

37th Board Meeting

wambo.org: progress update and steps for advancement

GF/B37/07 – Revision 2

03-04 May 2017, Kigali, Rwanda

Board Decision

Purpose of the paper: To provide a comprehensive update on the roll-out of wambo.org and lessons learned to date; and to seek Board authorization on the piloting of a limited number of transactions by current Principal Recipients with domestic funding via wambo.org in order to respond to requests by certain countries and inform further strategic and operational planning for wambo.org.

Part 1: Decision point

Based on the rationale described below, the following decision point is recommended to the Board:

Decision point: GF/B37/DP09: Wambo.org: Progress Update and Steps for Advancement

- 1. The Board acknowledges the progress update on wambo.org presented by the Secretariat and notes the proposal contained in the paper “Wambo.org: Progress Update and Steps for Advancement”, as set forth in GF/B37/07-Revision 2, to pilot a limited number of transactions by current Principal Recipients (“PRs”) using domestic funding via wambo.org.**
- 2. Based on the recommendation of the Strategy Committee, the Board approves the piloting of a limited number of transactions (at a maximum ten in total) by current PRs using domestic funding via wambo.org.**
- 3. Accordingly, the Board:**
 - i. requests that the Secretariat: (i) provide to the Strategy Committee, by its next meeting, clearly defined draft indicators of success for the pilot; and (ii) report regularly to the Strategy Committee on the operationalization of this pilot, including any lessons learned from such transactions in light of the long-term perspective for wambo.org; and**
 - ii. delegates to the Strategy Committee the authority to approve further transactions with domestic funding through wambo.org on a pilot basis, with the objective to provide input into further strategic and operational planning for wambo.org.**

Budgetary implications: no additional resources required

Part 2 - Relevant Past Decisions

Relevant past decision point	Summary and Impact
GF/SCo3/DPo2: wambo.org: progress update and steps for advancement (March 2017)	The Strategy Committee discussed and provided input into the progress of wambo.org to date and the supplemental information addressing questions and concerns raised during the voting process and subsequent consultations after the Board did not adopt the same pilot that is presented in this paper in November 2016the proposed e, as described in GF/SCo3/16. The Strategy Committee recommended the Decision point presented in this paper to the Board for approval with 9 votes in favor, and 1 abstention.
GF/AFCo2/DPo1 and GF/SCo2/DPo1: wambo.org: progress update and steps for advancement (October 2016)	<p>The Audit and Finance Committee and the Strategy Committee jointly discussed and provided input into the progress of wambo.org to date and the steps for advancement as described in GF/AFCo2/23a and GF/SCo2/o6a. The Audit and Finance Committee and the Strategy Committee unanimously recommended the decision point therein to the Board for approval.</p> <p>Following the Audit and Finance Committee and the Strategy Committee discussions, the proposed pilot was submitted to the Board in November 2016 as an electronic decision point. The recommendation received the two-thirds majority required for the decision point to pass in the implementer group. However, it did not receive the same required two-thirds majority in the donor group, where two constituencies voted against the decision point and two abstained. As such, the decision point did not pass at that time.</p>
GF/B34/DPo8: Market Shaping Strategy (Nov 2015)	Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approved the Amended and Restated Market Shaping Strategy, as set forth in Annex 1 to GF/B34/17 - Revision 1 (the “Amended and Restated Market Shaping Strategy”). This decision point and the Amended and Restated Market Shaping Strategy supersede Board decision point GF/B23/DP21 and the previous Market Shaping Strategy set forth in Annex 1 to GF/B23/09 – Revision 1. wambo.org was recognized in the Market Shaping Strategy as one way to channel the Market Shaping Strategy while contributing to its objectives.

Relevant past decision point	Summary and Impact
GF/B23/DP21: Global Fund Market Shaping Strategy and Market Shaping Interventions for ARVs (May 2011)	The Board acknowledged the Global Fund’s critical role in shaping markets to maximize global access to health products and further emphasized its desire for the Global Fund to more actively shape markets for health products to optimize price, quality, design and sustainable supply. The Board approved the market-shaping strategy recommended by the Market Dynamics Committee, including a set of specific interventions for anti-retroviral medicines (ARVs). This strategy superseded the Market Shaping Strategy approved in 2007 (GF/B15/DP15).
GF/B23/DP09: Plan for Comprehensive Reform: Value for Money (May 2011)	The Board recognized that the Global Fund is well-positioned to drive value for money and leverage its role as the primary financier of essential health products to improve quality, price, design, and sustainable supply. The Board asked the Market Dynamics Committee to propose expanded uses of the Global Fund’s market dynamics “toolkit”. Among other directives, it also requested the Secretariat to take all necessary and appropriate measures to fully implement voluntary pooled procurement and aggressively execute the Market Dynamics Committee recommendations.
GF/B15/DP15: Market Dynamics and Voluntary Pooled Procurement (April 2007)	The Board adopted the objective and guiding principles for market shaping set out at the 14 th Board meeting and amended at this meeting. In addition, the Board decided to pursue voluntary pooled procurement as the first element of its market dynamics strategy. As such, the Board required that the pooled service shall be operated by one or more global or regional procurement agent(s), and that the Secretariat “shall direct the Procurement Agent to seek to award contracts for a given product to several suppliers, where possible and appropriate in view of consideration of market dynamics.” Finally, participants in the pooled service must agree to direct payment to the procurement agent for purchases. It also determined to strengthen the “Price Reporting Mechanism” (now the Price Quality Reporting Mechanism) and enter into contracts to provide procurement capacity-building services to Principal Recipients.

Part 3 - Action Required by the Committee

Approval of the Decision point above.

Part 4 - Executive Summary

1. This paper presents additional information regarding the opportunity to expand the use of wambo.org on a limited scale in order to generate greater impact and cost-effectiveness through the use of domestic funding. A decision point on this was unanimously recommended to the Board by the AFC and SC in October 2016, but did not pass (see summary above). The present Board Paper contains supplemental information addressing the questions and concerns raised during the voting process in November 2016 and in subsequent consultations; as well as further information addressing themes that the Strategy Committee raised in March 2017, when it recommended decision point GF/SCo3/DPO2 to the Board for approval.
2. **The proposed decision point** would enable wambo.org to facilitate a limited number of procurements by Principal Recipient (PR) organizations using domestic funding. Over a dozen PRs have manifested strong interest to use the platform with domestic funding in addition to Global Fund funding. Interest has been expressed by government PRs in various regions. Some of the countries that have expressed interest are in the process of transitioning or approaching transition from Global Fund resources, while others are in the planning stage.
3. Use of wambo.org on a limited basis (only 10 transactions) with domestic financing will respond to these country requests, support increased impact on the three diseases by extending the leverage and buying power of the Pooled Procurement Mechanism (PPM) to domestic funds, provide lessons learned for later Board consideration of the future of wambo.org, and provide an additional tool to address the sustainability and procurement challenges often faced by countries beginning to transition away from Global Fund financing.
4. The opportunity to use wambo.org to facilitate procurements with domestic funding directly supports the goals of the Global Fund's Sustainability, Transition, and Co-financing (STC) Policy, approved in April 2016. Procurement challenges have been highlighted as a critical aspect of transition readiness and access to sustainable prices is a key concern for countries in transition, approaching and planning for transition. While wambo.org is obviously not a full solution to these complex issues, the opportunity to use wambo.org with domestic financing could provide a practical and concrete contribution to increasing the impact, cost-effectiveness and sustainability of domestic investments for the three diseases.
5. Problematic areas that wambo.org, a tool, does not address include notably: intellectual property restrictions and their impact on pricing structures; regulatory elements such as strong, well-functioning national regulatory agencies and the registration footprint of health products; and end-to-end supply chain considerations upstream and downstream of the ordering process, including demand forecasting, stock quantification, and the availability and use of data and systems (on the latter, order-related data immediately available on wambo.org can be of partial help). Other initiatives by the Global Fund and by partners address these areas.
6. This opportunity to use wambo.org to facilitate procurements with domestic funding is also in line with the Global Fund's Amended and Restated Market Shaping Strategy, which requires the Global Fund to extend the results of its market shaping efforts to countries approaching transition. In practice, certain PRs can already leverage Global Fund negotiated pricing while purchasing commodities with their own funding. This initiative would complement these efforts at an operational level by providing a platform that can enable a more systematic approach to extending access to price – in compliance with applicable legal and regulatory requirements and in line with the terms and structure of existing legal agreements or potential future amendments which are mutually agreed.

