
REPORT ON THE CHARGE ASSESSED ON THE PROCUREMENT OF PUBLIC HEALTH SUPPLIES FOR MEMBER STATES

Background

1. As an integral component of its technical cooperation, the Pan American Health Organization (PAHO) facilitates access by Member States to critical public health supplies through the Revolving Fund for Access to Vaccines (Revolving Fund), the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund), and reimbursable procurement on behalf of Member States (collectively known as the Regional Revolving Funds or RRFs). The Revolving Fund was established in 1977 pursuant to Resolution CD25.R27 to facilitate the timely availability of quality vaccines at the lowest prices. The Strategic Fund was established in 1999 following requests from Member States for assistance in the procurement of strategic public health supplies to combat HIV, tuberculosis, malaria, and neglected diseases. Since 2013, the Strategic Fund has incorporated medicines to prevent and treat noncommunicable diseases. The reimbursable procurement mechanism was established in 1951 pursuant to Resolution CD5.R29 to support the procurement of health program items that are unobtainable or difficult to procure by Member States.
2. In 2013, the 52nd Directing Council adopted Resolution CD52.R12, *Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (1)*. This resolution called for an increase in the charge assessed on procuring all public health supplies from 3.50% to 4.25%, effective 1 January 2014. Of the 4.25%, 3% of the net cost of the products procured through the Revolving Fund and Strategic Fund is deposited into the capital account of the respective Fund to provide Member States with a line of credit. The remaining 1.25% is deposited into the Special Fund for Program Support to help defray overall costs to the Pan American Sanitary Bureau (PASB or the Bureau)—administrative, operating, and staffing costs—to manage the RRFs. The resolution also requested the Director to review the charge assessed and report on its use at the end of each biennium.
3. In 2020, the 58th Directing Council adopted Resolution CD58.R4, *Review of the Charge Assessed on the Procurement of Public Health Supplies for Member States (2)*. This resolution called for an increase in the administrative component from 1.25% to 1.75% and a compensating decrease in the capital account component from 3% to 2.5%, effective 1 January 2021. This change aimed to respond to the increasing costs of managing the RRFs while maintaining the overall 4.25% charge.

4. This document is the first report on Resolution CD58.R4. It provides an update on the progress made by PASB during the 2022–2023 biennium on the financial resources collected from the 1.75% administrative component of the charge. This document also presents new priorities financed with the 1.75% administrative component and proposes a few adjustments, mainly to the 2.5% fee component, to maximize opportunities to address new priorities. The priorities focus on promoting regional manufacturing and innovations, pandemic preparedness and response, and increasing access to new technologies, including those that are costly.

Situation Analysis

5. The financial resources collected from the 1.75% administrative component of the charge are available for use in the subsequent biennium. At the end of 2021, a total of US\$ 34.2 million¹ collected from the 1.75% administrative component of the charge assessed on procurement through the RRFs in the 2020–2021 biennium was made available for use in the 2022–2023 biennium. An additional \$13.4 million became available as a balance from allocated resources from previous bienniums, bringing the total available resources for allocation to \$47.6 million, as shown in Table 1.

**Table 1. 2022–2023 Financial Implementation
of Financial Resources Collected through 2021
(US\$)**

Biennium	Available for allocation (A)	Approved for the biennium	Expenditure (B)	Remaining balance (A) - (B)
2022–2023	47 642 056	37 679 850	26 049 911	21 592 145

Note: Balance does not include financial resources collected in the 2022–2023 biennium, as these will be available for use in the 2024–2025 biennium.

6. For the 2022–2023 biennium, the Organization reported expenditure on operations and activities related to the RRFs of \$26 million, as shown in Table 2. Compared with the 2020–2021 biennium, total expenditures increased by \$6.3 million, with half of this increase owing to payroll-related expenses (\$3.1 million). As in previous bienniums, payroll expenses represented the main cost component, accounting for 71% of total expenditure in the 2022–2023 biennium. During this biennium, PASB implemented activities related to the operations of the RRFs and the delivery of technical cooperation in core areas, including immunization, quality assurance, demand planning for vaccines and medicines, and supply chain management. Total expenditure for these activities amounted to \$5.9 million. Additionally, PASB has implemented investment projects to create efficiencies and improve support for Member States. Total expenditure on investment projects amounted to \$1.7 million. PASB launched the Regional Revolving Funds Portal for Member States, giving participating countries and territories timely access to information and digitizing the demand quantification and planning processes.

