ANNUAL REPORT 2020

STRATEGIC FUND

Ensuring Access to Essential Medicines and Public Health Supplies while Supporting the COVID-19 Response
This year was unprecedented in many ways. With the COVID-19 pandemic sweeping across the globe, health systems worldwide faced some of their toughest challenges yet. Supply chains for lifesaving medicines and critical health supplies were severely disrupted, economies faced near collapse, and hospitals and clinics were stretched to their limits. By the end of 2020, there were 35 million confirmed cases, and over 850,000 people had lost their lives to COVID-19 — and this number is growing. But 2020 saw tremendous levels of innovation. We developed new ways to streamline logistics for essential therapeutics; scientists pioneered the development of groundbreaking vaccines and diagnostic tests; and health workers were recognized for the vital role they play in healthcare delivery and in our communities. Perhaps most importantly, we lost our loved ones and over 850,000 people had

Dr. Carissa F. Etienne
Director
Pan American Health Organization

I am pleased to share the 2020 Annual Report of the PAHO Strategic Fund, which outlines progress across several areas. Despite the challenges posed by the pandemic, the Strategic Fund worked hard to successfully deliver on its mandate to strengthen the sustainability of health systems in the Region.

Last year’s annual report highlighted the need for the PAHO Strategic Fund to address the increasing demands being placed on health systems. This year, the Strategic Fund has demonstrated what is possible when we work closely with Member States in the spirit of solidarity and Pan-Americanism, and in the pursuit of health for all. I look forward to continue working with all our partners to support country needs in the face of COVID-19, and an accelerated recovery of lost public health gains. To this end, we will intensify our efforts to ensure access to essential medicines and public health supplies through the Strategic Fund on behalf of our Member States to support the delivery of essential health services for all peoples in the Americas.
Ensuring access, affordability, and equity is critical to strong health systems; COVID-19 has shown how quickly failing to safeguard these principles reverses progress towards universal access to health and universal health coverage. Coordination and distribution of essential medicines and supplies are paramount during health emergencies. However, a combination of rising costs, lack of financial support, limited product availability, and inadequate quality control has made managing and optimizing these required resources increasingly challenging.

In 2000, the Pan American Health Organization (PAHO) established the Strategic Fund to improve access to quality assured, safe, and effective medicines and supplies, and to strengthen the efficiency and sustainability of public health systems across the Americas. As the primary regional technical cooperation mechanism for the pooled procurement of therapeutics and public health products, the Strategic Fund contributes to countries’ commitments in achieving the United Nations Sustainable Development Goals (SDGs) by addressing critical gaps in universal health.

With growing needs for Member States to maintain the availability of essential health services and technologies amidst complex challenges such as COVID-19, the Strategic Fund has risen to meet increasing demands. In 2020, the Strategic Fund supported a three-fold increase* in purchases compared to 2019, supporting over 29 million people, and forged new partnerships, with 34 countries and territories and 13 health agencies now participating in the mechanism. Furthermore, the Strategic Fund played a vital role in COVID-19 response as part of PAHO’s Incident Management Support Team (IMST), helping procure over US$110 million worth of testing kits, PPE, and intensive care medicines that reached 14.4 million patients and health workers.

A testament to the importance of balancing emergency response with public health commitments, the Strategic Fund will continue to play a central role in health systems strengthening by leveraging technical cooperation to support the supply of essential and lifesaving health products across the Americas.

*Data may have shifted slightly.

Added Value through the Strategic Fund

- Support for COVID-19 response, including rapid inventory assessments of key essential medicines to avoid stock-outs and development of critical mitigation plans.
- Coordination and technical cooperation through PAHO partners, including expansion to support new therapeutic areas.
- Increased access to essential medicines and strategic health supplies.
- Sustainable negotiations and reduction in prices of critical therapeutics, diagnostic tests, and equipment.
- Quality assurance and rational use guidelines for all products procured.
- Strengthened supply chain capacities and management.
- Innovative financing options to facilitate Member State procurement, including collaboration with international financing institutions.
- Enhanced demand management through demand forecasting and economies of scale.
- Transparency and accountability in pricing and international bidding processes.
- Robust partnerships with United Nations, public-private entities, and other agencies.
The Strategic 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.
- **2006**: Inclusion of medicines for chronic diseases.
- **2011**: Creation of the Expert Committee for the Selection and Inclusion of Medicines.
- **2015**: Technical support with MERCOSUR countries in the negotiation of high-cost medicines.
- **2016**: Simplification of the procedures for use of the Capital Account in order to facilitate access of countries to participating institutions.
- **2017**: Development of the Strategic Fund Product Catalog.
- **2019**: Inclusion of two similar biotherapeutics for breast cancer.
- **2020**: Participation in the HEARTS Initiative.