7. wambo.org does not create a parallel supply system; rather it is a system that strengthens the procurement capabilities of participating countries. wambo.org operationalizes the process of each country in its specificities and it is used by the relevant teams in-country. By doing so, it becomes an integral part of the country's own procurement process, with the software developed by the Global Fund but available to and owned by the country itself.
8. In terms of products included in the scope of the pilot, all health products available on wambo.org would be purchasable by countries with domestic funding, subject to regulatory and similar considerations that may apply in their jurisdiction. Such products would include those currently available on wambo.org (LLINs, ACTs, ARVs, condoms and lubricants, rapid diagnostic tests for HIV and malaria, Viral Load tests kits), as well as other products on track to be onboarded (such as Viral Load machines, non-core pharmaceuticals, other diagnostics, lab equipment), as and when they become available on wambo.org.
9. The approach was designed to respond to country interest and to channel a small number of orders by PR organizations using domestic funding, while limiting risk to the Global Fund. The requirement for upfront payment by PRs will ensure that transactions are accepted by suppliers and mitigates potential risk. To provide a concrete understanding of the implications, an illustrative process description and risk analysis are provided in Annexes I and Part 7 of this paper, respectively.
10. If implemented on the proposed small scale, the use of wambo.org to facilitate procurements with domestic funding would not require major re-development of the platform or imply significant additional costs (the necessary contractual arrangements would need to be put in place or amended as needed). In this sense, this step can be seen as a "Phase 1b": formally going beyond Phase 1a (i.e. wambo.org operating within the Pooled Procurement Mechanism (PPM) framework, with grant funds).
11. The proposed decision point is a limited request for 10 pilot transactions with domestic funding. If the proposed decision point is approved, the Secretariat would provide data and report lessons learned to the Strategy Committee across three areas: savings realized, efficiency of process and workload implications and PR satisfaction (paragraph 57 contains an overview of the timing at which the Secretariat envisages to be able to share different types of information). The proposed decision point confers it authority to consider the approval of additional transactions beyond the first ten. In addition, if the proposed decision point is approved, the Board will receive an overall evaluation of the pilot; it could then consider a decision to expand the use of wambo.org with domestic funding beyond a pilot phase, as well as integrate the insights learned via the pilot in discussions about a potential future Phase 2.
12. **It is important to note that this decision point does *not* propose an initiation of preparations towards Phase 2 of the project**, i.e. the potential a global public good to include members of the broader global public health community outside of the Global Fund. Support for the decision point on the limited domestic funding pilot, proposed at this meeting, does not imply or otherwise indicate support for broader Phase 2 decisions in the future.

Before proceeding to any Phase 2, there will be extensive consultations and analysis at committee level, and with the Board. Work towards a possible Phase 2 transition would include fact-based analyses on a range of topics (Preparations) and a thorough, inclusive consultative process (Consultations). The Preparations and Consultations would likely require at least 12-18 months from their initiation and would lead up to a "go/no-go" decision by the Strategy Committee and Global Fund Board. Further detail within Part 6, Section 6 describes what potential future Phase 2 Preparations and Consultations could look like. However, because of current priorities and appropriate sequencing, this does not represent a concrete plan at this stage.

13. **Update on the roll-out of wambo.org.** wambo.org was designed and implemented initially in 2014-2015. Officially launched in January 2016, and now in its Phase 1, the aim and scope of wambo.org is to support Global Fund grants as an online procurement platform for Global Fund Principal Recipients (PRs). With over 70 PR organizations having access to the platform and over 400 million USD worth of transactions channeled, it is well on track to completely transitioning the order placement operations of the PPM by June 2017. Detailed progress updates since the November 2016 update are at Annex II. Work on exploiting the platform's potential to accelerate the scale-up of innovative products also progresses, led jointly with UNITAID, which is co-funding the project¹. During a survey run in November 2016, PR users reported a 100% satisfaction rate with their overall experience.
14. The priority for 2017 is to consolidate and build upon the rapid expansion achieved in 2016 under Phase 1. This includes a complete transition of PPM PRs and product categories to the platform, continuing dialogue with the Global Drug Facility towards a potential future launch of TB products (with the partner organization co-utilizing the platform to receive and process orders by PRs for the products it procures) and the operationalization of the existing Memorandum of Understanding (MOU) with UNOPS by including select non-health product categories on the platform.

Part 5 – Background on wambo.org

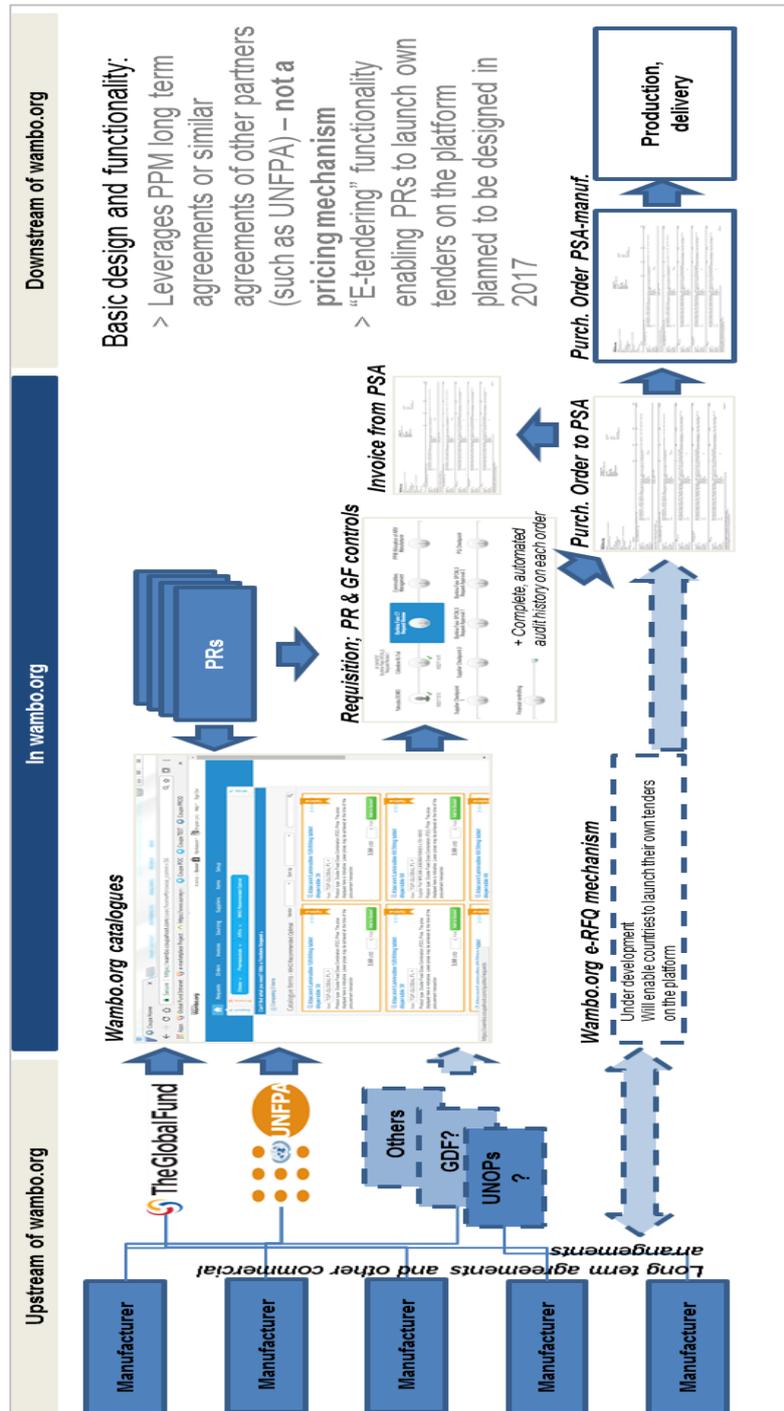
15. **What is wambo.org and how does it work?** (See diagram) wambo.org is an online procurement platform. It hosts product catalogues, which are mostly resulting from the specifications, prices, terms and conditions achieved through long term agreements between the Global Fund and the industry, as an outcome of PPM competitive tenders or from similar agreements of partner organizations, such as UNFPA. All products available on the platform are vetted for quality in line with international quality assurance standards (i.e., the standards set forth in the Global Fund's QA policies and, for products that leverage the efforts of partners, the partners' QA standards), which are the basis for eligibility in global tenders that wambo.org leverages².
16. Registered Global Fund PRs can access the platform to be able to search and compare products and place purchase requisitions. The platform includes internal controls over such requisitions, both from the Global Fund and from PR organizations. It is important to note that approval chains are flexible, such as to mirror the processes of each PR organization. wambo.org is a tool that does not replace country processes, but rather provides a tool to implement them.
17. Once purchase requisitions have undergone all internal controls, they are issued as purchase orders to the procurement agent or partner in charge of managing the order, which includes placing an order with the relevant manufacturer(s) (based on allocations conducted by the Global Fund to one of the eligible suppliers with whom the Global Fund has signed LTAs) and arranging for the delivery of the goods. While the platform offers the technical possibility to send orders directly to manufacturers and logistics providers, this is not the current operating model of the

