

REPORT OF THE MARKET DYNAMICS AND COMMODITIES AD-HOC COMMITTEE

PURPOSE:

1. This report summarizes the deliberations of the Market Dynamics and Commodities Ad-hoc Committee (MDC) at its 3rd Meeting on 14-15 October 2010. It includes the MDC's recommendations to the Board to approve decision points at the Twenty Second Board Meeting relating to: (i) Quality Assurance for Pharmaceutical Products; (ii) Quality Assurance for Diagnostic Products; and (iii) transition to fixed-dose combinations of artemisinin-based combination therapies (ACTs) for malaria treatment.

PART 1: INTRODUCTION

1.1 The Market Dynamics and Commodities Ad-hoc Committee (MDC) held its 3rd Meeting on 14 and 15 October 2010 in Geneva. The Chair was Mr. Dai Ellis, the Vice-Chair was Ms. Shanelle Hall.

1.2 At the opening of the meeting, the Executive Director of the Global Fund Secretariat emphasized the MDC's important role in shaping market dynamics strategies at a time when the Global Fund is seeking to ensure donors and others that grant funds are used to provide access to state-of-the-art treatment for HIV, tuberculosis and malaria to as many patients as possible.

1.3 The MDC recognized that successfully facilitating a substantial revision of the Global Fund's approach to market dynamics would require focusing of the relatively limited capacity and resources of the Secretariat. As a result, the MDC identified three specific, interconnected areas that will be the focus of the Committee's work in 2011. They include:

- i. Identifying approaches that the Global Fund can take to address major market dynamics challenges of specific product categories, such as long-lasting insecticidal nets and antiretroviral medicines;
- ii. Improving the 'value for money' achieved with Global Fund resources allocated to the procurement of health products; and
- iii. Developing quality assurance policies for key health products not covered under existing policies (e.g., medicines not directly related to AIDS, TB, and malaria).

1.4 The MDC expects to bring decision points related to each of these focus areas to the Board in the coming year. In doing so, it will identify the implications for the Secretariat of these strategic workstreams and make recommendations to improve the capacity of the Secretariat. For the Global Fund to successfully pursue a more strategic approach to shaping market dynamics, it will require additional dedicated staff capacity. The MDC is concerned about the capacity of the Secretariat to execute the current procurement mechanisms and policies. As a result, it is likely that any proposed new strategic approaches will require a corresponding increase in Secretariat resources.

1.5 This report contains the following items which include a Decision Point for Board approval:

- Part 2: Amendment to the Quality Assurance Policy for Pharmaceutical Products (full policy text in Annex 1);
- Part 3: Quality Assurance Policy for Diagnostic Products (full policy text in Annex 2); and
- Part 4: Expediting transition to fixed-dose combinations of artemisinin-based antimalarials.

1.6 This report contains the following items for the information of the Board (Part 5):

- Value for money;
- Market dynamics;
- Implementation of the Voluntary Pooled Procurement mechanism;
- Implementation of the Price and Quality Reporting system; and
- Other matters.

1.7 Guidance on the location of further information related to the above items is provided at the end of this report (Annex 4).

Review of MDC Strategy and Progress

1.8 At its 1st Meeting in October 2009, the MDC considered the definition of market dynamics in the global health context and past analyses of the role of the Global Fund in influencing those dynamics. Based on this discussion and the Terms of Reference set for it by the Global Fund Board, the MDC set an agenda for its work over the proceeding year. With that year complete, the MDC began its 3rd Meeting by reviewing its progress against that initial agenda and determining its priorities for the next period of its work.

1.9 Much of the MDC's first year of work was occupied by learning about the Global Fund's current market dynamics efforts and revising the core pharmaceutical quality assurance policies. This was an important process as it provided the MDC with the knowledge and time to resolve operational issues that are important to the work of the Global Fund but impede the Committee from focusing on its mandate to evolve market dynamics strategies and interventions. For example, the review of ad hoc exceptions to the quality assurance policy occupied a significant amount of the Committee's time at its initial meetings, but will be permanently resolved if the Board approves the relevant decision point recommended by the MDC at this meeting. With these issues addressed and members familiar with the Global Fund's relevant policies and processes, the Committee will now have the time and ability to effectively pursue solutions to its top priorities.

1.10 In its initial review of the Global Fund's approach to market dynamics, the MDC identified the important strategic concept of the spectrum of roles that organizations can play in global health product markets. At one end of the spectrum are 'market takers,' which participate in marketplaces but do not actively seek to shape the marketplace and simply try to optimize the outcomes they obtain within the constraints of what the marketplace currently offers. On the other end of the spectrum are 'market shapers,' which seek to use their influence and market power to deliberately re-shape marketplaces (eg, enhancing competition, changing procurement practices) in ways that produce outcomes such as lower prices, improved quality of products, and greater and more timely product availability. With approximately US\$ 7.2 billion committed and US\$ 4.6 billion disbursed for the procurement of health products, the Global Fund has been a major player in the markets for AIDS, TB, and malaria products but has acted as a market taker rather than a deliberate market shaper.

1.11 As reported to the Twentieth Board Meeting, the MDC views its primary role as helping the Global Fund move closer to being a 'market shaper,' actively leveraging its massive role in the market to achieve greater health impact with its resources. Yet the MDC also initially assumed that it would identify opportunities for the Secretariat to achieve better outcomes even within the constraints of its current and less ambitious role as a 'market taker.' Most notably, the MDC assumed that there might be significant opportunities for the Global Fund to achieve lower prices for key health products by ensuring that Principal Recipients - whether through Voluntary Pooled Procurement (VPP) or otherwise - obtain the best possible prices with the constraints of current market conditions (i.e., paying at or below international reference prices rather than taking steps to further lower those prices).

1.12 The most important lesson that the Committee learned during its first year of work, however, is that the Secretariat is already effectively implementing a range of activities that are helping to ensure that PRs are paying internationally competitive prices for health products procured with Global Fund financing, including through thorough reviews of Procurement and Supply Management Plans prior to grant signature and during the Phase 2 process. As a result, as detailed later in this report, recent analyses show that there are few instances of PRs paying substantially above international reference prices for key health commodities and that inflated pricings therefore represent a relatively modest opportunity to increase the value for money achieved by the Global Fund. There are still a number of areas where further progress on commodity pricing can be achieved, including through identifying and addressing the cause of major cases of inflated pricing that do occur, but since the Secretariat is already pursuing or planning the necessary actions, the MDC concluded that its appropriate role in this area will be to provide targeted support and guidance to the Secretariat on relevant topics (e.g., maximizing the growing data in the Price and Quality Reporting Mechanism to guide procurement and management decisions and developing appropriate actions to address PRs that consistently pay inflated prices).

1.13 Overall, however, the Committee concluded that dramatic improvements in product prices and other outcomes can now only be achieved through new strategies to more deliberately shape market outcomes with Global Fund resources such as reducing supplier risk by guaranteeing product volumes (e.g., through the VPP) or instituting requirements or incentives that will accelerate the adoption of more effective products or formulations (e.g., creating incentives for countries to switch to a new ARV that will yield substantially greater value for money). These strategies will require the MDC, and eventually the Board, to determine the optimal balance between several core Global Fund principles that may be in tension (e.g., a market shaping strategy that requires the Secretariat or contractor to make more centralized decisions about how to allocate volumes among suppliers will need to balance the principle of maximizing value for money with that of the principle to support national ownership). As a result, the MDC will focus the majority of its effort in the coming year on developing those specific market-shaping strategies.

PART 2: AMENDMENT TO THE QUALITY ASSURANCE POLICY FOR PHARMACEUTICAL PRODUCTS

Decision

2.1 The MDC noted that the revised Global Fund Quality Assurance (QA) Policy for Pharmaceutical Products, effective since July 2009, has been implemented successfully:

- i. For the first nine months of 2010, 819 purchases of antiretrovirals, anti-TB products and antimalarials were reported in the Price and Quality Reporting (PQR) system. Only 55 of these transactions were purchases of products not yet WHO-prequalified or authorized for use in a country with a stringent regulatory authority (SRA). The Secretariat approved these purchases as complying with the QA Policy (approved by the Expert Review Panel in 45 cases, acceptable under the Interim Exception in 10 cases) and arranged random quality control testing of product batches before shipment.
- ii. Shared, stringent quality assurance standards and processes as set out in the QA Policy for Pharmaceutical Products have been operationalized with the Global Drug Facility (GDF), which procures anti-TB products for grant-funded programmes. This is a major step forward in implementing the QA Policy and providing cost effective procurement services to countries while avoiding duplication of work. Collaboration on a harmonized approach to pharmaceutical quality assurance is also taking place with other partners.