**Incorporation of medicines for chronic diseases**

- **2006**: Inclusion of dolutegravir for HIV/AIDS.
- **2013**: Inclusion of hepatitis C generic treatments and transparent reference prices.
- **2015**: Support for critical COVID-19 health technologies.
- **2020**: Incorporation of two similar biotherapeutics for breast cancer.

**Scope of Work**

- **34 countries and territories and 13 social security and public health institutions** have signed participating agreements with the Strategic Fund.

**Entities with Agreement**

- **Instituto Mexicano de Seguridad Social (Mexican Institute of Social Security - Mexico)**
- **Instituto Guatemalteco de Seguridad Social (Guatemalan Institute of Social Security - Guatemala)**
- **Instituto Salvadoreño de Bienestar Magisterial (Salvadoran Magisterial Welfare Institute - El Salvador)**
- **Caja Costarricense de Seguro Social (Costa Rican Social Security Fund - Costa Rica)**
- **Instituto Nicaragüense de Seguridad Social (Nicaraguan Social Security Institute - Nicaragua)**
- **Instituto Venezolano de los Seguros Sociales (Venezuelan Institute of Social Security - Boliviarian Republic of Venezuela)**
- **Instituto Oncológico Nacional (National Oncology Institute - Panama)**
- **Instituto Ecuatoriano de Seguridad Social (Ecuadorian Institute of Social Security - Ecuador)**
- **Instituto Nacional de Higiene (National Institute of Hygiene - Ecuador)**
- **Seguro Social de Salud del Perú (Peruvian Health Social Security - Peru)**
- **INCUCAI, National Central Coordinator Institute for Ablation and Implant - Argentina**
- **Instituto Carlos Malbrán (Carlos Malbran Institute - Argentina)**

**AS OF DECEMBER 2020**

- **4** countries have signed participating agreements with the Strategic Fund.
Strategic Fund Portfolio

All the products purchased through the Strategic Fund meet international standards for safety, efficacy, and quality. The Strategic Fund provides medicines and supplies included in the World Health Organization (WHO) Model List of Essential Medicines and Diagnostics, and adheres to the recommended PAHO/WHO guidelines to strengthen priority public health programs for communicable and noncommunicable diseases, including neglected tropical diseases, vector control, and COVID-19 related diagnostic kits and equipment.

Moreover, through its wide-ranging technical cooperation, the Strategic Fund supports national-level capacity-building for supply chain management, risk mitigation, demand forecasting, and procurement planning while ensuring a competitive price for all participating countries.

In 2020, the Strategic Fund supported regional efforts to control and eliminate communicable and non-communicable diseases by procuring strategic public health supplies for Member States, including:

- Over 11 million PCR diagnostic tests for COVID-19
- Over 3.2 million Rapid diagnostic test for COVID-19
- Over 1.6 million Rapid diagnostic tests for HIV/AIDS
- Over 280,000 Diagnostic test for hepatitis B and C
- Over 90,000 Diagnostic test for tuberculosis

Available WHO-prequalified diagnostic tests:

- Rapid tests for HIV
- Rapid tests for hepatitis B and C
- Rapid dual HIV-syphilis tests
- Rapid treponemal, and dual treponemal-nontreponemal tests for syphilis
- Rapid tests for malaria
- Rapid molecular tests for HIV, HPV, hepatitis B and C
- Rapid molecular tests for TB (Xpert® MTB/RIF and Xpert® MTB/RIF Ultra)

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

* Some items are unique to COVID-19 response and may not be included in future lists.

More than **410** products for the Region
Quality Assurance

Based on WHO Prequalification Program and through collaboration with the National Regulatory Authorities in countries across the Region, PAHO assures the quality, safety, and efficacy of the products acquired through the Strategic Fund. PAHO has internal quality assurance processes for the continuous monitoring of products purchased through its procurement mechanisms in order to ensure that the products that reach Member States meet strict international standards.
Technical Cooperation