¹ With a contribution of 950,000 USD in 2016; amount for 2017 to be determined and subject to disbursement decision process and to the conditions of the agreement (matching the Global Fund's own investment, to be confirmed on an annual basis, limited to Phase 1 activities, i.e., wambo.org roll-out in support of Global Fund grants, and not intended to cover Global Fund staff costs).

² For clarification, wambo.org refers to the operational platform for order placement. As discussed, wambo.org leverages the outcome of tenders completed by the Global Fund under the PPM mechanism, as well as similar efforts of other partners. In this sense, wambo.org does not "replace" PPM, but only automates its order placement process. The Global Fund Sourcing team will continue to develop and implement sourcing strategies and global tenders periodically, resulting in long-term agreements. Likewise, contractual agreements and performance management of manufacturers and procurement agents will also continue to be managed by the team, which will feed into order allocation performed in the platform.

PPM mechanism under the 2007 Voluntary Pooled Procurement (VPP) Board mandate. Invoices are raised in wambo.org and, after applicable internal controls, paid directly from the Global Fund accounts to the procurement agent, pursuant to the PPM model. PRs have immediate visibility on the status of their order and accounts.

- Although in the first year of operations the roll-out has mostly focused on PRs already using the PPM mechanism, the platform is open to all interested PRs. PRs not previously using PPM may choose to join wambo.org with full order capability by signing the PPM registration letter, effectively registering with the PPM program. They can also choose to join wambo.org in viewing capacity only, to have visibility on reference prices, but without the ability to place orders on the platform.



19. **Country ownership.** wambo.org does not create a parallel supply system, rather it is a system that strengthens the procurement capabilities of participating countries. The platform operationalizes the process of each country in its specificities and it is used by the relevant teams in-country. By doing so, it becomes an integral part of the country's own procurement process, with the software developed by the Global Fund but available to and owned by the country itself. PR officials involved in procurement operations log in directly into the system, with a variety of roles and profiles depending on their role in light of national procurement regulations and grant implementation arrangements. Wambo.org also provides the possibility to promote good coordination at country level, above and beyond minimal legal requirements³. Training is provided to all users as part of the on-boarding process, to ensure that they have the technical proficiency necessary to avail themselves of the platform's functionalities to implement their country processes; so far this has happened for all the approx. 50 countries that are using wambo.org so with Global Fund grants, and a similar process would be in place for domestic funding if the proposed pilot is approved.
20. In the end, wambo.org is a tool and it is used by people and aims to empower them in performing their duties better and easier. This is true even in the case of countries that do not wish to place their orders with PPM/on wambo.org. Procurement officials in these countries can benefit from user-friendly access to information about product specifications and prices, are empowered as an input into procurement strategy setting or negotiations. This is why wambo.org also offers a "view-only" membership. Ultimately, using any type of pooled procurement mechanism (PPM/wambo.org, UN-based, or any other) always implies that countries will not perform the entire sourcing and procurement process from end to end: the essence of pooled procurement is that the upstream sourcing activities are carried out centrally, leading out to framework agreements that are then "pulled from" to create orders. This is justified by better economies of scale: particularly in the case of countries representing small volumes, national procurement simply cannot achieve the same results, even with the most capable people and state of the art processes and systems. wambo.org offers PRs a way to directly be involved the placing of orders that pull from long term agreements, step by step. In the survey conducted in November 2016, PRs have indeed expressed a great level of satisfaction in being able to see how their requisitions progress along the chain of internal controls, step by step. Wambo.org represents an improvement in transparency and auditability from systems where orders are placed by email and excel files.
21. Finally, wambo.org needs to be seen in the context of other initiatives that the Global Fund promotes, aiming at strengthening country capacity in a number of areas, including procurement. The platform does not detract anything from such initiatives, rather complements them.
22. **Transparency and auditability.** wambo.org has the potential to contribute to increased transparency by:
- a. Product offering and supplier choice: items for purchase on wambo.org meet the quality assurance requirements set forth in the Global Fund's relevant policies, under the PPM model, and, for products that leverage the efforts of partners, the partners' QA standards. In terms of pricing, for our 'core' categories (LLIN, ACTs, ARVs, etc.) wambo.org offers the prices achieved through competitive tenders and the resulting long term agreements. Further, in the case of 'core health product' categories orders are allocated by the Sourcing team to one or another supplier based on cross-portfolio target volumes, regulatory factors and value for money considerations. Combined, these two factors drastically reduce the margin of risk for procurement irregularities.

³ For example, officials from central medical stores, central procurement offices or "centrales d'achat" can be added to the approval chain, in addition to officials of the PR organization. Logistics experts at central medical stores, even when their approval is not required to clear transactions, can be inserted so that they are informed of procurements and can follow the progress of each transaction; that way, they are facilitated to prepare to receive the goods and can flag any supply chain issue that arises.

- b. Complete audit trail: wambo.org records all actions undertaken in the context of an order: every action, approval, modification. This includes also, and perhaps most notably, in-country approvals and decision process. Everything is recorded and stored and reports can be pulled any time.
 - c. Visibility to country teams / LFAs, which can enhance the effectiveness of internal controls: as soon as PR initiates a procurement requisition on wambo.org, and then throughout the order, the country team has visibility on it; in most situations (subject to differentiated approaches), the country team needs to actually approve before the process goes any further. Checks by the Sourcing team are also embedded. This facilitates the Global Fund internal controls. LFAs can also be granted visibility to transactions as they take shape. This type of preventative control is commonly understood to be easier and more effective than reactive controls; preventative and reactive controls need not be mutually exclusive.
23. **Potential to accelerate the scale-up of innovative products.** The Global Fund and UNITAID are collaborating to explore and exploit the potential of wambo.org to accelerate the scale-up of innovative products, leveraging the two organizations' comparative advantages.
24. There are a few fundamental conditions for products to be made available and purchased in wambo.org: products must have obtained WHO prequalification or have been approved by a stringent national regulatory authority; they must have been selected competitively in light of international best practices in public procurement; finally, the choice of what to purchase rests with the PR, in the context of national clinical guidelines and grant implementation arrangements and associated internal controls (i.e., based on grant budgets and the associated list of health products and quantities).
25. Within these tenets, the two organizations recognize that certain functionalities in the platform – referred to as “levers” – can be used to provide key information about products to the PR, for example highlighting which products can be considered optimal in light of WHO technical guidance, which are most suitable for use in children, which – conversely – are being “phased out” in favor of newer, better options. The Global Fund and UNITAID have identified a number of target products in UNITAID's strategy that meet the above mentioned fundamental conditions. The two organizations are jointly evaluating which features in wambo.org to use to accelerate their scale-up.
26. **Phase 1 and Phase 2 of wambo.org and relationship with the PPM mechanism.** In November 2015, a paper was disseminated for information at the FOPC and at the 34th Board Meeting⁴. That paper outlined the two phases of the wambo.org initiative:
- d. **Phase 1**, in which wambo.org operates to facilitate Global Fund grant implementation and streamline procurement of products for Global Fund-supported HIV/AIDS, TB and malaria programs, operating in the PPM framework⁵;
 - e. **and Phase 2**, in which wambo.org could, subject to Global Fund Board approval, become a global public good available to the broader global health community.
27. Specifically, during Phase 1 wambo.org operates in accord with the current PPM operating model, such that for example all orders placed to date are paid with funding coming from Global Fund