2.2 The Expert Review Panel (ERP) has proved to be a useful and flexible mechanism to advise the Global Fund on the quality risks of finished products in those cases where not enough WHO-prequalified or SRA-authorized choices are available for procurement.

- i. The ERP is composed of members with extensive technical and regulatory expertise, and is able to provide advice on the quality of generic products as well as ~~new chemical entities-products~~¹.
- ii. The existing terms of reference of the ERP allow for quality risk/clinical benefit assessments in a specific geographical context of products².
- iii. The ERP sets effective minimum standards for product quality. If it judges that there is insufficient documentary proof of quality of a specific finished product³, the Global Fund will not procure this product with its resources. This is currently the case for dihydroartemisinin/piperaquine, which is needed to contain emerging artemisinin resistance in Cambodia. The Global Fund Secretariat is in an ongoing dialogue with manufacturers to encourage them to submit satisfactory product dossiers to the WHO-Prequalification Programme, to a stringent regulatory authority (SRA) or to the ERP.
- iv. The MDC considers that the current one-year validity period for such advice is adequate.

2.3 For medicines other than antiretrovirals, anti-TB products and antimalarials, the QA Policy for Pharmaceutical Products requires only that they must comply with national regulations. Phase II of the study⁴ on quality assurance for these medicines, which included visits to five grant-recipient countries and consultations with donors, implementers and manufacturers, has been completed. The study showed that the quality of these medicines, which include life-saving anti-infectives, is not assured sufficiently. Additional QA requirements for these products, and the scope of their applicability, will be defined through a consultative process, taking into account stakeholders' concerns highlighted in the study report. Recommendations are expected to be submitted to the Board at its Twenty-Fourth Meeting.

2.4 Challenges remain to identify quality-assured sources for some antimalarial and anti-TB formulations. To be eligible for review by the ERP, these products currently have to be under active review by the WHO Prequalification Programme or by an SRA. However, some needed product formulations are not on the WHO-Prequalification Expression of Interest list. Thus the finished products have no pathway for WHO-prequalification, and at the same time they are unlikely to be submitted for SRA approval.

¹ A new product is a medicine listed in WHO Treatment Guidelines and/or in the Model List of Essential medicines and for which there is not yet a WHO-prequalified or SRA-authorized finished pharmaceutical product available on the market.

² ERP classification, Category 3: "Product may be considered for procurement only if there is no other option and the risk of not treating the disease is higher than the risk of using the product." Criteria for classification available at http://www.theglobalfund.org/documents/psm/communication/2010_QAPresentation_ERP.PPT

³ ERP classification, Category 4: "Product should not be procured on the basis of documentation available to the ERP." Criteria for classification available at

http://www.theglobalfund.org/documents/psm/communication/2010_QAPresentation_ERP.PPT

⁴ Report on quality assurance of non-ATM medicines, with a focus on opportunistic infections medicines. Resource document 1 to Background Document GF/MDC03/03. Available at

http://extranet.theglobalfund.org/cme/MDC/Docs/MDC03_Oct10%20Mtg/ResourceDoc_1_MDC03_03_Non_ATM_StudyReport.pdf

2.5 The Secretariat proposed to re-state the Quality Assurance Policy for Pharmaceutical products as shown in Annex 1 to provide a pathway for ERP review for antiretrovirals, antimalarials and/or anti-TB products compliant with clinical standards, but which only have a limited geographical relevance and are not currently on the WHO-Prequalification Expression of Interest list and have not been submitted for SRA approval. Under the revised policy, exceptional cases in which there is no clinical alternative and no available source meets the quality criteria will be assessed by ERP and WHO disease programme experts. Acceptability for procurement in a specific context will be determined through an analysis of the benefits of using the product (as opposed to no treatment) and the quality risks. Products classified as Category 4 will be eligible for another review upon request, provided that there is new information which may result in a re-classification of the product.

2.6 The same level of access to products currently falling under the Interim Exception (expiring on 31 December 2010), will be maintained under the re-stated policy. All these products will be eligible for ERP review, provided that they are manufactured at a GMP compliant site.

- i. For the non-artemisinin-based antimalarials, at least one SRA-authorized dosage form has been identified. For artemisinin-based formulations; injectable artesunate has become WHO-prequalified and is a clinical alternative for injectable artemether and quinine
- ii. TB formulations requested with limited geographical relevance are currently under review by the ERP.

2.7 MDC members emphasized that it will be important to communicate to countries that after December 31, 2010 several medicines will not be eligible for procurement with Global Fund grant funding until after a successful review by an SRA, the WHO Prequalification Programme for medicines, or the ERP. These medicines include, but may not be limited to, a pediatric strength of parenteral quinine, artesunate rectal suppositories, dihydroartemisinin-piperaquine tablets, and artemether ampoules. As a result, members noted that countries should consider reprogramming grant funds that are currently earmarked for procurement of these medicines and secure other sources of financing.

2.8 The proposed re-stated Quality Assurance Policy for Pharmaceutical Products also contains a corrected definition of “available” pharmaceutical products, which was erroneously stated in the QA Policy approved in November 2008.

2.9 The MDC recommends the following Decision Point to the Board for approval:

Decision Point: Amendment of the Quality Assurance Policy for Pharmaceutical Products

The Board approves the amendment and restatement of the Quality Assurance Policy for Pharmaceutical Products as set out in Annex 1 to the report of the Market Dynamics and Commodities Ad-hoc Committee (MDC) to the Board (GF/B22/11, Revision 1) (the QA Policy).

The Board requests the Secretariat to explain to grant recipients in writing the implications of the termination of the Interim Exception and the changes to the eligibility criteria for the review of Finished Pharmaceutical Products by the Expert Review Panel (ERP) as specified in the QA Policy.

The Board requests WHO to consider evaluating products under the WHO Prequalification Programme in circumstances where the relevant product may only have a limited geographical relevance.

The Board ~~acknowledges~~ confirms that, as requested by the Board at its Twenty First Board Meeting (GF/B21/DP16), the MDC has reviewed the updated Expert Review Panel (ERP) process to deal with exceptional cases, and considers it to be satisfactory.

This decision does not have material budgetary implications for the Operating Expense Budget.

PART 3: QUALITY ASSURANCE POLICY FOR DIAGNOSTIC PRODUCTS

Decision

3.1 In response to the request by the Board at its Eighteenth Meeting⁵, the Secretariat presented to the MDC the proposed quality assurance policy for diagnostic products procured with Global Fund financing (see Annex 2) which was drafted by a group of experts and finalized after an extensive external consultative process with partners.

3.2 The MDC welcomed the proposed quality assurance policy for diagnostic products (including diagnostic tests, equipment, reagents and other related supplies) as a pragmatic approach which emphasizes quality without causing inappropriate market disruptions. The proposed policy requires that Global Fund financing can only be used to procure diagnostic products manufactured according to the applicable ISO or equivalent standards, and must be monitored and used in compliance with national or World Health Organization (WHO) policies and guidance applying to the intended use and setting.

3.3 Additional product-specific quality requirements are proposed to be phased in. The first phase would focus on requirements for HIV and malaria immunoassays (including rapid diagnostic tests (RDTs), Elisa and Western Blot). These must comply with one of three standards:

- i. Recommendation by WHO for use in applicable treatment programmes based on a technical review of quality and performance indicators as published by the Global Fund on its website. This option makes use of the WHO prequalification programme for diagnostics and the WHO Malaria RDT Product Testing Programme⁶ to apply a single, WHO-established technical threshold for performance of malaria RDTs as the basis for procurement decisions.
- ii. Authorization by a regulatory authority who is a member of the Global Harmonization Task Force (GHTF)⁷: This mechanism provides stringent standards for HIV-related tests, which are considered high-risk under the regulatory systems in GHTF member countries.
- iii. Determination by the Global Fund that the product is acceptable for procurement based on the advice of an Expert Review Panel for Diagnostics. Similarly to the ERP for pharmaceuticals, the Expert Review Panel will review potential risks and benefits associated with the use of a product.

⁵ Decision GF/B18/DP11 - "Quality Assurance Policy for Pharmaceutical Products"

⁶ WHO Malaria RDT Product Testing Programme (in collaboration with FIND/TDR/CDC and other partners). Results of Round 2 testing: http://whqlibdoc.who.int/publications/2010/9789241599467_eng.pdf

⁷ European Union, United States, Canada, Japan and Australia (<http://www.gh tf.org/steering/index.html>)

3.4 The Secretariat considered the expected impact of the proposed quality requirements on procurements by grant recipients based on an analysis of the market and past procurement data. An estimated 98 percent of HIV and malaria RDTs and most sources of other HIV immunoassays currently funded with Global Fund resources are authorized by a regulatory authority which is a member of GHTF, and 98 percent of currently procured malaria RDTs are recommended by the WHO Malaria RDT Product Testing Programme. It is therefore expected that the use of products requiring review by the Expert Review Panel for Diagnostics will be kept to a minimum.