Mitigating COVID-19 supply chain disruptions

During the COVID-19 pandemic, the Strategic Fund rapidly mobilized to assess inventories across the Region, working closely with procurement specialists, distributors, and national agencies to analyze current supply needs. This allowed PAHO to evaluate which medications had adequate safety stock and which needed to be prioritized, simultaneously avoiding unnecessary expenses or late fees. By leveraging close relationships with suppliers to better plan deliveries and shipments, as well as existing long-term agreements (LTAs) to assure the availability of supply and mitigate price inflation, the Strategic Fund expanded feasible supply chain options that provided Member States with needed flexibility. This also ensured rapid delivery of PPE, diagnostics, and biomedical supplies for COVID-19 response. The Strategic Fund coordinated with PAHO’s procurement and supply management to evaluate alternative modes of transport (e.g. air freight versus ocean freight) in order to adapt to the most cost-effective and timely methods amidst continuously evolving COVID-19-related disruptions. This included directly negotiating with suppliers to absorb increases in freight costs. Finally, the Strategic Fund worked with partners to support effective alternative treatment protocols to help adapt to restricted supplies during COVID-19.

Noncommunicable diseases

The HEARTS Initiative

Within the interprogrammatic framework, the PAHO Strategic Fund has successfully completed an international competitive bidding process and established LTAs for 15 antihypertension medicines for the 2021–2022 period. They include new pharmacological categories and formulations of fixed-dose combination antihypertension medicines, which have already been included in the national treatment protocol of most HEARTS implementing countries and have been recommended by WHO to improve hypertension control and support programs for cardiovascular diseases.

Availability, affordability and accessibility of a biosimilar

In the Region of the Americas, the Strategic Fund is supporting Member States to pursue affordable biologic therapy for cancer, in a sustainable manner, with the assurance of safety, efficacy, and quality. In 2020, the Strategic Fund incorporated a similar biotherapeutic of trastuzumab, a monoclonal antibody, which is included in the World Health Organization’s Essential Medicines List and Prequalification of Medical Products lists. This is an important achievement for the management and improvement of the response rate and progression-free survival of breast cancer and patient care within the aim of achieving universal access. This biotherapeutic similar has the potential to enhance accessibility to cancer therapy for breast cancer patients and to provide beneficial alternatives for decision makers.

In Latin America, an estimated 114,900 women are diagnosed with BREAST CANCER every year.
Innovative Financing Mechanisms

During 2020, the Strategic Fund extended over $39 million in credit lines to support Member States. This provides a unique economic benefit to countries, enabling them to purchase lifesaving medicines and supplies while facing financial or administrative constraints. In addition, the Strategic Fund worked with international finance institutions (e.g. World Bank, Inter-American Development Bank, and Central American Bank for Economic Integration) to mobilize resources for multilateral donations. The Strategic Fund also strengthened technical cooperation by facilitating bilateral donations of medicines (i.e. horizontal lending support) and shifted programming funds to help finance the rising costs and additional COVID-19 support.

Given the COVID-19 context, Member States expressed a need for more flexible financing options to secure globally scarce supplies such as PPE, diagnostic tests, and medicines for intensive care, especially during the early phases of the pandemic. To meet this request, the Strategic Fund provided bridging loans through lines of credit, allowing countries to purchase emergency products before they had the finances available.

Communicable diseases

Multi-month dispensing for HIV during COVID-19

The Strategic Fund has collaborated with other partners to address disruptions in global supply changes by supporting priority programs in improving local distribution and dispensing of antiretrovirals.

In a collaborative and interprogrammatic effort with PAHO’s communicable diseases and medicines and health technology experts, and the Joint United Nations Programme on HIV and AIDS (UNAIDS), the Strategic Fund supported the development of the document, “Guidelines for the implementation of the dispensing of antiretroviral drugs for several months.” This provides guidelines for the prescription, distribution, and dispensing of antiretrovirals in the context of the global disruptions in supply during the COVID-19 pandemic, and in order to improve the availability and access of these medicines, avoid treatment interruptions, and strengthen comprehensive care for populations living with HIV.

Panama Warehouse during COVID-19: Integrated work with WHO on Leishmaniasis and Chagas disease

The Strategic Fund, through an interprogrammatic initiative with PAHO’s communicable diseases experts, supported the Regional Warehouse of Donations CDE/PAHO in Panama to improve access to medicines for neglected tropical diseases (NTDs) by distributing essential products to 19 countries in the Region.

In 2020, the warehouse procured key treatments for NTDs such as leishmaniasis, including over 100,000 anti-chagasic treatments and 54,000 antimalarial treatments. Amidst severe disruptions to global supply generated by COVID-19, the regional warehouse supplied two countries in the Region with the antimalarials required to address critical shortages of chloroquine caused by challenges in the export of this product.

