To address critical gaps for advancing universal health in the Region of the Americas, the Pan American Health Organization (PAHO) worked closely with governments of the Americas to establish in 2000 the Regional Revolving Fund for Strategic Public Health Supplies, more commonly known as the PAHO Strategic Fund. Ever since, Member States have used the Fund to procure essential medicines and supplies, improving access to quality health care while strengthening the sustainability of health systems.

I am proud to present the 2019 Annual Report of the PAHO Strategic Fund, which details the progress made possible through close technical cooperation with Member States. Because of the Fund’s effectiveness in facilitating enhanced supply chain management of critical public health supplies, we have signed participating agreements with 34 countries and territories and developed new partnerships with pivotal health agencies. Procurement volume through the PAHO Strategic Fund has increased by 81% compared to 2018, proving the Fund is an important mechanism to achieve health for all.

Responding to the increasing needs of Member States, the Strategic Fund has negotiated long-term agreements for WHO-prequalified HIV/AIDS and cancer treatments at substantially reduced prices, spearheaded a joint initiative for cardiovascular diseases, and strengthened in-country capacity-building for demand forecasting and inventory management. These initiatives have directly provided treatments for over 7.5 million people in 2018 and 2019, and will enable millions more to access high-quality medicines, diagnostic kits and equipment, vector control materials, and other health supplies and technologies that remain affordable in the coming years.

Health emergencies are on the rise and programs like the PAHO Strategic Fund are critical for ensuring health systems that are resilient to outbreaks and other public health threats. We will continue to work with Member States to address new challenges by guaranteeing the continuous and efficient supply of essential medicines and health technologies in priority areas of both communicable and noncommunicable diseases. An expression of PAHO’s commitment to the Sustainable Development Goals, the PAHO Strategic Fund is an example of what is possible when we work together with Member States in the pursuit of health for all.

Preface

Dr. Carissa F. Etienne
Director
Pan American Health Organization
Equitable access to medicines and other health technologies is a key component of universal access to health and universal health coverage. Progress toward strengthened health systems requires robust coordination among stakeholders to overcome barriers to access and ensure equitable distribution of quality essential medicines and public health supplies. This includes leveraging effective management strategies and optimizing the use of limited available resources.

Despite significant progress being made by countries in the Region of the Americas, access to medicines and other health products continues to be a major challenge due to rising costs, lack of financial resources, limited product availability, and substandard quality.

In 2000, the Pan American Health Organization (PAHO) established the Strategic Fund to improve access to quality-assured, safe, and efficacious medicines and other health supplies with a view to strengthening the efficiency and sustainability of public health systems in the Americas.

The Strategic Fund is a regional technical cooperation mechanism for the pooled procurement of essential medicines and strategic health supplies. The Fund contributes to countries’ commitments to achieving the Sustainable Development Goals (SDGs) by facilitating access to affordable, quality-assured medicines and public health products.

Supporting Universal Health in the Americas

Benefits of using the Strategic Fund by Member States

- Increased access to essential medicines and strategic health supplies.
- Coordination with PAHO programs to provide interprogrammatic technical cooperation.
- Quality assurance for all products procured.
- Sustainable reduction in prices of critical medicines and health supplies.
- Strengthened supply chain management and country ownership.
- Demand consolidation to leverage economies of scale.
- Financing options to facilitate Member State procurement.
- Transparency and governance in pricing and international bidding processes.
- Robust partnerships with the United Nations system and other agencies.
The Fund begins procuring antiretrovirals to support the expansion of health services in the fight against HIV/AIDS.

Launch of the Strategic Fund

- 2000
- The Strategic Fund is launched at the request of the Member States, including a Capital Account.

