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## Message from the Executive Director - Supply Chain Processes

28 April 2017

Programs supported by the Global Fund have made significant progress, saving more than 20 million lives in the past 15 years, largely due to the successful delivery of health products that have been enormously effective in preventing and treating HIV, tuberculosis and malaria.

Specifically, programs supported by the Global Fund have delivered:

- More than 700 million mosquito nets to protect families from malaria;
- More than 16 million courses of treatment for TB;
- More than 10 million people on antiretroviral therapy for HIV

The impact of supplying those commodities is clear: Mortality rates among children under five – by far the most vulnerable group – fell by 69 percent between 2000 and 2015. In East and southern Africa, the regions most affected by HIV, AIDS-related deaths have decreased by 36 percent and treatment coverage has more than doubled since 2010. The number of people dying of TB fell 22 percent between 2000 and 2015.

Clearly, procurement and supply chains are delivering. In fact, the targets that have been set have been met. What was thought impossible only 15 years ago has been achieved.

But we can do better. Procurement and supply chain processes have been identified as requiring additional action, by our own internal risk assessments, including the evaluation of key roadblocks to progress through a broad-ranging group of key global health actors through Global Fund-initiated “Impact Through Partnerships,” as well as in audits of programs in several countries by the Office of the Inspector General (OIG.) The OIG Audit Report on Global Fund In-Country Supply Chain Processes, further validates that extensive body of work.

The OIG is a central and important part of providing assurance, conducting independent audits and investigations to complement the active risk management and controls put in place by the Secretariat with oversight by the Board of the Global Fund.

As this report indicates, procurement and supply chain represent a continuum. The work of procuring drugs and medical supplies in a timely way is only the first step in getting them through a supply chain, so that they can actually reach the people who need them, at clinics and in villages that often present obstacles in the “last mile.”

We could not address many supply chain issues until we had first worked hard on procurement, the primary building block toward delivery of any products. Our work on procurement came in tandem with a fundamental change in our business model in 2013-2014, as we shifted to an allocation-based funding model that led to more active engagement from the Secretariat. In addition, we needed to prioritize actions, given limited human and financial resources in the Secretariat.

Since the Global Fund began investing heavily in procurement four years ago, an expanded pooled procurement mechanism has saved more than US\$650 million. That is money that countries now use to save more lives and improve systems. On Time and In Full (OTIF) deliveries increased from 36 percent in 2013 to 80 percent in 2016 for the Pooled Procurement Mechanism (PPM), which now covers 60 percent of procurement supported by the Global Fund and is at levels achieved in the private sector.

But OTIF is measured at a central warehouse level, and the ‘last mile’ can be significantly more challenging. Therefore, in 2016, the Global Fund launched a new supply chain initiative, including the development of a supply chain strategy, conducting in-depth diagnostics in 12 high-risk countries by the end of 2017, and work with government and private sector partners to implement supply chain transformation projects. The Global Fund created a new Supply Chain Department within the Grant Management Division, and appointed senior managers with significant private sector experience to implement a coordinated approach.

Many pieces of our new approach are already underway. For instance:

- **Project Last Mile** is a public-private partnership designed assist in improving the availability of critical medicines by building the capacity of Ministries of Health. The partnership leverages the supply chain expertise of the Coca-Cola Company and its bottlers across Africa and includes USAID, the Global Fund, the Bill & Melinda Gates Foundation, local implementation partners, and Ministries of Health, with a goal of supporting up to 10 countries over the next 5 years.
- **Partnership in Nigeria:** Despite many complications, the Global Fund is establishing special partnerships on supply chain in many countries. In Nigeria, through joint planning, co-investment and collaboration with the national Government and partners including the UK’s Department for International Development, the Global Fund is investing US\$20 million to support supply chain

integration for otherwise multiple vertical programs. The goal is to address structural problems, reduce cost and improve customer service by improving the efficiency/performance of the public-sector health product supply-chain.

Overall, the Global Fund's new strategic approach on supply chain aims to significantly improve product availability, reduce product waste, reduce supply chain costs, significantly improve forecast accuracy and also increase inventory turnover, which in itself can reduce costs and waste.

As we implement this work, we welcome the Audit Report by the Office of the Inspector General (OIG) on the Global Fund In-Country Supply Chain Processes. The report identifies many of the challenges that are already being addressed with the new supply chain strategy and other transformative measures.

Although stock-outs sometimes occur, we have consistently preventing disruptions of supply by operating a rapid supply mechanism starting in 2015 that responds to emergency orders for antiretroviral drugs for HIV, artemisinin combination therapy for malaria, and rapid diagnostic tests for TB. The rapid supply mechanism is accessible in all countries supported by Global Fund grants, and leverages Global Fund Framework Agreements that require vendor-managed inventory.

The audit encompasses agreed management actions, nearly all of which were initiated as part of the supply chain management project launched in 2016 and so validate the work that was begun, include:

- The Global Fund is developing a comprehensive supply chain strategy that will define a scope of responsibility, oversight, and necessary initiatives to address supply chain challenges. The strategy will take into account proposals detailed in the building resilient systems for health strategy that aims to strengthen and expand the capacity of health systems to address health issues in a sustainable, equitable and effective manner.
- The Global Fund will conduct in-country supply chain diagnostic studies in 12 priority countries and use these to develop specific plans to strengthen supply chain systems. Each country plan will include plans detailing: Strengthening country governance structures with the support of a partner-financier group to reinforce supply chain accountability and coordination, as well as a costed country supply chain strategy; mechanisms to support key supply chain data; programs to close capacity gaps; and mobilization of funds for country supply chain transformation.
- The Global Fund will implement a plan to structure both the Supply Chain and the Procurement teams and implement an improved structure that clarifies roles, responsibilities and accountabilities and ensures the effective use of available procurement and supply chain management resources.
- The Global Fund will define oversight arrangements for procurement and supply chain management.

- The Global Fund will develop a procurement and supply chain management specific assurance framework that lays out principles that will guide country specific assurance under the differentiated approach. The assurance plan will be linked to the Secretariat's broader assurance framework to avoid fragmentation in approach. Assurance plans will be developed for the 12 priority countries.

The Global Fund is constantly evolving, to improve. Based on extensive input, including from OIG reports, from best-practice in the private sector, and from in-country experience, we are working to fulfil our commitment that people affected by diseases get the supplies they need.

The Global Fund partnership has made exceptional progress towards the global goal ending epidemics. We are grateful for the suggestions so that products get to the maximum number of people who need them to achieve the greatest impact.

Respectfully,  
Mark Dybul  
Executive Director