Increased access due to reduction of cost: Hepatitis C

The Strategic Fund has helped to improve access to Hepatitis C medicines by introducing generics and updating national formularies. Since 2018, this has led to a 60% reduction in national spending and a 475% increase in people supported by Hepatitis C treatments in the Region.
Benefits of Demand Consolidation

- Better position to negotiate with suppliers for better prices, lower costs, preferential service, efficient labeling, and clear terms and conditions.
- Reduced emergency requests, risks of stock-outs, supply chain problems, and assurance of supply.
- Technical cooperation to strengthen information system to inventory management, improve quantification methodology, and enhance forecasting.
- Better cash flow planning and use of the Strategic Fund credit line.
- Timely options for different modes of transport (maritime vs. air), saving up to 400% in costs and reducing the carbon footprint up to 90%.

Transparency in International Bidding Process

The Strategic Fund ensures high standards and transparency in the procurement process, in line with the United Nations’ best practices. The Fund establishes 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 2020, the Strategic Fund supported:

- 105 LTAs to secure competitive prices for essential medicines
- 104 LTAs for diagnostic kits
- Over 1,100,000 people received antimalarial treatments
- Over 500,000 people with TB received treatment
- Over 450,000 people living with HIV/AIDS received antiretroviral treatment
- Over 104,000,000 people living with HIV/AIDS received antiretroviral treatment
- Over US$235 million in purchases placed in 2020

Credit: megaflopp
Capital Account

The Strategic Fund Capital Account provides financial assistance to countries through an *interest-free line of credit*. This credit is used to respond to emergency needs, prevent stock-outs, and ensure continuity of supplies, thus facilitating better planning by helping member states to:

- acquire health technologies for COVID-19 timely response;
- mitigate possible major increases in freight charges and medicine costs;
- improve demand forecasting for product acquisitions;
- improve efficiency in the procurement process;
- 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.

### Countries with Line of Credit

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>US$24M</td>
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### Capitalization Account Growth (2005-2020)

#### Figure 2: Capital Account Growth (2005–2020)

![Capital Account Growth Chart]

In 2020, the Strategic Fund extended over **US$39M** in lines of credit to help Member States pay for essential medicines and supplies. (at an utilization rate of over 150% of the Capital Account).

At the end of 2020, the Strategic Fund Capital Account amounted to **US$24M** (an 18% increase over 2019). Furthermore, the Strategic Fund granted lines of credit to 16 Member States to facilitate their access to essential medicines in a timely manner.

### Process Improvement

**Key Performance Indicators Dashboards**

The Strategic Fund Coordination developed a set of internal Key Performance Indicators (KPIs) to measure core processes and visualize the impact of its strategic initiatives. An enhanced data visualization platform, leveraged by the Strategic Fund starting in 2019, provides interactive and user-friendly charts with data, offering valuable and actionable insights to drive decision-making and align the organization towards its strategic objectives. Furthermore, innovative data analyses enable PAHO to identify patterns, trends, and anomalies in the data, opening possibilities for identifying value-added opportunities, efficiencies, improvements, and recommendations for Member States.

#### Collaboration portal for shipping documents

The Strategic Fund and PAHO’s procurement and supply management have been part of the digital transformation to continuously improve efficiency and service to Member States. As part of this initiative, a portal was developed to enable suppliers, national authorities, and PAHO personnel to save and repurpose the time used in managing documents to more strategic activities.

The portal is accessible, through personal computers or mobile devices, to 342 national authorities and 111 suppliers, allowing suppliers to upload shipping documents. Within 24 hours, national authorities can access these same documents, without the need for transmitting documents by email, which traditionally took several days and delayed response times.
Country Success Stories

Argentina

The Strategic Fund has been fundamental to ensuring the availability of medicines and strategic public health supplies for Argentina’s Ministry of Health. The country has increased and diversified acquisitions in recent years, including medicines for hepatitis C, immunosuppressants, antiretrovirals, and antituberculosis medications. In 2020, the Strategic Fund’s technical cooperation in managing the supply of rapid diagnostic kits for COVID-19 and PPE was particularly critical.

Following dramatic increases in previous years in purchases of HIV and tuberculosis medicines, Argentina notably expanded into new types of products in 2020, including rapid diagnostic tests and PPEs to contribute to the COVID-19 response. Equally symbolic was the acquisition of second-line antibiotics and other lab equipment such as respirators.