3.5 The WHO Malaria RDT Product Testing Programme conducts comparative performance testing on malaria RDTs and performs continued lot-testing of submitted RDT lots to guide procurement decisions by WHO and other UN agencies. Similarly to the ERP for pharmaceutical products, this Programme will provide a mechanism to evaluate RDT quality in line with the proposed Quality Assurance Policy for Diagnostic Products. The programme faces a funding gap of US\$ 875,000 for 2011. The United States Agency for International Development (USAID) has committed to contribute US\$ 200,000. The MDC recommends that the Global Fund consider contributing the remaining amount of US\$ 675,000. The funding will be required to support existing lot-testing sites to increase through-put in response to anticipated Global Fund-related procurement needs. It will enable the programme to continue without interruption, and to complete its planned transition to a long-term lower-cost system, involving new recombinant technology, which will make it financially independent. The Global Fund would thus not be expected to contribute any further funding.

3.6 A group of experts identified CD4 tests, viral load tests and TB molecular tests as additional key diagnostic products which should be subject to product-specific assessment. However, no adequate review mechanisms are currently available to guide procurement of these products with Global Fund resources. The MDC supports the Secretariat's recommendation that the Global Fund should work with WHO and partners to ensure that assessment mechanisms are available in the future, and to phase in additional requirements for these products when appropriate.

3.7 The MDC emphasized the importance of coordination with other organizations, e.g. UNITAID, in the design and implementation of quality assurance measures for diagnostic products.

3.8 The MDC recommends the following Decision Point to the Board for approval:

Decision Point: Quality Assurance Policy for Diagnostic Products

The Board approves the quality assurance policy for diagnostic products ("QA Policy for Diagnostics"), as set out in Annex 2 to the Report of the Market Dynamics and Commodities Ad-hoc Committee to the Board (GF/B22/11, Revision 1).

The Board requests the Secretariat to work with WHO towards concluding an agreement under which WHO will manage the technical evaluation of diagnostic products, including, as relevant, the establishment of an Expert Review Panel for Diagnostics, as described in the QA Policy for Diagnostics.

The budgetary implications of this decision point in 2011 amount to US\$ 675,000 which does not require any allocation of staff positions.

The incremental budgetary implications of this decision point for the 2011 Operating Expenses Budget amount to US\$ 675,000 to support the provision of technical services for the testing framework. This amount is not already included in the proposed 2011 Operating Expenses Budget.

PART 4: EXPEDITING TRANSITION TO COMBINATIONS OF ARTEMISININ-BASED ANTIMALARIALS

Decision

4.1 Fixed-dose artemisinin-based combination therapies promote adherence to malaria treatment, and, by reducing the potential use of medicines as monotherapy, they may help to delay artemisinin resistance. Recognizing these advantages, the Board, at its Nineteenth Meeting⁸, requested the relevant committee to identify solutions to facilitate countries to expeditiously transition to FDC formulations of ACTs. In response to this request, the MDC reviewed challenges of ACTs and discussed possibilities to expedite transition to fixed-dose combinations for ACTs.

4.2 The MDC agreed that the Global Fund should introduce a policy to implement WHO recommendations for the treatment of malaria that gives strong preference to fixed-dose combinations compared to co-blistered or loose tablet combination formulations. A proposed policy was discussed where the Global Fund would allow procurement of only fixed-dose artemisinin-based combinations, using its funding, if two or more WHO-prequalified or stringently authorized finished products of that particular artemisinin-based combination are available on the market. The purpose of such a policy would also be to send a strong signal to the artemisinin-based medicines market, both producers and purchasers, to facilitate transition to the strongly preferable fixed-dose combinations.

4.3 The implementation of a policy to expedite the transition to fixed-dose combinations of ACTs would contribute to improving value for money in Global Fund-funded programmes by improving patient outcomes and potentially reducing the risk of artemisinin resistance (i.e., the “value”) at an incremental cost.

4.4 At its 8th Meeting the AMFm Committee supported the MDC’s recommendation. The AMFm Committee acknowledged that the proposed decision point would not have a large impact on AMFm Phase 1, and noted that the AMFm Committee’s support would further align AMFm with good public health principles.

4.5 The MDC agreed that the Secretariat should consult with impacted countries, and should allow sufficient time and support to enable a smooth policy implementation.

4.6 The Private Sector Constituency expressed its concern that the Global Fund would further delay adoption of a concrete policy to ensure a shift from co-blistered to fixed-dose combination ACTs and its strong desire to see such a policy considered by the Board no later than at its Twenty-Third Meeting.

4.7 The MDC will revisit at its 4th Meeting the wider issue of implementation of the WHO prohibition on oral artemisinin-based monotherapies⁹.

4.8 As a result of initial consultations with constituencies, WHO and the Roll-Back Malaria Partnership after its 3rd Meeting, the MDC recommends the following Decision Point to the Board for approval:

⁸ Decision GF/B19/DP27 - “AMFm Phase 1”

⁹ The WHO recommendation to cease the marketing and use of oral artemisinin-based monotherapy in both the public and private sectors was endorsed by all WHO Member States in May 2007 as part of World Health Assembly Resolution WHA60.18 (10).

Decision Point: Expediting transition to fixed-dose combinations of artemisinin-based combination therapies (ACTs)

The Board notes that WHO guidance¹⁰ states that fixed-dose combination formulations (FDCs) of artemisinin-based combination therapies (ACTs) are strongly preferred to co-blistered formulations.

~~In line with its commitment to quality of patient care and leadership in the fight against malaria the Board determines that:~~

~~once there are two or more fixed-dose combination ACT finished pharmaceutical products (FDC FPPs) for the treatment of uncomplicated malaria that meet the criteria specified in Section 7(i) of the Global Fund Quality Assurance Policy for Pharmaceutical Products (as amended and restated) ("QA Policy"); and~~

~~the two or more FDC FPPs are considered "available" as defined in Section 8 of the QA Policy, then:~~

~~(a) recipients of Global Fund financing that have procured non-FDC FPPs of that specific ACT formulation may continue to procure those non-FDC FPPs for no more than one year from the date the two or more FDC FPPs meet the criteria in paragraphs (1) and (2) above; and~~

~~(b) recipients of Global Fund financing that have not procured non-FDC FPP of that specific ACT formulation may procure only FDC formulations using Global Fund financing from the date when two or more FDC FPPs meet the criteria in paragraphs (1) and (2) above.~~

~~The Board requests the Secretariat to provide support to recipients of Global Fund financing to conduct an effective and timely transition to FDC formulations where necessary, including through the reprogramming of grant funds to accommodate additional costs of procurement and supporting interventions.~~

The Board requests the Market Dynamics and Commodities Ad-hoc Committee (MDC), in consultation with the AMFm Ad-hoc Committee, to monitor the implementation of this Decision Point, particularly the timely receipt of quality FDCs in the requested quantities and the overall implications for recipients of Global Fund financing. to present recommendations to the Board at the Twenty-Third Board Meeting regarding appropriate transition by recipients of Global Fund financing to the use of FDCs of ACTs.

~~The Board also requests the MDC to analyze additional measures to accelerate the transition to FDCs formulations for of HIV/AIDS and tuberculosis medicines and to present its recommendations to the Board at its Twenty-Fourth Meeting. The Board authorises the Secretariat to select and appoint a consultant to assist with the preparation of such recommendations, and the monitoring of the implementation of this Decision Point.~~

~~The Board also urges partners of the Global Fund, including members of the Roll Back Malaria Partnership, to support the transition to FDCs and to assist manufacturers of ACTs to develop quality-assured FDC formulations.~~

~~The budgetary implications of this decision point in 2010 amount to US\$ 20 000.~~

This decision does not have material budgetary implications for the Operating Expense Budget.

¹⁰ WHO Guidelines for the Treatment of Malaria Second Edition (2010).
http://whqlibdoc.who.int/publications/2010/9789241547925_eng.pdf

Value for Money

5.1 The MDC has an important role to play to pursue value-for-money relating to the 37 percent of the Global Fund's grant portfolio that is allocated to the procurement of health products. Importantly, the MDC views its efforts in improving value for money as not just reducing expenditure, but rather increasing the health impact achieved by each dollar disbursed by the Global Fund. This attention to 'value' means that the MDC will consider interventions that may not reduce, and may indeed modestly increase, spending if they will substantially increase impact. The proposed decision point on fixed-dose combinations of ACTs (see Part 4 above) is an example of this approach.