⁴ GF/FOPC16/12: E-marketplace for the procurement of public health commodities development

⁵ The policy framework that guides PPM (and wambo.org) and the operational framework that provides the toolkit to implement such guidance were established at two different points in time, with the policy framework continuously evolving. The operational framework was set in 2007 with decision GF/B15/DP15 on the VPP; the policy framework has since then evolved, particularly with the adoption of the first Market Shaping Strategy in 2011 (GF/B23/DP21) and the Amended and Restated Market Shaping Strategy in 2015 (GF/B34/DP08). The Procurement for Impact (P4I) initiative previously presented to Committees (GF/SIIC15/06) has further enhanced the effectiveness of direct procurement at the Global Fund, while the formal operational framework set in 2007 remained in place.

grants (and payment occurs directly from the Global Fund to the procurement agent on behalf of the PR). This means that before a Board decision extending the scope of wambo.org is adopted, the product focus would be centered on health products; and that only transactions with Global Fund grants can be processed.

28. The opportunity to use wambo.org to facilitate procurements by PRs with domestic funding, even on a limited scale, would go beyond Phase 1a (so-called Phase 1b) and as such the Secretariat is seeking Board approval.

Part 6 – Discussion on the opportunity to use wambo.org to facilitate procurements by PRs using domestic funding

Section 1. Introduction.

29. Increasing impact toward ambitious global targets for HIV, TB and malaria requires increased and more cost-effective investment of domestic resources. Enabling partner countries, if they choose, to utilize wambo.org with their domestic funding has strong potential to facilitate greater access to affordable prices—in compliance with applicable legal and regulatory requirements and in line with commercial agreements with manufacturers, and increase impact. Lessons learned from this limited effort will be relevant to discussions of Phase 2.
30. **It is important to note that this decision point does *not* propose an initiation of preparations towards Phase 2 of the project.** Support for the decision point on the limited domestic funding pilot, proposed at this meeting, does not imply or otherwise indicate support for broader Phase 2 decisions in the future.

Section 2. Expressions of interest.

31. While no formal commitments are possible before a decision by the Global Fund Board and before an analysis of relevant in-country legal factors (on which the Secretariat is working in 2017), interest has been expressed to use wambo.org to facilitate transactions with domestic funding as soon as available. This interest has been expressed in particular by government PRs; additional opportunities are also under examination following indications by the Country Teams; finally, in some cases partners have suggested opportunities where wambo.org could facilitate governments taking increasing financial responsibility for programs while maintaining the trajectory in terms of health impact. The list, currently of approximately 20 countries, spans across regions and includes some countries that are transitioning, some that are approaching transition and some that are still in a LIC category but actively planning for future transition⁶.
32. Cautioning that operationalizing the use of wambo.org for domestically funded procurements would be subject to a Board decision, the Secretariat has engaged with these countries to understand what the challenges are, what potential benefits could accrue and what the requirements would be, from the point of view of PR organizations.

⁶ Very often, countries that are not currently using PPM for their grants mention that being able to use wambo.org with domestic funding may make a difference, bringing them to evaluate positively the option of joining the pooled mechanism also with grant funds.

Section 3. Policy framework.

33. **Amended and restated market shaping strategy.** Preparing for country transition and supporting long-term market viability is one of the six key strategic objectives of the Amended and Restated Market Shaping Strategy, which includes identifying ways to provide continued access to long-term agreements negotiated through the PPM to countries approaching transition or regional bodies engaged in pooled procurement (GF/B34/17/Annex 1 p. 27). It has been recognized that extending the benefits of market shaping interventions to all countries and PRs represents an integral part of ensuring continued availability and affordability of health products. This is a key objective under the Amended and Restated Market Shaping Strategy, which calls for steps to be taken to directly extend the benefits of the Global Fund’s market shaping efforts more broadly, for example by extending the option of participating in the Global Fund’s long term agreements (LTAs) (GF/B34/17/Annex 1 p. 20).
34. There is already a practice and precedent of extending PPM prices to countries approaching transition and regional bodies under the Amended and Restated Market Shaping Strategy (GF/B34/17/Annex 1 p. 20 and 27). Long-term agreements, specifically for ARVs, have been “opened” to an EECA country and a LAC country procuring with own funds, resulting in important savings. Similar arrangements are also included in the latest LLIN long-term agreements. The case of PAHO provides yet another example of opportunities to strengthen and expand existing partnerships. Under an existing partnership, PAHO is able to leverage existing Global Fund LTA terms for ARVs for orders funded by PAHO Member States under the Strategic Fund. The Amended and Restated Market Shaping Strategy explicitly requires the Global Fund to “deliberately consider the opportunity to extend access to prices in the development of new interventions or category sourcing strategies going forward”, in other words to make this a routine reality.
35. **Sustainability, Transition, and Co-financing policy.** The Global Fund’s Sustainability, Transition, and Co-funding (STC) Policy calls for a greater focus of Global Fund funding in Middle Income Countries (MICs) on specific areas of interventions to maximize investment for impact. The policy calls for increased domestic commitment and uptake of key program costs, including the procurement of health commodities. Approximately 50% of Global Fund funding is spent on health commodities (about 30% of spend is through PPM alone), and thus represent the bulk of investment that countries will be increasingly requested to take on.
36. As countries move along the development continuum and across income level classifications, they often fall within different price tiers under manufacturers’ commercial strategies. MICs are often charged higher prices for the same products. At times the difference may be very significant. While countries may be making the same investments in monetary terms, with the same budgetary relevance and the same opportunity cost in terms of other investments, the impact of the same investment decreases. In addition, this lower return on investment makes it more difficult for health programs implementers (such as ministries of health) to negotiate the allocation of resources in budgetary discussions with financing decision makers (such as ministries of finance) and to formulate an effective Health Financing Strategy. Faced with these challenges, some countries run the risk of resorting to procuring cheaper products with a lesser quality standard. It is to be noted that the issue disproportionately affects countries that have relevant Intellectual Property (IP) restrictions in place under national law.
37. In general, transition-related procurement risks are particularly relevant for smaller countries. Even with the most capable procurement organization, processes and skilled professionals, small countries represent small markets for manufacturers and just do not have sufficient volumes and leverage to maintain product affordability and availability sourcing on their own.

Section 4. Expected benefits of using wambo.org to facilitate procurements with domestic funding.

