global Fund Policy on Conflict of Interest](#), GF/B43/EDP04
- d. [Global Fund Policy to Fight Fraud and Corruption](#), GF/B38/DP09
- e. [Global Fund Procurement Policy](#), GF/B17/DP21
- f. Global Fund codes of conduct and Sanctions Panel Procedures relating to the Code of Conduct for Suppliers are available here: <https://www.theglobalfund.org/en/governance-policies/>