¹ Unless otherwise indicated, all monetary figures are expressed in United States dollars.

Table 2. Financial Implementation by Category, in 2022 and 2023
(US\$)

	2022	2023	Total expenses in 2022–2023
Payroll disbursements: fixed and non-fixed positions	8 098 380	10 351 108	18 449 488
Activities	1 650 794	4 240 288	5 891 082
Investment projects	500 638	1 208 703	1 709 341
Total	10 249 812	15 800 099	26 049 911

7. In collaboration with Member States, PASB initiated and processed more than 4200 purchase orders during the 2022–2023 biennium and coordinated the corresponding logistics for each shipment. These purchase orders consisted of more than \$1.7 billion for *a)* the cost of goods, including biologicals and injection ancillaries, cold chain equipment, and vaccines; *b)* public health supplies and medicines for HIV, tuberculosis, malaria, neglected infectious diseases, and noncommunicable diseases; *c)* in vitro diagnostics, vector control, and medical supplies; *d)* supplies to respond to the COVID-19 pandemic; and *e)* the cost of freight, insurance, and administrative charges for the delivery of these supplies. It is estimated that, during the biennium, Member States protected more than 130 million people through vaccines and over 30 million people through access to medicines and other public health supplies.

8. The increased supply needs derived from the extensive country response to the COVID-19 pandemic resulted in an exceptional increase in financial resources collected from the 1.75% administrative component of the charge in 2021 and 2022, which resulted in a balance of \$21.6 million in the Special Fund for Program Support after implementation of the 2022–2023 work plan. When added to the revenue collected during the same biennium (shown in Table 2), the total balance for implementation in the following periods amounts to \$53.9 million. Given this balance, PASB is in the process of identifying catalytic opportunities for investment that will have high impact for Member States without compromising future budgets.

9. The increase in financial resources collected during the COVID-19 pandemic is not expected to be sustained in the future. As shown in Table 3, there was a 37% reduction in the financial resources collected in 2023 from the 1.75% administrative component of the charge compared with the amount collected in 2022, suggesting a reversal of the pandemic trend. The financial resources received from the administrative charge in 2023 totaled \$12.5 million, while expenses that year reached \$15.8 million (see Table 2). In this context, the available balance of \$21.6 million in financial resources collected from the 1.75% administrative component of the charge is critical for covering future gaps and implementing essential projects to improve service and value to Member States and create efficiencies to strengthen the RRFs. Finally, with the support of an external firm, PASB is conducting a cost analysis of the RRFs to identify cost drivers and potential efficiencies to improve the sustainability of the RRFs.

Table 3. Revenue Reported in 2022–2023
(US\$)

	2022	2023	Total
Revenue	19 894 885	12 453 271	32 348 156

Note: Figures include realized gains and losses.

Priorities of the Regional Revolving Funds Introduced in the 2024–2025 Biennium

10. The rapid advancement of innovations and new technologies in vaccines and medicines is reshaping the landscape of healthcare delivery, offering breakthroughs in disease prevention, diagnosis, and treatment. Likewise, breakthroughs in biotechnology, gene editing, and pharmaceutical research have led to the development of effective new treatments, diagnostics, and vaccines, heralding a new era of medical possibilities. However, these advances often come with significant downsides, including high prices and limited manufacturing and supply sources. As countries in the Region of the Americas endeavor to provide equitable access to these cutting-edge treatments, they face the challenge of managing escalating costs and demand.

