

INTERNATIONAL DRUG PURCHASE FACILITY (IDPF)

1) Context

Six million HIV-infected people are in urgent need of antiretroviral treatment (ARV) in the developing world. However, the current level of ARV production and the way the international ARV market is currently organized do not allow to answer that need. It is thus essential to secure the demand for ARVs, particularly that for “second line” drugs, in order to increase their production and decrease their costs. Despite significant efforts, the pharmaceutical industry (both Rand D industry and generic drug producers), should be able to do more to facilitate access. Drug producers will however only move further if drug purchase is firmly confirmed and is financially secured. Similar questions relative to volume and price of drugs as those raised by ARVs are now being asked with respect to 2nd-generation anti-malarial drugs and drugs against TB (particularly MDR TB), that result in over 2.5 million deaths each year.

Securing financial resources will also provide developing countries with sustainable funds, which will be an incentive for them to reinforce their commitment to facilitate access to treatment. Securing resources in the long term is indeed vital for securing access to ARV drugs.

Large amounts of funding are required for drugs. The Global Fund currently spends 40 % of its budget on the purchase of drugs. Today, there is no centralized mechanism for drug purchase so that large differences in price may occur for a given drug between regions in the world. How then, in a globalized world, do we facilitate a global access to essential medicines at a low cost ?

The international solidarity contribution is of particular relevance here as compared with conventional ODA as it will generate sustainable and predictable funds that may answer a number of concerns with regard to access to large scale treatment in the developing world.

2) Objectives and main features of the IDPF

The objectives of the IDPF would be two-fold:

- Mobilizing resources in the mid- and long-term for the purchase of drugs and other medical products (e.g. diagnostic kits) needed for the treatment of the three killer diseases of the developing world, with strong emphasis on HIV/AIDS and drug-resistant malaria.
- Structuring the drug market, particularly that of ARVs, allowing for lower prices through better structured competitive mechanisms and by establishing reciprocal agreements between producers and buyers in the long term, while also ensuring the quality of drugs.

The IDPF would thus have two main functions:

1. The negotiation of best possible prices for drugs, through international tenders calling for large amounts of drugs, within a framework of long-term contracts and of rigorous criteria for quality of purchased drugs. Such an objective will be reached through innovative means of negotiation and market structures (e.g. by creating an electronic market, e-market) specifically adapted to the nature of the drug(s) to be purchased. Technical details of envisaged mechanisms will be provided in a further document.

2. The funding of drugs for beneficiaries of programs of the Global Fund and other multilateral institutions. This section of the IDPF's activities may also include an auditing function on the quality of purchased drugs.

The IDPF would thus contribute to reconcile the constraints of R&D industry with a facilitated access to low cost drugs for developing countries, and initiate new economic models for the worldwide provision of drugs related to the main global public health issues.

3) Mechanism

It is suggested that beneficiaries from programs of the Global fund or other multilateral institutions (e.g. World Bank) would call on the IDPF for procurement of drugs and other medical products to be purchased in the programs. The IDPF would rely as much as possible on national procurement structures. It would then pool together orders received from beneficiaries and launch international and transparent tenders of which the volume would allow for significant reductions in prices.

The IDPF would also provide assistance to countries for their negotiations on prices. This objective may be best achieved by subcontracting a specialized organization. The IDPF could also take advantage of the experience of the "Global Drug Facility" that serves as a procurement body for drugs against TB.

Drugs purchased through the IDPF would necessarily have received an agreement (e.g. from the FDA, the EMEA or have been pre-qualified by WHO), as it already is the case for drugs purchased through the funding of multilateral programs.

Such a mechanism would result in transferring to the IDPF all or part of the drug purchase section of the programs funded by the Global Fund or the World Bank. The latter organizations would then be in a position where they could redirect the amounts of funding that would have been dealt with by the IDPF, towards other aspects of the fight against the three diseases, thus demonstrating that IDPF-related funds are indeed additional to other and conventional sources.

The IDPF should thus be in a position to secure procurement of pre-qualified quality drugs, without disruption in availability, together with an assistance to price negotiation provided to countries. With regard to producers, the IDPF would provide them with a better ability to plan for production and guaranteed payments.

4) Governance

The relevant part of the funds generated by the air ticket levy would be deposited in a fiduciary fund, e.g. at the World Bank or UNICEF.

Two basic principles would guide the governance of the IDPF:

1. The administrative structure associated with the IDPF should be light. Thus functions such as assistance to price negotiation or audit on the quality and transparency of prices, could be sub-contracted to external sources.
2. The IDPF would be governed by a Board with voting and non-voting members. The Former group would include representatives of the countries participating in the airline ticket levy initiative. Other members would include representatives of developing countries, civil society, Global fund, UN agencies (WHO, UNAIDS, UNICEF), World Bank,

private sector, and of countries that would have expressed interest in the process without having however committed to participate to it in the short term.

The IDPF could contract with either the Global Fund, WHO, or another institution, depending on the decisions to be taken.