The support of the technical and administrative staff of the PAHO Argentina Country Office was crucial to achieving these milestones. Despite intense global and national restrictions regarding international cargo transport and land mobility, all needed supplies were delivered in a timely manner to mitigate the effects caused by the pandemic. Additionally, a noteworthy initiative developed with the National Regulatory Authority guaranteed that all essential supplies compiled with the country’s regulations. Finally, through joint work between PAHO through its Strategic Fund, the PAHO Country Office, and the Ministry of Health successfully completed demand consolidation of crucial products required in 2021, strengthening its planning and acquisition process.

During 2020, as part of the Dominican Republic’s preparation and response to the COVID-19 pandemic, and in accordance with the nine strategic pillars of its national contingency plan based on PAHO/WHO recommendations, the Strategic Fund rapidly supported the Ministry of Public Health in securing approximately US$3.8 million worth of COVID-19 diagnostic kits. This included PCR test accessories and rapid test kits for the detection of antigens.

The Strategic Fund’s timely response addressed the emergency, ensuring that health technologies met quality standards, were offered at affordable prices, and were delivered efficiently given challenges to global transportation caused by the high demand for supplies and equipment during COVID-19. The country waived the use of a credit line to facilitate rapid procurement, in response to the operational support actions and logistical aspects corresponding to Pillar 8 of the Strategic Response Plan to COVID-19.

Honduras

“The Strategic Fund has supported the Honduran Ministry of Health with the acquisition of quality medicines and other supplies to continue providing essential health services and strengthen the national response to the COVID-19 pandemic,” said Dr. Claudia Quiroz, an official at the Ministry of Health of Honduras.

By leveraging lines of credit through the Strategic Fund, Honduras procured diagnostic tests for COVID-19 to ensure the timely identification of patients affected by the SARS-CoV-2 virus. This enabled the country to quickly and efficiently make COVID-19 antigen tests accessible for populations living in shelters who were affected by recent hurricanes. Additionally, during the pandemic, the Strategic Fund facilitated the delivery of PPE and essential medicines to Honduras to support the protection of health workers and the diagnosis and treatment of communicable diseases, which allowed ensured, continuous support of key populations despite disruptions in global health supply chains. These products complied with international standards of safety, efficacy, and quality, and generated significant savings for the country’s investments in combating COVID-19.
Compared to 2019, Peru nearly doubled the amount of purchase orders placed through the Strategic Fund during 2020 in response to the COVID-19 pandemic. The country was able to procure more than US$10 million worth of goods through the Strategic Fund, allowing the country to implement its preparedness and response plan against the pandemic. This included the purchase and acquisition of rapid antigen tests, protective glasses, surgical masks, respirators, and gowns, all of which comply with international standards.

Similarly, the technical cooperation provided by the Strategic Fund was important in promoting and supporting alliances with other PROSUR countries for consolidating the demand for medicines and supplies that were difficult to procure in national pharmaceutical markets. This cooperation facilitated the search among international suppliers, especially for medicines required in intensive care units that were in short supply given disruptions to international healthcare supply chains.

In the framework of a collaborative inter-agency effort between PAHO, UNAIDS, UNICEF, and The Global Fund to Fight AIDS, Tuberculosis and Malaria, the second phase of the Master Plan for Strengthening the HIV, Tuberculosis, and Malaria Response was launched in Venezuela in coordination with civil society organizations and the Venezuela Ministry of Health. As part of this initiative, the PAHO Strategic Fund played a fundamental role in the supply of antiretrovirals, antituberculosis medicines, antimalarials, and supplies for the diagnosis and monitoring of populations affected by these diseases. The Strategic Fund also supported the acquisition of approximately US$8.5 million in PPE, supplies, and diagnostic equipment to respond to the emergency needs during COVID-19.

The Strategic Fund worked interprogrammatically with other PAHO units to provide vital technical cooperation in planning demand, managing procurement, and delivering products in a timely, efficient, and comprehensive manner. Finally, through joint work between the Strategic Fund and the country office, the Ministry of Health successfully completed demand consolidation of crucial products required in 2021, strengthening its planning and acquisition process.
The PAHO Strategic Fund Annual Report 2020 outlines progress made over the past year in helping ensure access to essential medicines and public health supplies while responding to the COVID-19 pandemic. The report covers various aspects of the Strategic Fund, including benefits offered, participating stakeholders, product offerings, and key initiatives. It also provides useful data, information, statistics, and examples of ways in which the Strategic Fund has facilitated technical cooperation across the Region of the Americas. This report aims to summarize the critical work undertaken by the Strategic Fund during 2020 and offer insight into its operating principles and goals for long-term strengthening and support of health systems in the Region.