11. The inequities in access to vaccines and other essential health technologies during the COVID-19 pandemic have served as a reminder of the fragility of global healthcare systems and the critical importance of preparedness and resilience. Throughout the pandemic, countries in the Region experienced unprecedented disruptions in the supply of essential medical supplies, including personal protective equipment, diagnostic tests, and vaccines. This crisis exposed the risks inherent in relying solely on global responses and the vulnerabilities in the Region's healthcare infrastructure, particularly its dependence on external sources of critical health products. As countries look to the future, there is a need to invest in local innovation and manufacturing capacities and strengthen regional supply chains to address current health priorities and ensure resilience in the face of future crises.

12. The RRFs have made significant strides in supporting regional health achievements, but it is necessary to recalibrate priorities to address emerging challenges. There are opportunities to enhance the RRFs' support to Member States to ensure resilient regional supply chains and continued access to new technologies and innovations, including high-cost products and medical countermeasures. The following additional critical priorities for the RRFs have been introduced in the 2024–2025 biennium:

- a) *Strengthening Regional Innovation and Manufacturing:* The priority of strengthening regional innovation and manufacturing stems from the recognition that self-sufficiency and local production play a critical role in ensuring health security and increased access. Member States emphasized this priority by adopting Resolution CD59.R3 in 2021 (3), with a view to increasing production capacity for essential medicines and health technologies. By promoting regional innovation and manufacturing, the RRFs aim to improve access and reduce the Region's dependence on external sources of essential health products, thereby helping to mitigate supply chain vulnerabilities, enhance resilience in the face of global disruptions, and improve access in order to address regional public health priorities. By prioritizing regional suppliers, the RRFs can create a level playing field for regional innovators and manufacturers and enable them to compete more effectively in regional and global markets, in line with

Resolution CD59.R3. Moreover, investing in regional innovation and manufacturing capacities fosters economic growth and job creation, reduces transportation costs and environmental impact, and promotes technology transfer and innovation, driving long-term sustainable development.

- b) *Establishing Regional Supply Agreements for Rapid Response:* In order to enhance preparedness and response capacities to tackle public health emergencies, it is imperative to establish regional supply agreements. The COVID-19 pandemic exposed the shortcomings of relying solely on global responses and few suppliers, and highlighted the need for innovative approaches to ensure timely access to critical medical supplies during crises. By leveraging its demand and financial tools to negotiate agreements on medical countermeasures, the RRFs can secure better terms for early access to essential healthcare products such as vaccines, diagnostics, and therapeutics for our Member States. The RRFs aim to fortify the Region's defenses against future health crises by strengthening its capacity to secure critical medical supplies and establishing a robust regional response mechanism.
- c) *Creating a Regional Stockpile/Hub:* A regional stockpile/hub is a valuable tool for mitigating the impact of supply chain disruptions and reducing transportation costs for Member States. Again, the COVID-19 pandemic highlighted the vulnerability of healthcare systems to sudden surges in demand and disruptions in global supply chains, and underscored the need for strategic reserves of essential medical supplies. Furthermore, the emphasis on reducing transportation costs for Member States, particularly those with smaller populations, reflects a commitment to promoting equity, accessibility, and environmentally sensitive interventions. High transportation costs can significantly increase the price of essential healthcare products for smaller countries, exacerbating disparities in healthcare access (some Member States pay 6–7 times the cost of products to transport them).
13. In the 2024–2025 biennium, the Bureau has prioritized resources from the 1.75% administrative component of the charge to support technical cooperation, as well as activities to advance these priorities. Progress to date in this regard includes:
- a) *Strengthening Regional Innovation and Manufacturing:* PASB convened nine regional vaccine manufacturers from six countries to learn how the RRFs could help to overcome the challenges faced in the Region. PASB is evaluating how to adjust terms and conditions to establish preferences for the procurement of regionally manufactured products, as well as incentives for regional innovators and manufacturers. These incentives could include multiyear contracts and market guarantees for regional manufacturers that offer the predictability and stability needed for long-term investments in production capacity and that encourage them to scale up production and drive down costs. Such advantages can help offset high initial costs and make regional manufacturers more attractive to Member States. PASB is advocating for a public health return on critical research and development and manufacturing investments in regional innovators and manufacturers. Also, PASB is working with regional manufacturers to make the products from the technology transfers available to Member States through the RRFs where they are currently restricted to national markets. As a recent

outcome of this advocacy, the RRFs would have access to a widely used vaccine from a regional manufacturer, rather than relying on sources from outside the Region.