Inclusion of medicines for chronic diseases

- Creation of the Expert Committee for the Selection and Inclusion of Medicines

Technical support with MERCOSUR countries in the negotiation of high-cost medicines

- 2006
- 2013
- 2016
- 2017
- 2018
- 2019

Simplification of the procedures for use of the Capital Account in order to facilitate lines of credit to participating countries

Inclusion of new pediatric formulations for tuberculosis and HIV/AIDS treatment

- Inclusion of medicines for hepatitis C

Participation in the HEARTS Initiative

- Inclusion of hepatitis C generic treatments and transparent reference prices

**SOCIAL SECURITY INSTITUTES**

- Instituto Guatemalteco de Seguridad Social
- Instituto Salvadoreño del Seguro Social
- Instituto Salvadoreño de Bienestar Magisterial
- Caja Costarricense de Seguro Social
- Instituto Nicaragüense de Seguridad Social
- Seguro Social de Salud del Perú
- Instituto Venezolano de los Seguros Sociales

**INSTITUTES OF PUBLIC HEALTH**

- Instituto Nacional Central Único Coordinador de Ablación e Implante (INCUCAI)
- Instituto Carlos Malbrán
- Instituto Nacional de Higiene

**DECEMBER 2019**

- 34 countries and territories
- 10 social security and public health institutions have signed agreements to participate in the Strategic Fund.
All the products purchased through the Strategic Fund meet international standards for safety, efficacy, and quality. The Fund provides medicines and supplies included in the World Health Organization (WHO) Model List of Essential Medicines and adheres to the recommended guidelines to strengthen priority public health programs for communicable and noncommunicable diseases, neglected tropical diseases, vector control, and diagnostic kits and equipment.

By pooling resources, the Strategic Fund offers significant savings for Member States by securing prices that are often considerably lower than market rates. Moreover, through its wide-ranging technical cooperation, the Strategic Fund supports national-level capacity building for supply chain management, demand forecasting, and procurement planning, while ensuring a single fair price for all participating countries.

The Strategic Fund also procured:

- **11 ANTIFUNGAL MEDICINES**
- **8 ANTITUBERCULOSIS MEDICINES** for pediatric populations
- **7 ANTIRETROVIRALS (ARVs) for pediatric and adult populations**
- **6 ANTIHYPERTENSIVE MEDICATIONS**
- **2 ANTIVIRALS FOR THE TREATMENT OF HEPATITIS C**

The Strategic Fund product list is available at: www.paho.org/strategicfund

Available WHO-prequalified diagnostic tests:

- Serological tests for HIV/AIDS (includes dual HIV/syphilis test and HIV/self-test)
- Rapid diagnostic tests for HIV/AIDS (oral fluid)
- Serological tests for hepatitis B and C
- Virological tests for HIV/AIDS, HPV, and hepatitis B and C
- Rapid malaria tests
- Xpert® MTB/RIF tests for tuberculosis

http://www.who.int/diagnostics_laboratory/evaluations/PQ_list/en/

More than **395** products for the Region

**STRATEGIC PUBLIC HEALTH SUPPLIES**

In 2019, the Strategic Fund supported regional efforts to control and eliminate communicable and neglected tropical diseases by procuring insecticides and mosquito nets for Member States.

The Fund also procured:

- **1,622,950** rapid diagnostic tests for syphilis
- **970,140** rapid diagnostic tests for HIV/AIDS
- **453,300** rapid diagnostic tests for malaria
- **84,550** Xpert® MTB/RIF cartridges for resistant TB
Key Activities Executed

Regional interprogrammatic missions related to HIV, hepatitis C, malaria, Chagas disease, cardiovascular diseases, and cancer to improve access and negotiate prices.

Technical cooperation missions to more than ten countries.

Strengthening supplier relationship management by acquiring market intelligence and improving supply chain service levels in Member States.

In-country engagement to facilitate demand planning & consolidation, support agency donations, and prevent stockouts & supply chain issues.

Quality Assurance

The Strategic Fund interprogrammatically leverages proven mechanisms to assure regulatory requirements for the quality of its products according to international standards, optimizing health technologies and improving health outcomes:

WHO Prequalification Program (PQ), which employs transparent and scientific assessments, including a dossier review, consistency testing, supplier performance evaluation, and site inspections to manufacturers.

National Regulatory Authorities of Regional Reference (NRAs), in the countries that have been designated as reference authorities through PAHO’s evaluation processes (Resolution CD50.R9). These regulatory bodies develop health regulations to guarantee the quality, safety, and efficacy of medicines.