5.2 The Secretariat briefed the MDC on measures taken to maximize the efficiency of spending on the procurement of health products by Global Fund grant recipients across all grants (regardless of VPP participation). These measures include reviews of the Procurement and Supply Management plans (PSM Plans) prior to grant signature to ensure that budgets for health products are in line with international reference price, and that the quantification and the use of other donor funds are appropriate. Moreover, reviews of data reported in the PQR and revised PSM plans have recently been incorporated into Phase 2 reviews. So procurement effectiveness is now more systematically factored into consideration of grant performance and allocation of Phase 2 resources.

5.3 There is a perception that grant recipients are paying high prices for health products, and that therefore improved enforcement of current Global Fund grant procurement policies or the introduction of more stringent policies could result in significant savings. The information reviewed by the MDC indicates that this assumption is largely not accurate. Successful steps are being taken by the Secretariat to achieve 'value for money' on health products, as shown in an analysis presented to the MDC during its 3rd Meeting:

- i. In Round 8 negotiations, budget decreases between proposal submission and grant signature were US\$ 428 million (15 percent) overall, and US\$ 258 million (17 percent) for health products.
- ii. The value of procurement reported in the PQR since its launch in February 2009 was approximately US\$ 43 million below the calculated value of the products at international reference prices¹¹.
- iii. Analysis of the growing data in the PQR shows that recipients are typically paying around international reference prices for most procurements of major AIDS (ARVs) and malaria (LLINs) products (see Annex 3). An analysis of data reflecting US\$ 257 million of pharmaceutical procurement value reported in the PQR from February 2009 to July 2010 inclusive showed that 68 percent in value terms was procured at prices at or below international reference ranges. Compared to the calculated value of this procurement at international reference prices, a net amount of US\$ 42.9 million of costs were avoided. Five countries accounted for 60 percent of the additional costs incurred by procurement above international references. Some likely drivers of these higher prices include tiered pricing schemes linked to country income levels, as well as inclusion of freight, handling and distribution charges as part of reported unit prices.

¹¹ Data source: PQR data on purchase orders dated 2 February 2009 - 1 August 2010 (excluding Russia)

5.4 PQR data used in this analysis were validated in terms of reporting errors related to pack sizes and nomenclature. A remaining limitation is the difficulty to disaggregate freight, handling and/or distribution charges from ex-works unit prices. Analysis of unit prices paid in Global Fund grants against international reference prices can be further refined by taking into account countries' income status, and whether brand or generic products were procured.

5.5 The MDC will continue supporting the Secretariat to further improve the range of pricing-related activities that it has been effectively implementing to date. These activities include:

- i. Optimizing the design of the PQR and ensuring maximal entry and use of data by grant recipients;
- ii. Reviews of PSM plans prior to grant signature;
- iii. Review of PSM plans and actual reported procurements as part of the Phase 2 performance review process; and
- iv. Inclusion of reference pricing in proposal guidelines.

The MDC will provide targeted guidance and support to the Secretariat as strategic challenges or decisions arise. The MDC will also continue to work with the Secretariat to consider whether prices can be further substantially reduced within current Global Fund mechanisms and policies, and to identify further opportunities to realize efficiency gains.

Market dynamics interventions

Information

5.6 Considering the Secretariat's consistent progress of value-for-money activities relating to the procurement of health products, the MDC will focus the majority of its efforts on achieving greater value-for-money through market-shaping strategies. The MDC considers that considerable efficiency gains can be realized if the Global Fund acts as a deliberate market-shaper, using strategies which take into account the specificities of product markets, partners' work and system characteristics, such as the new grant architecture.

5.7 MDC members met by conference call on 15 July and 31 August 2010 to discuss market dynamics issues and the proposed Voluntary Pooled Procurement (VPP) Market Dynamics Study. They agreed that consultant support should be utilized to produce a global review of issues and initiatives, with an initial focus on LLINs or other major health products where the Global Fund could have a significant impact on market dynamics. The Secretariat has selected and contracted Cambridge Economic Policy Associates (CEPA) for this task through a competitive process. The work will produce three primary outputs, which the MDC will use to develop recommendations to increase the Global Fund's impact on the market dynamics of targeted products for consideration by the Board in 2011:

- i. Overarching principles for the Global Fund's goals in shaping product markets within existing frameworks and institutional mechanisms (timeline: early December 2010);
- ii. Product-specific landscapes and strategic actions (timeline: early February 2011); and
- iii. Strategic options for implementation in a specific product area, and medium-term goals (draft for discussion by early March 2011; final report by mid-April 2011).

5.8 In developing and implementing market dynamics strategies the MDC and the Secretariat will seek to involve partners (e.g. UNITAID) and to leverage existing work to maximize the market-shaping potential.

5.9 The MDC noted the encouraging progress which the VPP has made in its implementation phase, indicating early signs of price stabilization, market sustainability and increasing pooling of demand:

- i. VPP participation of 42 countries representing 83 grants, has by far exceeded expectations. On the other hand challenges remain with ensuring long-term country participation for example in case of changes in PRs.
- ii. US\$ 384 million orders were confirmed by 1 September 2010, of which 91 percent were for core products (LLINs 78 percent, ARVs 10 per cent and ACTs 3 percent). Master supply agreements stipulating framework terms and conditions and price ceilings were signed between the Procurement Services Agents and manufacturers of most ARVs and ACTs. Between June 2009 and September 2010 an average decrease of 14 percent on the price ceilings for both ARVs and ACTs was achieved.
- iii. Between June 2009 and October/November 2010, as the negotiated volume thresholds were reached, procurement agent fees decreased both for ARVs (from 6.2 to 4.6 percent) and ACTs (from 6.5 to 4.6 percent).
- iv. US\$ 220 million worth of health products (i.e. 57 percent of confirmed orders) have been delivered to Principal Recipients.
- v. Time from request to delivery was 6-8 months on average depending on product type. This compares with an earlier analysis of procurement processes at the national level showing an average of 5-18 months for the procurement process timeframe.
- vi. The VPP, capacity-building support and supply chain management assistance will continue to support grant signing and performance. Current resources are insufficient to satisfy the demand for capacity-building support. A greater focus on this component is planned as the VPP is entering its consolidation phase in 2011.

5.10 In its capacity as a contracted procurement service agent for the VPP, the Partnership for Supply Chain Management has generated US\$152 million in price quotes for 43 Principal Recipients in 37 countries and accounts for US\$ 86 million of the total US\$ 384 million confirmed orders through VPP. Their presentation to the MDC confirmed the above-mentioned operational achievements and trends, and highlighted some differences between procurement processes for the Global Fund Principal Recipients as opposed to procurement for PEPFAR, such as the greater complexity of the main procurement steps (specifications, quotation, approval, release of funding and placing of orders). The Partnership recommended:

- i. to build capacity at the level of the in-country supply chain;
- ii. to consolidate the procurement base in the long term;
- iii. to create a working capital fund to reduce transaction costs and delays; and
- iv. to set up a revolving procurement facility based on projections of future demand.

5.11 Remaining challenges include the difficulty to aggregate demand effectively due to various country and grant-specific factors, the high number of emergency orders accounting for 40 percent of requests, and the difficulty to source non-core health products, which are not linked to market dynamics objectives, but nevertheless critical for grant implementation. MDC members also discussed approaches to further stabilize and increase the supplier base of VPP.

5.12 Reconciling the VPP's aims to support countries and impact market dynamics creates some ongoing challenges to implement effective pooled procurement (such as high proportions of non-core products - 19 percent of the order value of pharmaceuticals was for non-core products - and emergency orders). A discussion on the fundamental aims of the VPP should be the basis of any future strategic guidance.

5.13 The MDC noted the fact that the VPP is under-resourced. In the operational phase (June 2009 to date) five staff handled a total confirmed order value of US\$ 384 million. This ratio is far below that of other comparable organizations. The MDC requests the Board to consider urgently to provide additional resources to the VPP to allow it to achieve its market-shaping potential.

5.14 The MDC will provide strategic guidance by envisaging scenarios on how to use the VPP to achieve specific market dynamics aims, and related trade-offs. The importance of collaboration and information-sharing with partners was highlighted.

5.15 The MDC requested the Secretariat to update the MDC on the monitoring and evaluation framework for the VPP at its next meeting, including metrics for ongoing performance monitoring and evaluation.

