



The Future of Global Health Procurement: A Changing Role for Global Cooperation

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In an evolving landscape, the global community should seek to sustain and possibly expand global cooperation for procurement—even after most countries transition from current global health mechanisms.

The Status Quo

The efficiency of procurement is critical to ensuring affordable and sustainable access to medicines, diagnostics, devices, and equipment. Procurement is central to the missions of global health entities like the Global Fund, Gavi, UNICEF, UNFPA, and PEPFAR, and represents a major component of their spending. Global health entities also aggregate demand, provide signals that help “pull” targeted innovations to market, and help ensure product quality. These existing sources of global cooperation help address many of the procurement challenges identified by CGD’s Working Group on the Future of Global Health Procurement:

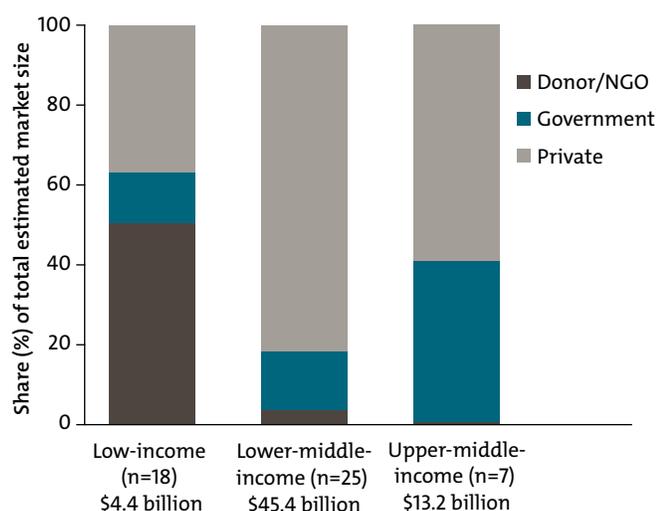
- **Unorganized demand:** Market fragmentation may deter suppliers from entering low-volume markets, and/or increase prices. When demand is uncertain and/or unreliable, suppliers may also limit investment in R&D and manufacturing capacity. Support from global health entities, like the Global Fund and Gavi, help to aggregate demand through institutional negotiations, thus minimizing transaction costs, lowering prices, and ensuring greater reliability for suppliers.
- **Asymmetric information:** In the absence of strong quality assurance mechanisms to ensure medicine quality—a frequent problem in low- and middle-income countries—purchasers may be unable to distinguish high-quality medicines from substandard or fraudulent drugs. Through support of the WHO’s prequalification program for specific therapy classes, global health funders have helped ensure consistent quality for many donor-purchased health products.
- **Public and common goods:** Some global health products lead to diffuse benefits across the entire world—but this may not offer sufficient incentive for investment by individual patients or country payers. Collective action at the international level has helped provide critical global public goods—such as the effort to eradicate polio and R&D for neglected diseases.
- **Externalities:** Some health products have costs and benefits that extend beyond the individual user; for example, a relatively expensive vaccine may offer important global benefits. Global health institutions have helped promote use of some products with important externalities, for example artemisinin combination therapies to treat malaria and slow emergence of drug resistance.

Transition from Donor Aid Points to Procurement Risks on the Horizon

Transition from donor aid is global good news. Countries are growing wealthier and increasingly self-financing and self-procuring health products. But rapid devolution of procurement functions from the global to national or subnational levels may threaten the global health community's collective capacity to promote and sustain health-related global public goods.

- **Self-procuring public purchasers face high—and highly variable—prices:** In comparison to Gavi-negotiated prices for the pneumococcal conjugate vaccine of \$3.05 to \$3.30 per dose, self-procuring middle-income countries pay between \$10 and \$50 for the same vaccine.
- **In newly middle-income countries, patients increasingly seek health products in the private sector:** In lower-middle-income countries, 80 percent of health products are procured through the private sector, where individuals pay directly for medicines out-of-pocket (Figure 1).
- **There is potential risk for greater use of medicines of unknown—or poor—quality as countries assume self-procurement:** Between 2016 and 2018, 29 low- and middle-income countries purchased TB medicines of unknown quality.

Figure 1. Private, Government, and Donor/NGO Financing as a Share of the Total Estimated



For source and notes see full report.

The Way Forward: Sustaining and Expanding Global Cooperation for Procurement and Targeted Innovation

In this changing landscape, global health institutions should redefine and reimagine their procurement support:

- **Pooled demand and cooperative purchasing:** Expanded cooperation at the global or regional levels to pool procurement may help address fragmented demand, especially in low-volume or fragile product markets. Other forms of collaboration could include globally or regionally negotiated price agreements accessible to multiple procurers.
- **Targeted investments in R&D:** Traditional donors should engage emerging middle-income country payers as partners to identify and advance local R&D priorities, particularly where market failures limit private-sector investments through normal channels.¹
- **Common standards and principles for quality assurance:** Donors should ensure consistency in quality standards across medicines and other health products, whether procured by countries themselves or through bilateral, multilateral, and third-party procurers using donor funds.
- **Information-sharing, market intelligence, and e-platforms:** Donors should sustain and possibly expand support in this area, building on existing efforts such as the Global Fund's Wambo.org and the Global Family Planning Visibility and Analytics Network.
- **Continued subsidy:** Donors can consider continued subsidy for specific products—for example, products that have important positive externalities or that are marginally cost-effective—even after countries have transitioned from external aid.

This factsheet is based on the final report of CGD's Working Group on the Future of Global Health Procurement. The full report, Tackling the Triple Transition in Global Health Procurement, is available at www.cgdev.org/better-health-procurement.

¹<https://www.cgdev.org/page/market-driven-value-based-advance-commitment-mvac>