38. wambo.org represents one means to increase the impact and sustainability of Global Fund investments, in line both with the Amended and Restated Market Shaping Strategy and with the Sustainability, Transition, and Co-financing policy. Potential benefits would be possible for many stakeholders and policies.
39. **From the point of view of the PRs**, implementers that have begun to utilize the platform to facilitate procurements with Global Fund grants would have the opportunity to seamlessly transition to using the platform with own funds⁷, extending the benefits in terms of economies, and also in terms of administrative ordering timelines, transparency and auditability, ease of use and ease of access to information about what the market can offer, and data about past transactions.
40. As is often the case, the benefits of joining wambo.org with domestic funding need to be assessed on a country by country basis. As recalled above, particularly in terms of access to price, several factors come into play at the country level, influencing the extent to which wambo.org can improve the price accessed by a country. Ultimately, prices and pricing structures result from the agreement between suppliers and buyers/financers. While the Global Fund (or any other purchaser) cannot unilaterally set a price or pricing structure, by pooling a larger hare of demand, including from MICs, it has the potential to offer suppliers greater visibility and reliability of demand, lessening the risk of volatility and therefore potentially improving prices for countries across income levels, in agreement with the industry.
41. However, even in cases where countries may not be eligible for the lowest PPM price, they may still benefit from:
 - a. Reduced price volatility, which they face when procuring alone from one tender to the next. In some cases, even small countries are able to obtain good outcomes due to temporary factors, which are not sustainable the next time around;
 - b. Reduced complexity and workload in the sense that they don't have to run complex tenders every time, including assessing or verifying the quality status of bidders. By relying on a pooled mechanism, facilitated by wambo.org (PPM or similar mechanisms of other partners), they have access to a set of quality assured suppliers selected competitively and routinely reviewed;
 - c. An efficient process supported by state of the art technology, which adapts to local requirements, while at the same time guaranteeing transparency and auditability of records and immediate access to transactional data.
42. **From the point of view of the Sustainability, Transition and Co-financing policy**, with wambo.org the Global Fund can offer a concrete opportunity to countries to ease these challenges as they procure more and more with domestic funding. In the context of country dialogues about transition planning, the Global Fund would carry a more valuable perspective, and achieve better outcomes, to the extent that it can offer concrete, practical opportunities that countries can examine to ease the dynamics of transition. While not a full solution to these complex issues, the opportunity to use wambo.org with domestic financing could provide a practical and concrete contribution to increasing the impact, cost-effectiveness and sustainability of domestic investments for the three diseases.
43. Problematic areas that wambo.org, a tool, does not address include notably: intellectual property restrictions and their impact on pricing structures; regulatory elements such as strong, well-

⁷ Minor differences in processes may exist between orders with Global Fund grants and domestic funding, depending on the final design, including inputs from the analysis of in-country legal factors relevant to wambo.org.

functioning national regulatory agencies and the registration footprint of health products; and end-to-end supply chain considerations upstream and downstream of the ordering process, including demand forecasting, stock quantification, and the availability and use of data and systems (on the latter, order-related data immediately available on wambo.org can be of partial help). Other initiatives by the Global Fund and by partners address these areas.

44. **From the point of view of market shaping**, the shift towards including sustainability and transition as a core element of sourcing strategies is already a reality in the making. It could further be supported by operationalization via wambo.org. Also, in the context of negotiations with manufacturers, a signal of the Board support for extending access to price to countries approaching transition would reinforce the mandate contained in the Amended and Restated Market Shaping Strategy and further enhance the Global Fund's efforts to include clauses about countries approaching transition in its long-term agreements with manufacturers, as done in the case of LLINs, ARVs and ACTs (see below).
45. Enabling the use of wambo.org with countries' own funds would also enable to capture a larger set of data on market dynamics. For example, data on past national procurements may be used as an input into market reviews that inform PPM tenders and that are periodically shared and aligned with partners in the context of Strategic Reviews. In addition, easier access to data on national procurements has the potential to simplify the tracking of counterparty financing. Of course, this would rely on countries agreeing to share their data, and as such would need to be investigated systematically as part of Phase 2 Preparations and Consultations prior to the approach being systematically rolled out.
46. **From the point of view of the project**, conducting a limited number of transactions with domestic funding would also allow the Secretariat to further refine requirements and process flows with a limited number of PR organizations. The results of these early transactions will contribute to the knowledge base and feed into the long-term process solution before allowing transactions with domestic funding on wambo.org on a broad scale (subject to Board approval). The Secretariat estimates that running up to ten of such transactions would meet such objective.

Section 5. Scope and parameters for the proposed pilot

47. The opportunity to use wambo.org to facilitate procurements by PR using domestic funding, even on a limited scale, would go beyond the confines of Phase 1a as stated in previous Board and Committee papers, since the framework outlined in footnote 5 above is tied to procurement with grant funds, rather than with domestic funding. Because it goes beyond the current approved framework (2007 decision GF/B15/DP15 on the VPP), the approval of the Board would be required before this can be operationalized. However, from a technical point of view, the platform is developed such that it would allow for domestic funding transactions, without significant re-development and associated costs. As such, this step can be seen as "Phase 1b".
48. In terms of scope, the Secretariat proposes not limiting the pilot to a specific set or number of countries, products or number of months. Rather, the scope of the proposed pilot is expressed in terms of number of transactions -- 10.⁸ The limit of 10 transactions is intended to maintain a limited scope for the pilot, not to lead to the exclusion of countries. If there is further appetite from countries to participate in the pilot once the limit of 10 transactions is near, the Secretariat would report this to the Strategy Committee in a timely manner and, as per the proposed decision point,

⁸ The Secretariat has purposefully chosen not to limit the proposed pilot to a specific set or number of countries, to avoid responding differently to similar requests by countries in similar situations, based on when the request was placed relative to the number of countries included. Similarly, the timeline for the proposed pilot was not formally expressed in the approach to avoid having to respond differently to similar request, just because they came a few days apart. Because Phase 1b will precede, and/or take place during the Phase 2 Preparations and Consultations, the timing to implement Phase 1b is expected to last between 12-18 months.

decision point the Strategy Committee would have the authority to approve further transactions beyond the initial 10, if deemed appropriate by the Strategy Committee.

49. In terms of products included in the scope of the pilot, all health products available on wambo.org would be purchasable by countries with domestic funding, subject to regulatory and similar considerations that may apply in their jurisdiction. Such products would include those currently available on wambo.org (LLINs, ACTs, ARVs, condoms and lubricants, rapid diagnostic tests for HIV and malaria, Viral Load tests kits), as well as other products on track to be onboarded (such as Viral Load machines, non-core pharmaceuticals, other diagnostics, lab equipment), as and when they become available on wambo.org.⁹
50. Examining whether the use of wambo.org to facilitate procurements with domestic funds should be extended systematically, and if so how, would be integrated in the Phase 2 Preparations and Consultations, together with important other elements, such as a review of in-country regulatory frameworks.
51. **Cornerstones of proposed approach for the processing of transactions with domestic funding prior to Phase 2.** In general, three elements are worth noting. First, wambo.org is not a way to bypass national and international laws and regulations, including those related to procurement or intellectual property¹⁰. So countries that can choose among a limited set of manufacturers, and as such are more exposed to manufacturers' commercial strategies, will not automatically be in a better position in terms of price because they use wambo.org. Rather, the potential that wambo.org represents for them depends on a case by case basis, hinging on the underlying agreements with manufacturers, which feed into the platform.
52. Second, wambo.org would facilitate the creation of purchase orders by PRs to the relevant suppliers (typically, procurement agents). From a legal standpoint, purchase orders signed by PRs and issued on their behalf via wambo.org, together with the terms and conditions specified in the LTAs, would form the commercial contract. wambo.org would act as a facilitating system in these transactions: the contractual relationship would remain between the PR and the relevant supplier (typically, the procurement agent)¹¹.
53. From the point of view of legal protection of the PR's interests in the transaction, formal legal protection would be linked to the contractual relationship between the PR and the procurement

⁹ Country demand indicates that the categories that are most likely to be requested, at least at first, are those where the Global Fund has LTAs, although this is not an express scope-limiting factor of the proposed pilot. In terms of quality, the same standards and guarantees are applied as for orders backed by Global Fund funding, as the same conditions apply for products to be offered on the platform.

¹⁰ The Global Fund supports the use of TRIPS flexibilities in compliance with national laws and international obligations to protect public health, as set out in the Global Fund's Framework Document and the Guide to Global Fund Policies on Procurement and Supply Management of Health Products (2016). The Global Fund does not prescribe how countries implement their obligations and flexibilities under TRIPS, as those decisions remain the responsibility of each country.