Price and Quality Reporting (PQR)

Information

5.16 The MDC appreciated the significant progress achieved with improving the PQR system in terms of data quality and completeness. As at September 2010, 91 percent of active grants had reported purchases in the PQR, covering an estimated 74 percent of the value of antiretrovirals, bed nets, and anti-malarial medicines purchased according to the Global Fund's Enhanced Financial Reporting system. 80 percent of PQR product data have been mapped against a standard nomenclature. 93 percent of mapped data have been validated and published on the Global Fund website. Validated data is regularly forwarded to the WHO Global Price Reporting Mechanism.

5.17 The PQR administrator demonstrated the flexible reporting functionality which has become available to users at the Global Fund Secretariat through the Global Fund's Business Intelligence project. From October 2010, this functionality is being used for benchmarking grants based on achieved prices to inform Phase 2 Panel reviews. Customized reports is expected to be provided to PQR users and the public on the Global Fund PQR website from December 2010.

5.18 Work is on track for the release of PQR version 4.0 in December 2010, which will address the root causes of most data entry errors by providing a standard nomenclature for products, a more intuitive interface and greatly reduced loading speeds. The MDC acknowledged some inherent systemic data constraints and welcomed the Secretariat's ongoing dialogue with manufacturers in relation to stating ex-works prices and manufacturing sites explicitly on invoices.

5.19 MDC members highlighted the importance of global collaboration in data management and use, and continued to support ongoing collaboration between the Global Fund Secretariat and UNITAID, as well as other relevant MDC members, in between MDC meetings.

5.20 The MDC requested the Secretariat to continue reporting progress of PQR against a performance framework.

5.21 As Mr Dai Ellis will be pursuing a career opportunity in education reform, and Ms Shanelle Hall prefers to remain Vice-Chair. MDC members have been invited to make suggestions for candidates for the MDC Chairmanship for transmission to the Chair and Vice-Chair of the Board. The MDC thanked Dai for his capable, inspired and enthusiastic leadership.

5.22 The MDC regrets the limited participation of recipient country constituencies in the Committee's work. The MDC and the Board Relations Manager discussed approaches to facilitate this participation. In the long term, it is important for the work of the MDC that the viewpoints of both the demand side and the supply side of health product markets are duly represented.

5.23 Given the sensitive nature of its work in impacting market dynamics, the MDC proposes to develop a specific conflict of interest policy, building on existing Global Fund policy, to help mitigate against implications of actual or perceived conflicts of interest. A group of MDC members will volunteer to tackle this task and report on progress at the next MDC meeting in collaboration with relevant Units of the Global Fund Secretariat.

5.24 The MDC thanked the Secretariat for its support in preparing and organizing its Committee meetings, and emphasized the importance of timely distribution of easy-to-read documents ahead of each meeting to facilitate constituency consultations.

5.25 In accordance with Board Decision Point GF/B19/DP8, the term of the MDC extends until the first meeting of the Board in 2011, and it is expected that the Board will consider whether or not to extend the MDC's term at this meeting. The MDC Chair recommended that MDC members should discuss with their constituencies the possibility of extending the MDC's term.

**Global Fund Quality Assurance Policy for Pharmaceutical Products
as amended and restated on [insert date of Board Decision]**

BASIC PRINCIPLE

1. Global Fund grant funds may only be used to procure finished pharmaceutical products (FPP) in accordance with the standards prescribed in this policy.

GLOSSARY

2. Capitalized terms and acronyms used in this policy shall have the meaning given to them below.

Common Technical Document for the Registration of Pharmaceutical Products for Human Use (CTD) means a common format for the submission of information to regulatory authorities in ICH member countries.

Finished Pharmaceutical Product (FPP) means a medicine presented in its finished dosage form that has undergone all stages of production, including packaging in its final container and labeling.

Fixed Dose Combination (FDC) means a combination of two or more active pharmaceutical ingredients in a fixed ratio of doses.

Good Manufacturing Practices (GMP) means the practices, which ensure that pharmaceutical products are consistently produced and controlled according to quality standards appropriate to their intended use and as required by marketing authorization.

International Conference on Harmonization of Technical Requirements for the Registration of Pharmaceuticals for Human Use (ICH) is an initiative involving regulatory bodies and pharmaceutical industry experts that was established to make recommendations on ways to achieve greater harmonization in the interpretation and application of technical guidelines and requirements for product registration. ICH member countries are specified on its website: <http://www.ich.org>.

Pharmaceutical Inspection Cooperation Scheme (PIC/S) means the Swiss association of inspectorates which provides a forum for GMP training. The PIC/S is not subject to any international or domestic regulations. PIC/S member countries are specified on its website: www.picscheme.org.

Product Formulation means an active pharmaceutical ingredient (or combination of ingredients), dosage form and strength. Note: different FPPs may exist for the same Product Formulation.

Quality Control means all measures taken, including the setting of specification sampling, testing and analytical clearance, to ensure that starting material, intermediate, packaging material and FPPs conform with established specifications for identity, strength, purity and other characteristics.

Stringent Drug Regulatory Authority (SRA) means a regulatory authority which is (a) a member of the ICH (as specified on its website:); or (b) an ICH Observer, being the

European Free Trade Association (EFTA) as represented by Swiss Medic, Health Canada and World Health Organization (WHO) (as may be updated from time to time); or (c) a regulatory authority associated with an ICH member through a legally binding mutual recognition agreement including Australia, Norway, Iceland and Liechtenstein (as may be updated from time to time).

National Drug Regulatory Authority (NDRA) means the official drug regulatory authority of a country.

NDRA Recognized Laboratories means quality control laboratories for pharmaceutical products selected by NDRAs according to their standards to conduct their quality control testing for pharmaceutical products.

Medicine means an active pharmaceutical ingredient that is intended for human use.

WHO Prequalification Programme means the programme managed by WHO which prequalifies (a) medicines that are considered to be acceptable for procurement by the United Nations and specialized agencies; and (b) quality control laboratories for medicines.

CLINICAL STANDARDS

Compliance with Standard Treatment Guidelines and Essential Medicines Lists

3. Global Fund grant funds may only be used to procure medicines that appear in current national or institutional standard treatment guidelines or essential medicines list (“National or Institutional STGs or EML”), or the World Health Organization (WHO) standard treatment guidelines or essential medicines list (“WHO STG or EML”).

4. When submitting grant proposals to the Global Fund, applicants must ensure that they include a list of the medicines that they intend to procure with grant funds, together with a copy of the relevant National or Institutional STG or EML or the WHO STG or EML. If an applicant intends to procure medicine that is included in the relevant National or Institutional STG/EML, but not included in the WHO STG or EML, or vice versa, the applicant is requested to provide a detailed technical justification for the selection of that medicine, which will be reviewed by the Technical Review Panel (TRP).

5. A Principal Recipient (PR) must submit a technical justification to the Global Fund if it would like to procure a medicine that (i) was not specified in the grant proposal approved by the Global Fund; and (ii) is included in the relevant National or Institutional STG/EML, but not included in the WHO STG or EML, or vice versa. The Secretariat may, if it deems necessary, refer that technical justification to the TRP for review.

Adherence, Drug Resistance and Monitoring Adverse Effects

6. It is strongly recommended that PRs implement mechanisms to encourage adherence to treatment regimens (including but not limited to providing medicines in FDCs, once-a-day formulations and/or blister packs, and providing peer education and support), to monitor and contain resistance, and to monitor adverse drug reactions according to existing international

guidelines¹. The cost of implementing such mechanisms may be included in the budget for the relevant Global Fund grant. To help contain resistance to second-line TB medicines and consistent with the policies of other international funding sources, all procurement of FPPs to treat Multi Drug Resistant Tuberculosis (MDR-TB) must be conducted through the Green Light Committee of the Stop TB Partnership hosted by the WHO (GLC).²

PROCUREMENT OF ANTIRETROVIRALS, ANTI-TUBERCULOSIS AND ANTI- MALARIAL FPPS

Quality Standards

7. Global Fund grant funds may only be used to procure antiretrovirals, anti-tuberculosis and anti-malarial FPPs that meet the following standards and, in accordance with the selection process described in Sections 8 and 9 below:

- (i) Prequalified by the WHO Prequalification Programme or authorized for use by a Stringent Drug Regulatory Authority (SRA)³; or
- (ii) Recommended for use by an Expert Review Panel (ERP), as described in Section 10 below.

Selection Process

8. If there are two or more FPPs available⁴ for the same Product Formulation that meet the quality standards set out in Section 7(i), the PR may only use Global Fund resources to procure an FPP that meets either of those standards.