Strengthening Supply Chain Management

Ensuring access to medicines and other health supplies requires the commitment and implementation of comprehensive policies and strategies by the Member States. In coordination with PAHO technical programs and country offices, the Strategic Fund works with participating countries across the Americas to strengthen their supply chain systems through:

- Demand planning to prevent shortages, delays, and wastage
- Selection and incorporation of cost-effective products
- Quality assurance of available medicines
- Rational use of essential medicines and public health supplies.
Technical Cooperation

The Strategic Fund facilitates interdisciplinary and collaborative technical cooperation to promote timely access to necessary products and the appropriate use of the products in participating countries.

Regional Distribution Center

In 2014, PAHO established the Regional Warehouse for Donations in Panama, through a joint interprogrammatic effort between the Strategic Fund, PAHO’s Neglected, Tropical and Vector-borne Diseases Unit, and the PAHO country office in Panama. The Warehouse seeks to improve access, distribution, and availability of medicines and strategic public health supplies for malaria, Chagas disease, and other neglected tropical diseases (NTDs).

This initiative has enabled Member States to strengthen their commitments to eliminate various diseases by increasing accessibility for key medicines and supplies (even when required in limited quantities), developing joint efforts with WHO and its partners to ensure that products arrive on time, and establishing best practices for distributing medicines that are difficult to procure in the Region.

In coordination with participating Member States, the Strategic Fund supported the implementation of the HEARTS in the Americas initiative to improve the availability, affordability, and quality of cardiovascular medicines through scale-up and institutionalization of country-led projects, including:

- incorporating competitively priced, quality-assured fixed-dose combination (FDC) antihypertensive medications in national formularies, in alignment with the WHO Essential Medicine List;
- evaluating market dynamics to improve procurement mechanisms for cardiovascular products;
- conducting technical meetings on the standardization of treatment protocols to build consensus on comprehensive strategies for reducing the burden of cardiovascular diseases (including hypertension) and increasing secondary prevention; and
- consolidating demand for antihypertensive drugs with 12 participating countries and launching a bidding process to improve access to quality and competitively-priced medicines.

In 2019, the Regional Warehouse managed the effective distribution of:

- **235,840** Chagas treatments in 9 countries
- **119,920** antimalarial treatments in 16 countries
- **26,650** mosquito nets in 2 countries
- **12,475** rapid diagnostic tests in 1 country
- **65** leishmaniasis treatments in 6 countries

The HEARTS Initiative
The Strategic Fund provides technical cooperation to enhance access to medicines through consolidation of regional demand for priority products, centralizing sourcing, maximizing economies of scale, and enhancing international competition in the procurement of health supplies. By doing so, the Fund is able to overcome significant challenges within the health technologies market by drastically lowering the cost of products and achieving sustainably affordable prices on behalf of Member States.

In 2019, more than 480 shipments totaling US$80 million of 256 essential health supplies (products/presentations) were sourced from more than 55 quality-assured suppliers.

### Demand Consolidation

The Strategic Fund ensures high standards and transparency in the procurement process, in line with the United Nations’ best practices. The Fund establishes long-term agreements (LTAs) with suppliers to set fixed prices for several strategic medicines and critical health supplies and ensures timely delivery of these quality-assured products.

In 2019, the Strategic Fund established:

- **19 PARTICIPATING COUNTRIES PURCHASED ARVS AND ANTI-TB TREATMENTS THROUGH THE FUND IN 2019**
- **420,620 PEOPLE LIVING WITH HIV/AIDS RECEIVED ANTIRETROVIRAL TREATMENT**
- **319,194 PEOPLE RECEIVED ANTIMALARIAL TREATMENTS**
- **96,096 PEOPLE WITH TB RECEIVED TREATMENT**
- **420,620 PEOPLE LIVING WITH HIV/AIDS RECEIVED ANTIRETROVIRAL TREATMENT**
- **137 LTAs to secure competitive prices for essential medicines**
- **102 LTAs for diagnostic kits**
Capital Account

The Strategic Fund Capital Account provides financial assistance to countries through an interest-free line of credit* that is used to prevent stock-outs and ensure the continuity of supplies, thus facilitating better planning by helping the Member States to:
- improve demand forecasting for product acquisitions;
- guarantee lower procurement costs;
- improve efficiency in the procurement process; and
- foster country ownership of product purchases.