Furthermore, this regional manufacturer would also provide earlier access to the next generation of vaccines to the Region.

- b) *Establishing Regional Supply Agreements for Rapid Response:* PASB has been focusing on mRNA vaccine technology transfer deals and supply agreements to secure early access to a pandemic influenza vaccine. Both initiatives are with regional manufacturers, highlighting the importance of strengthening regional resilience. One regional mRNA manufacturer has already agreed on terms to supply the RRFs if a vaccine is available, including during a pandemic. Furthermore, PASB is exploring options for early access to a pandemic influenza vaccine from regional manufacturers by leveraging routine demand for the seasonal influenza vaccine to reduce costs and ensure sustainability. PASB could further optimize procurement processes and identify areas for improvement, laying the groundwork for more comprehensive regional pandemic response strategies.
- c) *Creating a Regional Stockpile/Hub:* PASB is exploring options to reduce transportation costs and create a stockpile/hub of critical products for some Member States (e.g., vaccines for Small Island Developing States), as well as focusing on products that will benefit all Member States (e.g., syringes). By pooling resources and coordinating procurement efforts, PASB can ensure rapid access to lifesaving treatments, diagnostics, and vaccines during outbreaks or emergencies, thereby strengthening resilience in the Region while pursuing environmental goals.

14. Finally, the Bureau is exploring innovative financing mechanisms to overcome financial barriers to regional innovation, manufacturing, and supply chain resilience. Traditional funding sources may be insufficient to support large-scale investments in innovation, manufacturing, and infrastructure. By establishing long-term deals, volume and market guarantees, and reservation fees for regional manufacturing, the RRFs can de-risk regional manufacturers, development financial institutions, and multilateral development banks, encouraging greater funding, participation, and co-ownership in initiatives to strengthen manufacturing within the Region.

Action Required to Accelerate the New Priorities

15. The Bureau will continue to advance the priorities outlined above in order to ensure resilient regional supply chains and access to new technologies and innovations, including high-cost products and pandemic medical countermeasures. The following three proposals for RRFs capital accounts operations could accelerate and maximize impact on these priorities:

- a) *Flexible Use of the Capital Accounts:* The capital accounts will continue to prioritize credit lines to Member States that need it. Furthermore, subject to the availability of funds in the capital accounts, PASB proposes to leverage up to 15% of the capital accounts to incentivize regional innovation and manufacturing, implement innovative procurement strategies, negotiate pre-pandemic agreements, and/or develop financing initiatives, all with the aim of responding more effectively to Member States' emerging health needs. This may include volume guarantees and pre-payments for regional manufacturers, stockpiling of certain supplies, and the creation of innovative financing instruments that de-risk financing from development

financial institutions and multilateral development banks, particularly for regional manufacturers. The capital accounts will be used for these purposes only after the credit line to Member States is secured.

- b) *Flexible Contributions to the Capital Accounts:* PASB proposes to have the flexibility of exempting Member States from the 2.5% fee for the capital accounts when procuring products from regional manufacturers. This fee reduction, at the discretion of the Director, could help incentivize reliance on regional manufacturers by making the cost of their products more competitive, as well as promoting regional self-reliance, thus benefiting all Member States.
- c) *Flexible Contributions to the Capital Accounts:* PASB also proposes to exempt Member States from the 2.5% capital accounts fee for large volumes of certain high-cost products through the RRFs. This exemption would potentially attract Member States with large volumes to utilize the RRFs, which would increase the volumes of purchases through the RRFs to generate economies of scale and lower costs that benefit all Member States. Such exemptions would be applied equally for all Member States, regardless of their size, thus aligning with the RRFs' commitment to solidarity and pan-Americanism.