9. However, if a PR determines that there is only one or no FPP available⁵ that meets either of the quality standards set out in Section 7(i) and it wishes to use Global Fund resources to procure an alternate FPP, it must request confirmation from the Global Fund that the PR's determination is accurate and that the alternate FPP meets the standard specified in Section 7(ii).

Expert Review Panel

10. Upon the Global Fund's request, an independent Expert Review Panel (ERP) composed of external technical experts will review the potential risks/ benefits associated with the use of an FPP that is not yet WHO-prequalified or SRA-authorized⁶ and will make recommendation to the Global Fund.

¹ E.g. WHO, The Uppsala Monitoring Centre. The Importance of Pharmacovigilance. Safety Monitoring of medicinal products. Geneva: World Health Organization, 2002, available at <http://www.who.int/medicinedocs/en/d/Js4893e/>. Safety of Medicines. A guide to detecting and reporting adverse drug reactions. Geneva: World Health Organization, WHO/EDM/QSM/2002.2, available at <http://www.who.int/medicinedocs/en/d/Jh2992e/>

² <http://www.who.int/tb/strategy/en/>

³ Or approved or subject to a positive opinion under the Canada S.C. 2004, c. 23 (Bill C-9) procedure, or Art. 58 of European Union Regulation (EC) No. 726/2004 or United States FDA tentative approval.

⁴ "Available" means the manufacturer can supply the requested quantity of the FPP within not ~~less~~ more than 90 days of the requested delivery date.

⁵ Refer to footnote 4.

⁶ Refer to footnote 3.

11. The Global Fund will maintain an up-to-date list of all FPPs that have been recommended by the ERP. This list will be made publicly available on the Global Fund's website. If, pursuant to Section 9, a PR requests to procure an FPP that does not appear on the list, the Global Fund shall request the ERP to review the relevant FPP.

12. The Global Fund will also make the terms of reference and rules of procedure for the ERP publicly available.

Eligibility Criteria for ERP Review

13. FPPs are eligible for review by the ERP if the following conditions have been met:

(i)

- (a) the manufacturer of the FPP has submitted an application for pre-qualification of the product by the WHO Prequalification Programme and it has been accepted by WHO for review; OR
- (b) the manufacturer of the FPP has submitted an application for marketing authorization to an SRA, and it has been accepted for review by the SRA,

AND

(ii) the FPP is manufactured at a site that is compliant with the standards of Good Manufacturing Practice (GMP) that apply for the relevant Product Formulation, as verified after inspection by:

- (a) the WHO Prequalification Programme; OR
- (b) an SRA; OR
- (c) a regulatory authority participating to the Pharmaceutical Inspection Cooperation Scheme (PIC/S).⁷

Provided that the criterion in paragraph (ii) above is met, ~~certain multi-source⁸-FPPs for malaria and first-line tuberculosis treatment~~ that do not meet the criteria in paragraph (i) above are also eligible for review by the ERP for associated potential risks/benefits in accordance with paragraph 10 of this Policy if the product formulation is not listed in the WHO invitation to manufacturers to submit an expression of interest for product evaluation by the WHO Prequalification Programme. The list of ERP-recommended FPPs that is made publicly available will indicate which of the ERP-recommended FPPs were eligible for review as a result of this paragraph.

Time Limitation

14. If the ERP recommends the use of an FPP, the ERP's recommendation shall be valid for a period of no more than 12 months ("ERP Recommendation Period"), or until the FPP is WHO-prequalified or SRA-authorized⁹, whichever is the earlier.

⁷ List of PIC/S members is available on the PIC/S website: www.picscheme.org.

⁸ For these purposes, "multi-source" means a pharmaceutical product for which the monograph of the finished dosage form was published in the International, U.S. or U.K. Pharmacopeia before 10 October 2002.

⁹ Refer to footnote 3.

15. In accordance with Section 9, the PR may enter into a contract with a supplier for the procurement of an FPP recommended for use by the ERP at any time until the expiry of the ERP Recommendation Period, but the term of the contract must not exceed 12 months (that is, the PR cannot place an order for FPPs under the contract more than 12 months after it is executed).

16. However, the Global Fund may, in its sole discretion, request the ERP to consider extending the ERP Recommendation Period for up to an additional 12 months if the FPP is not yet WHO-prequalified or SRA-authorized¹⁰ within the ERP Recommendation Period. The Global Fund may refer more than one request for such an extension to the ERP.

PROCUREMENT OF ALL OTHER FPPs

Quality Standards

17. All FPPs, other than antiretrovirals, anti-tuberculosis and anti-malarial FPPs, need only to comply with the relevant quality standards that are established by the National Drug Regulatory Authority (NDRA) in the country of use.

Selection Process

18. PRs must select FPPs, other than antiretrovirals, anti-tuberculosis or antimalarial FPPs, in accordance with NDRA requirements.

NATIONAL DRUG REGULATORY AUTHORITY AUTHORIZATION

19. Global Fund resources may only be used to procure FPPs that have been authorized for use by the NDRA in the country where they will be used in accordance with its standard practices for drug registration or other forms of authorization (such as authorizations for marketing or importation).

20. For FPPs that have been prequalified by the WHO Prequalification Programme, NDRAs are encouraged to expedite the process for authorizing the use of such FPPs by accepting the prequalification approval letter and supporting documentation, including WHO prequalification report and the manufacturer's summary of information relating to the quality, safety and efficacy of the FPP, together with all necessary information to perform quality control testing of products and necessary reference standards.

21. For FPPs that have been authorized for use by an SRA¹¹, NDRAs are encouraged to expedite the process for authorizing the use of such FPPs in the relevant country by accepting the executive summary of the Common Technical Document for the Registration of Pharmaceutical Products for Human Use (CTD) or sections of the CTD relating to the quality, safety and efficacy of the FPP, together with all necessary information to perform quality control testing of products and necessary reference standards, to fulfill national requirements.

¹⁰ Refer to footnote 3.

¹¹ Refer to footnote 3.

PROCUREMENT PRACTICES TO ASSURE QUALITY

22. In addition to the Global Fund's existing policies for procurement practices, PRs must ensure that all FPPs are procured in accordance with principles set forth in the Interagency Guidelines: A Model Quality Assurance System for Procurement Agencies¹² (as amended from time to time).

23. PRs are responsible for monitoring the performance of suppliers with respect to product and supply chain quality, and must submit information to the Global Fund on supplier performance as defined by the Global Fund.

MONITORING PRODUCT QUALITY

24. The quality of FPPs procured with Global Fund grant funds must be monitored. The cost of conducting quality control activities may be budgeted for in the Global Fund grant. PRs must submit to the Global Fund the results of quality control tests, which may be made publicly available by the Global Fund.

For All FPPs

25. In collaboration with NDRA, PRs must ensure that random samples of FPPs are obtained at different points in the supply chain - from initial receipt of the FPPs in-country to delivery to end-users/patients - for the purpose of monitoring the quality of such FPPs (including quality control testing).

26. Such samples must be sent to NDRA laboratories or NDRA Recognized Laboratories or WHO Prequalified Laboratories or Global Fund contracted laboratory(ies) for quality control testing.

27. To ensure the NDRA Laboratories or NDRA Recognized Laboratories have adequate capacity for full pharmacopoeial testing, they must meet one of the following criteria:

- (i) Prequalified by WHO Pre-qualification Programme, or
- (ii) Accredited in accordance with ISO17025.

28. The Global Fund will, based on the advice of WHO, provide protocols and standard operating procedures that may be used for quality control testing and reporting of results.

29. The Global Fund will request Local Fund Agents to verify whether PRs have complied with the process described in Sections 25 and 26.

30. Technical assistance aimed at strengthening NDRA Laboratories or NDRA Recognized Laboratories may be included in Global Fund proposals.

¹² A model quality assurance system for procurement agencies (Recommendations for quality assurance systems focusing on prequalification of products and manufacturers, purchasing, storage and distribution of pharmaceutical products). Annex 6. In: *WHO Expert Committee on Specifications for Pharmaceutical Preparations*, Fortieth report, Geneva, World Health Organization, 2006, (WHO Technical Report Series, No 937), and Interagency Publication by WHO, UNICEF, UNIDO, UNDP and World Bank WHO/PSM/PAR/2007.3.

For FPPs Recommended for Use by the ERP

31. When a PR procures an FPP that has been recommended for use by the ERP, the Global Fund will make the necessary arrangements for randomly selected samples of the FPP to be tested for quality control purposes, in accordance with advice provided by the ERP, prior to the delivery of that FPP by the manufacturer to the PR or other designated recipient. The PR will ensure that its contract with the manufacturer affords the Global Fund and its authorized agents with access rights that would allow for such sampling to be undertaken. The cost of the sampling and testing of the FPP will be borne by the Global Fund.