¹¹ The role of the Global Fund would be limited and necessary measures would be taken to ensure that the Global Fund is discharged from any liabilities and all relevant documentation, legal agreements, and purchase order templates would include explicit clauses to that effect (see Section 7). This setup, based on the interplay of LTAs and individual purchase orders, would be very similar to the current PPM setup (where the Global Fund allocates orders to one of the eligible suppliers with whom it has signed an LTA), with the obvious exception that the Global Fund would not be providing payment on behalf of the PRs. Contrary to the process for orders with Global Fund grant funding, in the case of transactions with domestic funding there would be no review or intervention by Global Fund teams, as currently done for transactions with grant funds under relevant product strategies. To ensure that the domestically-funded order is consistent with the domestic processes and national health strategy and quantification, when on-boarding interested PR organizations onto wambo.org for use with domestic funding, the Secretariat will work with each interested PR organization to map the decision making processes and approval hierarchies that apply for domestic procurements. In 2017, the Secretariat is also complementing this by seeking expert advice on in-country legal factors of relevance for wambo.org, on a country by country basis.

agent¹². But beyond these hard legal liabilities, the performance management mechanism is a powerful factor to promote good performance by suppliers for PRs, including when procuring through wambo.org with domestic funding¹³. Such performance management mechanism, together with other considerations, informs allocation decisions on future orders. In other words, unsatisfactory performance leads not only to direct liabilities on a single order, but also and more importantly to a potential loss or reduction in business opportunities across the entire portfolio.

54. Third, compared to orders placed with Global Fund grant funding, those placed with domestic funding will typically carry a higher risk for the supplier or procurement agent. For the short term, the proposed approach is to require upfront payment before the order is acknowledged as actionable by the supplier or procurement agent. Devising a mechanism to systematically deal with this risk would form part of Phase 2 Preparations¹⁴, and would aim at ensuring that wambo.org can be used with domestic funding across diverse countries and without excessive risks for suppliers.
55. An illustrative process description is included in Annex I. This is for illustrative purposes only and, in the event of a decision about the opportunity to use wambo.org to facilitate procurements by PRs using domestic funding, the Secretariat would implement this process or a slightly different one (to the extent the proposed process needed to be amended as it is put into practice), provided that the three cornerstones above remain. Any significant update on the process would be provided at future Strategy Committee meetings. An analysis of risks entailed in the proposed approach and related mitigation actions is available in Section 7.
56. **Reporting and pilot evaluation.** If the proposed decision point is approved, the Secretariat will monitor the progress of the pilot and share insights with the Strategy Committee on a regular basis. Attention will be given to three main areas:
 - a) Savings realized on product prices, resulting from the comparison of prices achieved through purchasing on wambo.org compared to previous transactions on the same product in the same country, and/or to national budget price points, where the applicable data exists. This metric will additionally include a qualitative assessment of indirect savings realized as a result of the pilot (i.e. the savings achieved due to reduced administrative burden on participating countries). This area is to be taken as an indicative proof of concept of the potential to realize savings through pooling rather than an exact quantification of savings potential. The savings realized will be based on contractual agreements as they stand at the moment of transaction, so

¹² In wambo.org as under the PPM model, purchase orders (POs) are issued on behalf of the PR to the procurement agent. [These POs reference the Global Fund's agreements on core health products, which define the terms and conditions under which suppliers shall sell to "eligible persons" and regulate a number of aspects of the legal relationship for example on the product or on the delivery. The framework contracts scope covers a number of aspects related to assuring quality and reliable supply: product requirements, including QA standards in compliance with the Global Fund's QA Policy; regular supplier performance management, based on agreed KPIs including OTIF - including be able to review performance for "eligible persons" beyond PPM; notification of adverse events, financial or technical; insurance obligations; compliance with the Global Funds Supplier Code of Conduct and Policy on Ethics and Code of Conduct; compliance with applicable laws including in the countries for which the countries are procured, delivered and used. Once the procurement agent has received an ePO issued via wambo.org on behalf of the PR, s/he issues a PO to the manufacturer; this latter PO also reiterates some aspects and specify further details related to the specific transaction. Among the various elements of the framework agreement to which the PO between the PR and the procurement agent make reference, are performance management clauses based on agreed KPIs and periodic reviews. From the point of view of guarantees to the PR, formal legal protection would be linked to the contractual relationship between the PR and the procurement agent.

¹³ Eligible persons under the framework contracts for core health products include Global Fund Principal Recipients as well as other persons agreed by the Global Fund and the supplier. Performance management in the framework contracts could also include both performance on orders on behalf of Global Fund PRs and those by other "eligible persons". In the proposed approach, POs issued via wambo.org on behalf of PRs procuring with own funds as other "eligible buyers", and the corresponding POs issued by procurement agents to manufacturers, would also make reference to these agreements to create the same linkage and provided the basis for a similar level of protection.

¹⁴ Mechanisms such as letters of credit are being considered as potential de-risking mechanisms, and will be examined more in-depth as part of Phase 2 Preparations. They will not be employed during the proposed pilot due to the deeper analysis and timelines that would be implied.

future savings will be based on the outcome of market shaping strategies and negotiations as they evolve. Savings will be quantified via a methodology in line with that presented in March 2016 to the AFC and SC regarding savings realized through wambo.org, as well as with that used to report on PPM savings;

- b) Efficiency of process in the platform, with a view for example to ordering timelines and workload will be used to track ordering timelines and the workload burden required to service domestic funding transactions via wambo.org. This will serve as a means of evaluating the design and IT implementation to carry out the pilot and will inform potential future developments, if and when Phase 2 Preparations begin;
 - c) PR satisfaction with wambo.org in the specific case of transactions with domestic funding, gathered via a dedicated section of the wambo.org PR satisfaction survey that the Secretariat runs periodically.
57. If the proposed decision point is approved, the Secretariat would provide data and report lessons learned across these areas to the Strategy Committee. The proposed decision point confers authority to the Strategy Committee to consider the approval of additional transactions beyond the first ten. The first report (summer 2017) to the Strategy Committee would likely focus on progress of the finalization of platform design to accommodate transactions with domestic funding, and of confirming countries' interest to participate in the pilot. The second report (winter 2017) would potentially focus on the first transactions placed and any learnings gathered up to that point. Future reports in 2018 would provide insights on the end-to-end experience and a consolidated look at lessons learned in the pilot. In addition, if the proposed decision point is approved, the Board will receive an overall evaluation of the pilot and could consider a decision to potentially expand beyond a pilot phase the use of wambo.org to facilitate procurements with domestic funding, as well as integrate the lessons in discussions about a potential future Phase 2 (see section 6 below).

Section 6. The long term perspective on possible transition towards Phase 2 (global public good)

58. **It is important to note that this decision point does not propose an initiation of preparations towards Phase 2 of the project.** Support for the decision point on the limited domestic funding pilot, proposed at this meeting, does not imply or otherwise indicate support for broader Phase 2 decisions in the future.
59. wambo.org could only begin the exploration towards a global public good – thus entering Phase 2 – if and when the Global Fund Board formally approves the transition and its implications. In Phase 1, the platform is currently available to Global Fund PRs, for procurements funded with Global Fund funding, in line with the current PPM and institutional frameworks outlined in Part 5 of this paper. The proposed decision point would institute a limited pilot of transactions funded with domestic funding, but would not yet constitute a full shift towards Phase 2. However, in light of questions raised across constituencies, the present document describes how the Secretariat currently envisages potential future Phase 2 Preparations and Consultations. None of the below represents a concrete plan at this stage.
60. The work towards a possible Phase 2 transition would include fact-based analyses on a range of topics (Preparations) and a thorough, inclusive consultative process (Consultations).
- a) Preparations. As many constituencies have noted and as the Secretariat has openly recognized, there are several key areas of the Phase 2 vision that need to be better clarified before Phase 2 can be operationalized, including strategic, operational, technical aspects. An overview, meant solely to illustrate the breadth of the topics concerned, is included in Annex III. Before beginning Preparations, the Secretariat would, to the extent possible, consult Board constituencies and stakeholders about which topics to include in the analysis. Annex III

contains an illustrative, non-exhaustive list of such topics, which includes a number of specific points raised by different constituencies during engagements so far.

b) Consultations. Over the course of 2014-2017, the Secretariat has held periodic engagements with PRs, Global Fund Board and Committee members, partner organizations and relevant development organizations. These would complement the entire course of the preparatory phase, starting from a joint understanding of areas to analyse; and continuing with a periodic discussion of key facts and options that emerge from the Preparations.

