Best Contribution to the Reputation of the Procurement Profession
Department for International Development

(A consortium of; The Global Fund to Fight AIDS, TB and Malaria (GFATM), Department for International Development, (DFID), The U.S. President’s Malaria Initiative and The United Nations Children’s Fund (UNICEF), The Clinton Health Access Initiative (CHAI), Roll Back Malaria Partnership and the office of Raymond G. Chambers, the UN Secretary-General’s Special Envoy for Financing the Health MDGs and for Malaria.

GLOBAL FUND to fight AIDS, TB & MALARIA

Procurement Breakthrough

Presenters
Anne Langley
Paul Gaffney
The Scale of Our Work- by 2015, UK aid will:

• Secure schooling for 11 million children – more than we educate in the UK but at 2.5% of the cost
• Vaccinate more children against preventable diseases than there are people in the whole of England
• Provide access to safe drinking water and improved sanitation to more people than there are in Scotland, Wales and Northern Ireland
• Save the lives of 50,000 women in pregnancy and childbirth
• Stop 250,000 newborn babies dying needlessly
• Support 13 countries to hold freer and fairer elections
• Help 10 million more women get access to modern family planning

In 2013/14 DFID provided;

• £10.1 billion of aid
• Approx. £450 per UK family
• UK became first G7 nation to deliver on the 0.7% of GNI (by Dec 13)

These programmes require value for money through the procurement of goods and services
Who are GFATM & what do they do?

• The Global Fund to fight AIDS, TB and Malaria (GFATM) is a multi-donor funded public private partnership and financing mechanism.

• HIV/AIDS, TB and malaria are amongst the biggest causes of death and illness in developing countries, and have a significant impact on women and children
  • AIDS killed 1.7 million people in 2011, and is the leading cause of death among women of reproductive age.
  • Malaria killed 660,000 people in 2010, mostly African children.
  • TB killed 1.4 million people in 2011

• GFATM and its technical partners strongly believe that the international community now has a real opportunity to gain control in the global fight against AIDS, TB and malaria.
GFATM Objectives:

The Global Fund will become the benchmark organisation in the sector for Sourcing and Procurement

Using simple, clear leading edge processes and tools designed by and for the organisation

Minimising waste and eliminating non value adding activities

With measurable performance in value and lives saved

Ensuring effective governance and watertight compliance

Building collaborative relationships with partner agencies, suppliers and donors
GFATM - the challenges they faced

Silos all over the place......

Even when working in partnership, partners nod at the table, and all too frequently go off and develop their own solution.

- Reducing speed
- Adding complexity
- Reducing leverage
- Adding fragmentation
- Pilots often stay pilots

But the fact that many end up talking about a topic does prepare the road for those who are likely to act on it

Talk is good!
GFATM & DFID
what is the relationship?

- In early 2013 DFID conducted a Commercial Expertise Review with GFATM. The review coincided with a developing vision for GFATM to move towards a sourcing organisation.

- By shifting to a sourcing organisation with agreements directly with manufacturers, GFATM had significant opportunity to maximise its position in the market for core health products.

- GFATM, DFID other and partners (UNICEF et al) established a new framework to systematically organise the purchase of massive amounts of mosquito nets, anti-HIV drugs and other products, improving delivery and making significant savings.

- The transparency and single voice that was presented as a coalition to the manufacturers was very powerful. The locus of control has shifted from seller to buyer, therefore enabling us to invest more strategically and concentrate in areas with high impact.
Our Focus is so often on the Mechanism or process for delivery that we lose sight of both the objective and speed to deliver in a simple and yet effective manner.
In the next two years, GFATM and partners will provide:

- **190 million bed nets** with an estimated cost **saving of over $140 million**,ropolis.
- **Protecting nearly 400 million people** at risk of malaria and
- Estimated to **save the lives of more than 1.3 million children** in 30 countries across Africa and Asia.

The focus of the tender was to achieving overall value and **not just ‘better unit cost’**.

- This was possible by;
  1. ordering more standard nets which will be less cost and
  2. simplifying the procurement process to reduce the “costs of buying”.