TRANSITIONAL PROVISIONS

32. If a PR entered into a contract with a supplier on or before 30 June 2009 for the procurement of FPPs that complied with the Global Fund's previous QA Policy, but do not comply with this policy, the PR must notify the Global Fund of the details of this contract. The Global Fund may, after consultation with the PR, require the PR to take reasonable steps to discontinue procurement of FPPs under such contract, with a view to making a smooth transition to compliance with this policy at the earliest opportunity. In any event, the PR may not seek to extend or renew such a contract after 30 June 2009.

Global Fund Quality Assurance Policy for Diagnostics
(issued on [insert date of Board Decision])

BASIC PRINCIPLES

1. Grant Funds may only be used to procure Diagnostic Products in accordance with this Policy.
2. Each Recipient must develop and maintain a Quality Assurance system for the procurement, supply management and use of Diagnostic Products financed with Grant Funds in accordance with the guidelines specified by the Global Fund on its website and in this QA Policy, so as to ensure the quality of diagnostic results.

DEFINITIONS

3. Capitalized terms and acronyms used in this QA Policy shall have the meaning given to them below, unless the context requires otherwise.

Diagnostic Product: means all durable and non-durable IVDs used in Global Fund financed programs for diagnosis, screening, surveillance or monitoring purposes.

External Quality Assessment (EQA): means a program that assesses the performance of laboratories and/or testing sites, which may include proficiency testing, blinded rechecking of previous results or on-site visits to assess the laboratory's operations, or a combination of the above.

Expert Review Panel for Diagnostics (ERPD): means a panel of technical experts independent of the Global Fund who, under the oversight of WHO, will analyze the potential risks and benefits of Diagnostic Products and advise the Global Fund as to whether it is acceptable for Grant Funds to be used to procure such products.

Global Harmonization Task Force (GHTF): means the group established to encourage convergence in regulatory practices related to ensuring the safety, effectiveness, performance and quality of medical devices, promoting technological innovation and facilitating international trade and comprised of representatives from medical device regulatory authorities and other regulated industry participants. Further information and membership is available at <http://www.ghrf.org/>

Grant Funds: Grant financing and any other financing provided by the Global Fund.

HIV and Malaria Immunoassays: means malaria and HIV rapid diagnostic tests (RDTs) and other technologies that make use of antigen-antibody binding for the diagnosis of HIV (i.e. ELISA and Western Blot technologies).

In Vitro Diagnostic Product (IVD) medical device: means a medical device, whether used alone or in combination with other devices, intended by the Manufacturer for in vitro examination of specimens derived from the human body solely or principally to provide information for diagnostic,

monitoring or compatibility purposes including, reagents, calibrators, control materials, specimen receptacles, software, and related instruments, apparatus and other articles.¹³

International Organization for Standardization (ISO): means the non-governmental organization, including national standards institutes of 163 countries, which sets up standards, including generic standards (e.g. ISO 9000 series) or product-specific requirements for implementing a quality management system (e.g. ISO 13485 for medical devices).

Lot Testing: means quality control testing of a lot or batch of a Diagnostic Product after manufacture and release from the manufacturing site.

Manufacturer: Means any natural or legal person with responsibility for design and/or manufacture of a diagnostic with the intention of making the diagnostic available for use, under his name; whether or not such a diagnostic is designed and/or manufactured by that person himself or on his behalf by another person(s).

Recipient: means any legal entity that receives Grant Funds.

Quality Assurance: means all measures taken from selection to the use of a Diagnostic Product, including Quality Monitoring, to ensure that the Diagnostic Products are of the quality required for the Manufacturer's intended use.

Quality Monitoring: means all activities undertaken to ensure that the Diagnostic Products continue to conform with the Manufacturer's established quality specifications during the storage, distribution and use of such products, including but not limited to Lot Testing, reporting of deficient Diagnostic Products and surveillance, as part of a Quality Assurance system.

Total Cost of Ownership (TCO): means the total amount of all direct and indirect monetary costs related to the procurement, storage and distribution of a Diagnostic Product by a Recipient, including the price of the product itself, any reagents and other consumables, transportation, customs clearance, insurance, in-country distribution and storage, Quality Assurance and Quality Monitoring, training, and validation of new diagnostic algorithms, and , as applicable, operating costs including cost of installing, servicing, commissioning and maintaining equipment.

Technical Review Panel (TRP): means the panel consisting of independent technical experts appointed by the Board of the Global Fund to review funding applications and make recommendations to the Global Fund Board for financing technically sound proposals.

WHO: means the World Health Organization.

INTERPRETATION

4. In this QA Policy, unless the context otherwise requires:
- (a) headings do not affect the interpretation of this QA Policy;
 - (b) the singular shall include the plural and vice versa; and

¹³ Global Harmonization Task Force Document SG1/N045:2008.

- (c) any phrase introduced by the terms “including”, “include”, “in particular”, “such as”, or any other similar expression shall be illustrative only and shall not limit the sense of the words preceding those terms.

NATIONAL REGULATIONS

5. Each Recipient shall ensure that the procurement of Diagnostic Products with Grant Funds is undertaken in compliance with all applicable laws, regulations, rules and decrees.

CLINICAL STANDARDS

6. Grant Funds may only be used to procure Diagnostic Products that comply with applicable national guidelines or are consistent with WHO guidance.

7. When submitting applications for funding to the Global Fund, the applicant must:

- (i) Describe what Diagnostic Products are to be procured with Grant Funds¹⁴. Upon request by the Global Fund, applicants must provide a copy of, or refer to, the relevant national or WHO guidance supporting the use of the Diagnostic Products to be procured; and
- (ii) Submit a technical justification satisfactory to the Global Fund for the procurement of Diagnostic Products that are consistent with national guidelines, but are not consistent with WHO guidance or vice versa. The Global Fund may, in its sole discretion, refer that technical justification to the TRP for review and advice.

If, after a funding application is approved by the Global Fund, a Recipient intends to use Grant funds to procure a Diagnostic Product that was not listed in the funding application, it must provide the Global Fund with a brief description of the Diagnostic Product and, if applicable, the technical justification described in paragraph (b).

QUALITY STANDARDS

8. Grant Funds may only be used to procure Diagnostic Products that meet the applicable following standards:

- (i) IVDs and imaging equipment must be manufactured at a site compliant with the requirements of ISO 13485:2003 or an equivalent quality management system recognized by a regulatory authority which is a member of GHTF; and
- (ii) any Diagnostic Products for which section 8 i. above does not apply, such as microscopes, must be manufactured at a site compliant with all applicable requirements of the ISO 9000 series.

9. In addition to the requirements of section 8. i. above, HIV and Malaria Immunoassays, viral load and CD4 tests and TB molecular tests must meet any one of the following applicable standards:

¹⁴ For example, “Lateral-flow immunoassay for malaria”

- (i) Recommended by WHO for use in HIV, TB and malaria programs (as applicable), based on a technical review of quality and performance indicators (if applicable to the specific type of Diagnostic Product, as published by the Global Fund on its website from time-to-time¹⁵); or
- (ii) Authorized for use by a regulatory authority which is a member of GHTF; or
- (iii) Determined by the Global Fund to be acceptable¹⁶ for procurement using Grant Funds, based on the advice of an Expert Review Panel for Diagnostics (ERPD). For Diagnostic Products complying with Section 9. ii, but not included in a high risk category as determined by a regulatory authority which is a member of GHTF, or approved for export only by a regulatory authority which is a member of GHTF, the Global Fund may request advice from the ERPD to determine the acceptability for procurement of such Diagnostic Products for use by Recipients.

10. Upon the request of the Global Fund, the ERPD will analyse the potential risks and benefits associated with the use of a Diagnostic Product referred to in section 9 above in accordance with the ERPD terms of reference. Based on this analysis, the ERPD will advise the Global Fund whether it is acceptable or not for the Diagnostic Product to be procured using Grant Funds and indicate the time period during which the ERPD's advice shall be valid. Such determination of the Global Fund shall not be disputed, challenged or appealed.

ENSURING QUALITY OF USE

11. Each Recipient must comply with WHO guidelines for good storage and distribution practices applying to Diagnostic Products, as indicated by the Global Fund on its website from time to time.

12. Each Recipient must ensure that Diagnostic Products are only used by appropriately trained and suitably qualified persons in settings for which the Diagnostic Products are intended. Recipients must also use best efforts to support and participate in External Quality Assessment (EQA) programs and to organize calibration and maintenance of relevant equipment.