61. In terms of decision-making process, the initiation of Preparations and Consultations would require a decision by the Board. The current priority is to complete Phase 1 (including piloting a few transactions with domestic funding, as when approved by the Global Fund Board) successfully and draw lessons from it, including through formal evaluations. As a result, and based on the Board's recommendation to proceed sequentially, the Secretariat does not currently expect Phase 2 Preparations and Consultations to be launched before 2018. Once started, the Preparations and Consultations would likely require at least 12-18 months. During this time, the Secretariat would periodically report to the Board and/or Strategy Committee on progress and seek their input or decision on key strategic options or trade-offs, as appropriate. The process would ultimately lead up to a "go/no-go" decision by the Global Fund Board to begin, or not, operations in Phase 2 and within global public good setting.

Part 7 – Risk Analysis

Category	Risk	Mitigation
Strategy	Opening up LTAs to non-Global Fund funding may require careful negotiations with suppliers	Access to PPM negotiated prices and conditions is already part of the LTAs signed and is open to any entity or non-PPM country (although, due to IP related issues, access to ARVs negotiated prices must be dealt with separately), upon agreement by the parties of the inclusion of each entity or non-PPM country. Negotiations on the latter would be approached carefully and on a case by case basis, potentially starting with cases where agreement has already been reached or negotiations begun. <i>Note: This approach is not yet intended as a structural approach and as such will not apply to all PRs. A more systematic approach would be part of Phase 2 Preparations and Consultations.</i> <i>It is also worth noting that the Amended and Restated Market Shaping Strategy expressly calls for deliberately considering the inclusion in LTAs of clauses granting access for countries approaching transition to negotiated prices and conditions (irrespective of wambo.org).</i>
Strategy	Prices applicable to non-GF funding may not be as attractive as those applicable to orders backed by volume commitments, since they would only benefit from reductions linked to volumes achieved	Carefully and transparently communicate to PRs benefits that can be expected. Reductions on volumes achieved would remain attractive commercially. The attractiveness of this process is not only related to the price element: it also brings value from a simplicity and transparency perspective and – subject to in-country regulations and decisions – relieves the PR from the need to run their own tenders, ensuring that appropriate suppliers respond.
Operations	Suppliers may not acknowledge purchase orders from PRs with a credit rating that does not meet their standards, due to high perceived payment risk	To ensure supplier acknowledgement of orders irrespective of credit ratings and avoid deprioritizing of PR orders on domestic funds, upfront payment will be required of PRs in order to complete the ordering process.

Operations	PRs may not adhere to the approach of upfront payment. For example, the requirement to provide upfront payment may admittedly entail some additional time before the order is confirmed, thus making the ordering process with domestic funding longer than that with Global Fund grants.	The proposed short-term approach detailed in this document has been shared with a select number of PRs that expressed interest in piloting the use of wambo.org with domestic funding; these, in full understanding of the payment terms, have shown interest in participating. <i>Note: This approach is not yet intended as a structural approach and as such will not apply to all PRs. A more systematic approach, potentially including de-risking mechanisms, would be part of Phase 2 Preparations and Consultations.</i>
Operations	PRs may find it difficult to record the necessary approvals and proceed with the timely payment of pro forma invoices, impacting the timely management of transactions	In the first experiences of domestic funding via wambo.org, prioritize countries with administrative processes compatible with the timelines expected of wambo.org transactions. Most countries that are in the process of transitioning out of Global Fund support are likely to fall in this category. <i>See note above</i>
Financial	In case of absence of upfront payment, an unreported financial liability may apply to the Global Fund	Explicit clauses on purchase orders issued for domestic funding use will explicitly indicate the need for pre-payment to the supplier (or PSA), reinforce the Global Fund's absence of liability in the transaction and caution the supplier (or PSA) not to incur into liabilities related to the order prior to receiving upfront payment. <i>Note: Transactions processed through wambo.org result in commercial contracts between the PR and the supplier; though the Global Fund facilitates the creation of this contract, and will enter into relevant contracts to make these arrangement possible, it is not a party to the procurement contract between the PR and the supplier (or PSA).</i>
Reputational or Legal	If the supplier does not perform on its commitments, there is a reputational or legal risk for the Global Fund which has facilitated the transaction through wambo.org	The onboarding documents whereby the PR accepts terms of using wambo.org to facilitate procurements funded with domestic resources will contain an express clause that states that the Global Fund assumes no liability for the performance of the supplier or any defaulting products. In addition, although the Global Fund is not party to the commercial contract between the PR and the supplier, it will monitor through wambo.org all transactions that leverage the LTAs it has signed. Most of the value on these agreements will be for Global Fund grant-funded transactions, which will give the Global Fund the necessary leverage to ensure that all transactions are addressed as per agreed terms.
Compliance	PR procurement policies may not allow to rely on 3 rd party tendering	As part of the on-boarding of the PRs for domestic funding use on wambo.org, PRs will need to explicitly confirm that the tendering processes of the Global Fund and its partners meets the competitiveness and QA criteria that apply to their markets. They will confirm that they are authorized, in accordance with the procurement laws that apply to them, to rely on the Global Fund and its partners to determine the most appropriate supplier / manufacturer when an allocation process takes place. <i>Note: A systematic review of in-country regulatory frameworks across countries is under way, as an anticipation of Phase 2 Preparations.</i>

Annex I. Illustrative process description for transactions by PRs with domestic funding

1. Prior to launching transactions with domestic funds, PRs would undergo an extension of the wambo.org onboarding process. This on-boarding of the PRs for domestic funding use would require documentation of the approval hierarchies required for transactions to be valid using domestic funds, as well as the assurance that use of wambo.org would be in compliance with the relevant national laws. The on-onboarding documents would also discharge the Global Fund from any liability. The platform would allow the PR to release purchase orders approved electronically, but would also allow them to approve through the traditional hard copy if so required. This onboarding approach would represent a logical extension of the wambo.org on-boarding process currently followed by PRs to use the system to facilitate procurements with Global Fund grants.
2. As when ordering with Global Fund grants, PRs on-boarded to wambo.org utilizing domestic funding would be able to navigate and search through the full set of items that can be sourced from LTAs negotiated by the Global Fund (or those that may be sourced through the LTAs of partner organizations bound to the Global Fund by MOUs, or through the spot procurement services of procurement agents).
3. PRs would select the requested items to order based on product specifications and quantities, need-by date and other logistics-related fields. The transaction would be routed through the relevant in-country approval hierarchy within the PR organization and then allocated by the Global Fund to the best suited suppliers and manufacturers, drawing from LTAs for categories where they exist. The applicable logistics costs would also be included before the requisition is sent back to the PR for approval, together with a formal price quotation validated by the relevant supplier.
4. Contrary to the process for orders with Global Fund grant funding, in the case of transactions with domestic funding there would be no review or intervention by Global Fund teams, other than to allocate the order to one manufacturer or another under the LTAs, where applicable, and to solicit input from the supplier or procurement agent. Officials of the PR organization would be responsible for verifying the accuracy of the order information and for confirming that products, as allocated, are registered in their jurisdiction.
5. Once the requisition has been fully approved by the PR, purchase orders would be issued to the procurement agent or partner in charge of managing the order, which includes placing an order with the relevant manufacturer(s) and arranging for the delivery of the goods. Contrary to those backed by Global Fund grants, purchase orders for domestic funding transactions would explicitly indicate the need for pre-payment by the PR to the supplier (or PSA), reinforce the Global Fund's absence of liability in the transaction and caution the procurement agent or partner not to incur into liabilities related to the order prior to receiving upfront payment. Proof of payment of the pro forma invoice would need to be provided (uploaded directly in wambo.org), as may be requested by the supplier, before the order is processed and delivered. When the transaction is complete, the supplier would issue a final invoice with all costs and balances and would either request additional payment from the PR, if applicable, or proceed with any reimbursement to the PR, if applicable.