**Key Points**

- Increase access to the nets- partnerships created to accelerate this access
- Pricing achieved available to other agencies (DFID included) & developing countries
- Framework approach reduced market dominance –optimising capacity and reducing risk – 7 manufacturers, the largest allocation going to an African firm.
- Significantly reduced the specs
- Performance measured – ‘use of net’ as opposed to net distribution
The Planning and Execution

There has never been any partnership committed to the provision of mosquito bed nets on this global scale.

For the first time ever, GFATM led DFID, UNICEF and other partners in a unified approach to the bed net manufacturing industry culminating in a pre-tender supplier day.

Shared forecasts enabled GFATM to offer guaranteed funding for a specific volume as part of the tender process, enabling manufacturers to propose highly competitive bids.

Active “demand management” involving country dialogue has already resulted in significant value through smoothing of required demand and moving to more standard net sizes, allowing procurement of some 33% more nets within the same funding envelope.

The co-ordination of demand across developing countries facilitated by GFATM resulted in greater visibility and improved production planning for manufacturers
Value achieved per annum

$70.2M

- $19M
- $31M
- $18M
- $2.2M

Tender volumes
Negotiated Saving

2014 Spot Volume Savings, based on Tender prices

Total Value Achieved

Specification / Demand Management

Agent Reductions

- Over the 2 year agreement term this equates to $140M
Just the start...

- The new framework agreement means that the benefits achieved from the tender are only the start of the value creation process. Moving forward collaborative projects will be instigated that will further improve efficiency and reduce cost; these may include but not be limited to:

- Improved production processes to reduce waste which at some suppliers can be as high as 15%.
- Investigation of ways to exploit labour arbitrage and further develop local manufacturing.
- Improvements to supplier cash flow which can be directly translated into cost reduction.
- The development of an integrated approach to logistics to reduce the delivered costs of products.
- Engagement with certain governments to explore special taxation regimes for these products.
**Testimonials**

UNICEF was pleased to collaborate with DfID, the Global Fund and USAID/PMI in the world’s largest tender for Long Lasting Insecticide-treated Nets (LLIN). The collaboration consolidated forecasts, quality standards and procurement strategies for over 190 million nets. The collaboration aims at eliminating demand congestion and increasing availability and affordability of nets. The partners convened industry to present the approach, objectives and timelines, This collaboration will contribute to protecting 400 million people from malaria and saving over 1.3 million children’s lives.

Shanelle Hall  
UNICEF  
April 2014

"The historic moment in malaria prevention that you were part of brought together 13 leading manufacturers of mosquito nets, plus ten international members of the Roll Back Malaria Partnership to consult on how to ensure timely access to quality nets.... The consultation between suppliers and global partners will contribute directly to acceleration in reaching the malaria-specific targets laid out in the Millennium Development Goals (MDGs)."

RAYMOND G. CHAMBERS  
The Secretary General’s Special Envoy for Financing the Health Millennium Development Goals and for Malaria, UNITED NATIONS  
April 2014

"Leveraging its buying power, the Global Fund’s new procurement strategy for LLINs is transforming the LLIN market; lower prices will now allow donor funds to go further in preventing malaria, while maintaining conditions attractive for long-term supplier participation."

Dave Ripin, Executive Vice President, Access, Clinton Health Access Initiative (CHAI)  
April 2014

"The joint global tender for LLINs allows ALMA countries to benefit from the timely delivery of LLINs in time for malaria season whilst at the same time leading to significant price reductions due to the economies of scale"

‘Dr Melanie Renshaw, Chief Technical Advisor, African Leaders Malaria Alliance (ALMA).  
April 2014

"CHAI is highly supportive of the Global Fund’s efforts to transform the markets of key health commodities via world-class procurement practices and leveraging its buying power. The positive results of the LLIN tender bodes well for successes in subsequent markets. CHAI is proud to have supported this effort, and looks forward to providing continued support in the future.”

Ira Magaziner, Vice Chairman and CEO (CHAI)  
April 2014

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Why submit this particular entry and what was it that made it successful?

Small motivated procurement team looked at several projects for numerous CIPS award categories- we chose this one because:

- Recognised as an organisation-wide achievement
- Huge global impact – enabled scale up of bed net procurement
- Collaborative
- Demonstrated large scale purchasing power
- Displayed best practice in stakeholder relationship management
- Supports growing domestic production in the developing world
- It proved that regardless of the supply chain complexities and the numerous different funders, basic procurement principles can make life changing differences and avert the deaths of more than 1.3 million children.