13. Each Recipient must arrange Lot Testing of Diagnostic Products if relevant WHO policies and procedures exists for that category of Diagnostic Products (as indicated by the Global Fund on its website from time to time), and the Global Fund is satisfied that there is adequate capacity at the national or international level for such testing to be undertaken for and on behalf of the Recipient.

14. Recipients must use best efforts to develop and maintain a mechanism to report defects relating to Diagnostic Products to the appropriate regulatory authorities and facilitate appropriate communications with Manufacturers, procurement agents, distributors and end-users.

¹⁵ The Global Fund will from time-to-time indicate on its website the relevant link to the corresponding WHO websites.

¹⁶ Notwithstanding a determination made by the Global Fund that a relevant product is acceptable or not-acceptable for procurement by a Recipient using Grant Funds, the Global Fund shall not be responsible or liable for any loss or damage arising out of or in connection with the manufacture, distribution, use or non-use of such product. The Global Fund may revoke or amend such determination in its sole discretion at any time.

15. The costs to the Recipient of conducting any relevant Quality Assurance and capacity building measures related to the procurement of Diagnostic Products with Grant Funds should be included in the relevant Global Fund grant budget, which is subject to approval by the Global Fund.

ADDITIONAL PROVISIONS

16. In addition to the requirements set out in this QA Policy, each Recipient must also comply with the following:

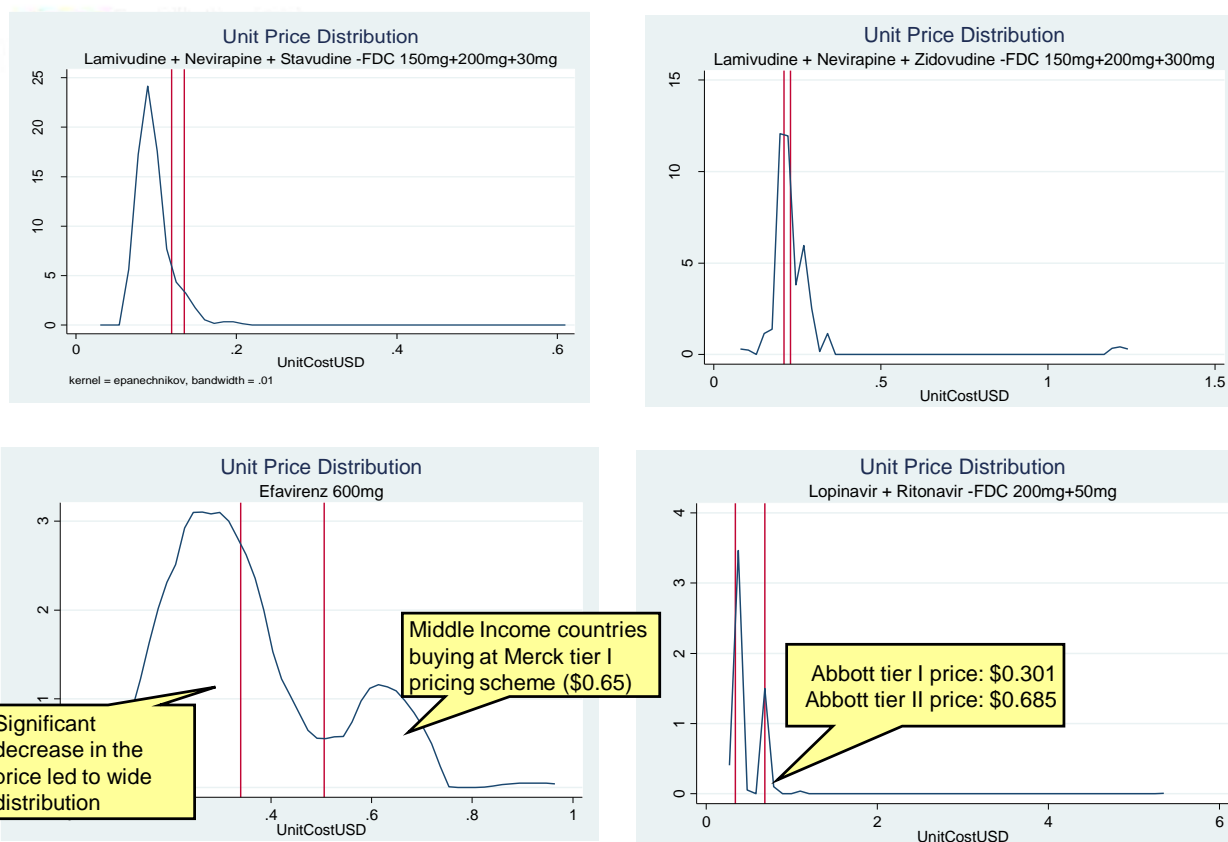
- (i) All other Global Fund procurement policies and principles that may be applicable to Diagnostic Products, as published on the Global Fund website; and
- (ii) The standard terms and conditions of Global Fund Grant Agreements including, the requirement to undertake a competitive process to obtain the lowest possible price for Diagnostic Products, taking into account Total Cost of Ownership (TCO), and ensuring that the Manufacturer and manufacturing site of the Diagnostic Product are disclosed in all applicable tender and procurement-related documentation.

TRANSITIONAL PROVISIONS

17. This QA Policy shall commence and apply in full force and effect on 1 March 2011, except that Sections 9 to 10 (inclusive) of this QA Policy shall apply only to HIV and Malaria Immunoassays. However, Sections 9 to 10 (inclusive) of this QA Policy shall commence and apply in full force and effect with respect to other Diagnostic Products referred to in Section 9 of this QA Policy on a future date to be determined by the Global Fund based on the advice of WHO. The Global Fund will give Recipients advance notice of when such provisions will come to full force and effect for all such Diagnostic Products.

18. If a Recipient has directly or indirectly through a procurement agent entered into a legally binding contract with a Manufacturer to procure, with Grant Funds, Diagnostic Products which do not comply with this QA Policy on or before the applicable commencement date for such products (as specified in paragraph 17), the Recipient must promptly notify the Global Fund and provide reasonable details about the terms of that contract and procurement. The Global Fund may, after consultation with the Recipient, require the Recipient to take reasonable measures to discontinue the procurement of the Diagnostic Products, with a view to making a smooth transition to comply with this QA Policy at the earliest opportunity. In any event, the Recipient must not extend, renew or replace such contract, or place a purchase order pursuant to that contract after the applicable commencement date.

Distribution of unit prices paid in Global Fund grants for selected antiretroviral products



3rd MDC Meeting
Geneva, 14-15 October 2010



Source: PQR data, February 2009 to September 2010. Reference ranges are based on published information on reference prices, (e.g. Médecins sans Frontières, Management Sciences for Health).

GUIDANCE ON LOCATION OF FURTHER INFORMATION

The below table indicates where further information on items dealt with in this report can be found:

Where indicated by an asterisk [*] documents are available on the Governance Extranet:
<http://extranet.theglobalfund.org/cme/MDC/default.aspx> (under “Oct10Mtg”)

Item:	Further information available:
1. Quality Assurance of Pharmaceutical Products	“Pharmaceutical Quality Assurance Matters” (GF/MDC03/03) [*] Resource document to GF/MDC03/03: “Report on quality assurance of non-ATM medicines with a focus on opportunistic infections medicines”. Consultant report, [*]
2. Quality Assurance of Diagnostic Products	“Quality assurance for diagnostic products” (GF/MDC03/04) [*] Resource document to GF/MDC03/04: “Quality Assurance Policy for Diagnostic Products. Report of the Technical Advisory Group (TAG)” [*]
3. Transition to fixed-dose antimalarial combination therapies	“Expediting transition to fixed dose combinations (with particular focus on the treatment of malaria)” (GF/MDC03/06) [*] Resource document to GF/MDC03/06: “Challenging products: Artemisinin-based Combination Therapy (ACT) for malaria treatment. Information on Global Supply Challenges (with input from Roll Back Malaria Partnership and AMFm).” [*]
4. Items for information:	
<ul style="list-style-type: none"> Value for Money 	Procurement and Supply Management (PSM) Budget Reviews. Background information on Secretariat's review of commodity budgets through grant phases; reporting on impact of budget reviews during grant negotiation. (PowerPoint presentation) [*] MDC3 Budget Reviews and Prices Achieved_Cleared.PPT, under “Presentations”
<ul style="list-style-type: none"> Implementation of Voluntary Pooled Procurement (VPP) 	“Progress update on the implementation of the Voluntary Pooled Procurement (VPP) (GF/MDC03/02). [*]
<ul style="list-style-type: none"> Implementation of Price and Quality Reporting (PQR) mechanism 	“Price and Quality Reporting” (GF/MDC03/05) [*]