* The lines of credit assigned to signatory Member States must be paid within 60 days of having received the product.

Between January 2018 – December 2019, the Fund granted 43 lines of credit to 16 Member States.

In 2019, the Capital Account increased to US$20M, representing a 38% growth from the previous biennium 2016-2017. 100% of this amount was used by Member States to facilitate their access to essential medicines in a timely manner.

Increase in value and use of the Capitalization Account (2005-2019)

Sustainable Reduction in Prices

Hepatitis C Kills. Treatment saves lives.

Through the Strategic Fund, all Member States can access the most effective therapeutics to treat hepatitis C within three months, helping to meet the international hepatitis C elimination goal established for 2030. In 2019, the Strategic Fund added generic direct-acting antiviral medicines (DAAs) for hepatitis C treatment to its Product List.

Through the Strategic Fund, Member States in the Region may be able to procure WHO pre-qualified generics at significantly lower prices.

Price comparison for treatment within Member States that can access hepatitis C generic treatment:

<table>
<thead>
<tr>
<th>Country</th>
<th>Treatment Cost</th>
<th>Potential Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country A</td>
<td>US$4,000</td>
<td></td>
</tr>
<tr>
<td>Country B</td>
<td>US$1,500</td>
<td></td>
</tr>
<tr>
<td>Country C</td>
<td>US$900</td>
<td></td>
</tr>
<tr>
<td>Strategic Fund</td>
<td>US$129</td>
<td>97% reduction in treatment cost</td>
</tr>
</tbody>
</table>

Competitive prices for treatment for people living with HIV/AIDS

The Strategic Fund managed to achieve competitive prices for the WHO-preferred ARV regime (tenofovir 300 mg/amivudina 300 mg/ dolutegravir 50 mg) at the cost of US$69 PATIENT/YEAR.

improving first-line treatment coverage and enhancing the efficiency use of financial resources by the Member States.
Best Practices for Process Improvement

Introduction to Operational Excellence (OpEx) Principles

In 2019, PAHO adopted operational excellence (OpEx) principles and practices in procurement focused on business lead-time reduction. This strategy, focused on lean concepts like waste identification, value stream mapping, and voice of the customer (VOC), has already reduced lead times of major processes of the Strategic Fund by up to 20%.

Use of Power BI and Robotics Process for Monitoring of Medicine Shipments

PAHO implemented new technological tools, such as Power BI and robotics process automation (RPA), to reduce time spent on administrative tasks while improving supplier management and timeliness of deliveries. Real-time data provided by Power BI has allowed the Fund to advance in its vendor management and negotiation strategies by monitoring and assessing supplier delivery performance with up-to-date visual analytics, shipment traceability, and customized interactive reports.

Partnerships

In 2019, the Strategic Fund continued to join forces with international partners to meet the needs and demands of participating countries and to offer comprehensive technical cooperation to the Member States. The Fund worked with:

- the Global Fund for AIDS, Tuberculosis, and Malaria (GFTAM) to improve demand forecasting and supplier performance management, especially for ARVs; and
- the United States Agency for International Development (USAID) to strengthen the national information system for medicines and better serve vulnerable populations living in remote areas.

These partnerships have allowed the Strategic Fund to foster sustained collaboration among stakeholders, increase price competition, improve process monitoring, and support the nationalization of medicines.

For example, the Strategic Fund supported the acquisition of WHO-recommended first-line ARVs to treat HIV/AIDS and facilitated a multi-stakeholder initiative; financed by GFTAM and supported by Joint United Nations Programme on HIV and AIDS (UNAIDS), national agencies, and civil society organizations, to successfully procure over 11.2 million bottles of ARVs at competitive cost to support approximately 1 million people across the Region.