16. The principles of solidarity and pan-Americanism will continue to guide the RRFs' efforts to address the Region's evolving needs. Member States are requested to reaffirm their commitment to collective action and mutual support by utilizing the RRFs and exploring areas beyond current engagement. Utilizing the RRFs and prioritizing regional manufacturers help to uphold these fundamental values, demonstrating both unity in adversity and solidarity by improving health outcomes for all. In conclusion, through collaborative efforts and a shared sense of purpose, the RRFs will continue to play a pivotal role in advancing health and well-being in the Region.

Action by the Directing Council

17. The Directing Council is invited to take note of this report, provide any comments it deems pertinent, and approve the proposed resolution presented in the Annex.

Annex

References

1. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Resolution CD52.R12]. 52nd PAHO Directing Council, 65th Session of the Regional Committee of WHO for the Americas; 30 September – 4 October 2013. Washington, D.C.: PAHO; 2013. Available from: <https://iris.paho.org/handle/10665.2/4440>.
2. Pan American Health Organization. Review of the charge assessed on the procurement of public health supplies for Member States [Resolution CD58.R4]. 58th PAHO Directing Council, 72nd Session of the Regional Committee of WHO for the Americas; 28–29 September 2020 (virtual session). Washington, D.C.: PAHO; 2012. Available from: <https://iris.paho.org/handle/10665.2/58206>.

3. Pan American Health Organization. Increasing production capacity for essential medicines and health technologies. [Resolution CD59.R3]. 59th PAHO Directing Council, 73rd Session of the Regional Committee of WHO for the Americas; 20–24 September 2021 (virtual session). Washington, D.C.: PAHO; 2021. Available from: <https://iris.paho.org/handle/10665.2/58267>.

Proposed Resolution

REVIEW OF THE CHARGE ASSESSED ON THE PROCUREMENT OF PUBLIC HEALTH SUPPLIES FOR MEMBER STATES

The 61st Directing Council,

(PP1) Having reviewed the *Report on the Charge Assessed on the Procurement of Public Health Supplies for Member States* (Document CD61/16);

(PP2) Recognizing the historic role of the Revolving Fund for Access to Vaccines (Revolving Fund), the Regional Revolving Fund for Strategic Public Health Supplies (Strategic Fund), and the reimbursable procurement on behalf of Member States (collectively known as the Regional Revolving Funds or RRFs) of the Pan American Health Organization (PAHO) in facilitating access by Member States to essential public health supplies and the evolving needs of the Region of the Americas driven by the rapid advancement of innovations and new technologies in vaccines and medicines, which often come with significant costs;

(PP3) Noting the need to strengthen regional supply chain resilience, innovation, and manufacturing to improve equitable access to quality-assured health technologies, including during emergencies;

(PP4) Considering the potential benefits of utilizing a small portion of the capital accounts of the RRFs to aggregate financing for regional public goods and incentivize investments in regional innovation and manufacturing,

Resolves:

- (OP)1. To urge all Member States, considering their contexts, needs, vulnerabilities, and priorities, to:
- a) continue to recognize the RRFs as the strategic regional technical cooperation mechanisms most suitable for providing equitable access to public health supplies, including high-cost products and medical countermeasures;
 - b) promote solidarity and pan-Americanism through participation in the RRFs, exploring areas beyond current engagement;
 - c) endorse the strategic priorities of the RRFs to support Member States in addressing emerging challenges and opportunities while allowing for increased flexibility and innovative approaches in the use of the RRFs;

- d) authorize the Director to use, at his discretion and subject to the availability of funds, up to 15% of the capital accounts of the RRFs, to incentivize regional innovation and manufacturing, implement innovative procurement strategies, negotiate pre-pandemic agreements, and/or develop financing initiatives, all with the aim of responding more effectively to Member States' emerging health needs.

(OP)2. To request the Director to:

- a) use the capital accounts of the RRFs to continue providing short-term financing through the credit lines as a priority;
 - b) exempt, at his discretion, the 2.5% capital account component of the charge assessed on the procurement of public health supplies when *i)* the goods are regionally manufactured to incentivize regional production and self-reliance, and/or *ii)* the products have high budgetary impact, such as for large volumes of high-cost products;
 - c) report on the implementation of the above flexibilities to the Governing Bodies of PAHO at the end of the biennium 2026–2027.
-