Annex II. Results to date

1. In March 2016, the Secretariat shared with the Committees the results framework that has been developed to measure wambo.org success. These metrics are used to track progress, identify issue areas, and devise solutions. The Results Framework is reviewed on an on-going basis by the wambo.org team and is presented to the Steering Committee for discussion and sign-off on a monthly basis.
2. At this time, the Secretariat is providing the Global Fund Board and Committees with an update on wambo.org progress so far, measured against the Results Framework. The snapshot of the Results Framework provided in this paper reflects data as at 30 March 2017. Overall, more than one year into operations, wambo.org has confirmed its 2017 targets with the project's Steering Committee and work is underway to meet the targets set by the end of the year.
3. wambo.org is contributing to more streamlined procurement for both implementing partners and within the Global Fund. This update aims to demonstrate where the platform has already begun to make strides in improving the procurement process, as well as where there is opportunity to broaden the scope to fully deliver the expected vision.
4. **Order Lead Time.** As an indicator of simplified, streamlined procurement operations, order lead-time is measured in working days from initial requisition to order confirmation (non-weighted average). This includes elements in control of the Secretariat as well as elements that are influenced by PRs, regulatory requirements etc. The average time needed to complete the corresponding steps without using wambo.org is 43 days¹⁵. Using wambo.org, automation of these processes has achieved a 16% reduction in average order lead-time, resulting in an average lead-time of 36 days (25 business days) for purchase orders released so far. The Secretariat is committed to further improve on upcoming orders, as more experience is gained, and has retained the target for 2017 to 21-26 days.
5. **Cumulative net cost savings.** The business case shared with the Board and its Committees in 2015 projected that by the end of 2016, wambo.org would enable the Global Fund to achieve a breakeven of project costs by the end of one year of operations, via the extension of PPM-negotiated prices to non-previously PPM PRs, volume discounts, and a reduction in handling fees, above and beyond the savings realized through PPM irrespective of wambo.org and captured in corporate KPI 12.
6. The rollout strategy for 2016 focused on on-boarding PRs already using PPM as a matter of priority, and as a result, no savings additional to PPM have been recorded as of end-2016. It is expected that savings will begin to accrue as countries not previously using PPM join¹⁶, and as up to 10 select non-PPM countries will be targeted for onboarding during 2017. The target set for 2017 is US\$ 12.4 million gross savings.
7. **Timely implementation of product roadmap.** At this time, ACTs, ARVs, LLINs, condoms and lubricants, rapid diagnostic tests for HIV and malaria, and Viral Load test bundles are available for purchase on wambo.org. General medications including OI, OST, and Hepatitis C drugs, are expected to be available for purchase on the platform soon, as well as select non-health categories.

¹⁵ Current average lead-time is based on PPM average order lead-time H2 2016 for PFSCM.

¹⁶ For completeness of information, as at early October 2016 PPM savings from transactions, not additional but channeled via wambo.org to date amounted to approximately 8.2 million USD, in the order of magnitude of project investment 2014-2016. Related to orders confirmed so far (purchase orders issued); based on confirmed amounts compared to amounts included in grant budgets/LOHPs; health products cost only, excluding PSM costs. In addition, PPM savings realized to date in 2016 include 4.5 million USD as a result of lower fees negotiated with procurement agents as part of the Sourcing transformation, of which wambo.org is one important part.

8. In 2017, the project aims to process 100% of PPM transactions through wambo.org by end of June.
9. For reference, approximately 120 PR organizations across approximately 60 countries currently have access to the PPM mechanism (not all with future procurements planned). The Global Fund is well on track to transition all order placement operations of PPM to wambo.org by the end of June 2017. The target of 100 onboarded PR organizations for 2017 reflects the completion of onboarding activities for all PPM countries, plus the additional onboarding of up to 10 select non-PPM PRs. This further reflects a carefully paced rollout plan that guarantees a smooth experience for PRs and allows the Global Fund to make adjustments when needed.
10. **Number of PR organizations on-boarded.** As at 30 March 2017, 74 PR organizations from 53 countries have enrolled with wambo.org and activated access to the system. Of these, 40 have already placed orders. In addition, more PR organizations have confirmed transition and are finalizing documentation. Results at the end of the first year of operations far exceeded the target of 35 organizations onboarded. **Transaction throughput.** As at 30 March 2017, confirmed purchase orders through wambo.org have reached USD 348,438,988.60. In addition, requisitions currently being processed equal approximately USD 78,455,674.88, bringing the transaction throughput as at 30 March 2017 to USD 426,938,767.37. Results at the end of the first year of operations far exceeded the target of 250 million USD throughput.
11. **Customer satisfaction.** In November of 2016, the Secretariat conducted a satisfaction survey of its PR users to measure the tool's ease of use, efficiency of ordering process, and quality on onboarding, training, and support received. The survey population was refined to PR users that had completed the entire ordering process through wambo.org end-to-end. Survey data was collected from 24 PR respondents, representing 13 requestors and 11 approvers from 10 countries, and a total order value of US\$175m. PR users reported an overwhelming 100% satisfaction rate with their overall experience using the tool. Survey trends further demonstrated that as PRs placed more numbers of orders through the platform, the more satisfied they were with it overall. Where PRs indicated any dissatisfaction with certain aspects of the tool's interface, process, or ease of use, the Secretariat has worked to identify and implement areas and mechanisms for improvement. The survey respondents additionally identified the opportunity to use wambo.org for transactions with domestic funding and non-health products and services as the key development priorities for inclusion in the future. The Secretariat has incorporated bi-annual satisfaction surveys into its work planning for 2017.
12. **Platform performance.** The stability of the platform and its performance is measured under the lens of platform availability (target of 99.8% of time), number of severe errors that result in the service being completely unavailable and halting transactions with no workaround (target of less than 5 in the year) and response time measured in Geneva and at key in-country locations (target of less than 10% degradation on initial base line). As at 30 March 2017, the platform has experienced 100% platform availability and 2 severity 1 level errors¹⁷. This target remains at 99.8% for the 2017 year.

¹⁷ Degradation of response time is currently not available but is anticipated to be at less than 10%.

Annex III. Illustrative, non-exhaustive list of topics that may be included in Phase 2 Preparations and Consultations

Before beginning Preparations for Phase 2, the Secretariat would, to the extent possible, consult Board constituencies and stakeholders about which topics to include in the analysis. Below is an illustrative, non-exhaustive list of such topics, which includes a number of specific points raised by different constituencies during engagements so far.

1. Implications of opening wambo.org up to use by other large funding and purchasing organizations on market shaping.
Given the profound differences between the dynamics of markets for different categories, this analysis would likely need to be run on a category by category basis. There are many possible ways that wambo.org could facilitate procurement by different organization. The harmonization of specifications / requirements and further consolidation of volumes is one option, but not the only one. It may be appropriate in some category markets and lead to cost optimization, but it may pose a high risk in terms of stability and market structures in other cases.
2. Long term perspective on enabling use of wambo.org by transitioning countries with domestic funding.
Enabling countries to procure with their own funds is a fundamental element of wambo.org's potential to become a means to facilitate, in synergy with other important initiatives, sustainable access to prices. The short term solution proposed in Section 3 of this paper represents a first step in that direction, but more will be needed to fully realize the potential. For example, a de-risking mechanism may be appropriate, in order to ensure suppliers are suitably comfortable processing orders even without upfront payment. For the time being the Secretariat is following up on initiatives in global health to address this aspect (e.g., the Commodity Credit Facility being discussed and designed by UNICEF). When Preparations begin, the Secretariat would begin to engage more systematically.
3. Analysis of in-country regulatory frameworks.
In Phase 1, wambo.org facilitates orders with Global Fund funds; within in-country laws and regulations, procurements with external funding are often subject to a specific set of guidelines. In Phase 2, as orders begin to be facilitated with domestic funding, wambo.org would have to operate within the general procurement framework of each country. This will require a detailed examination of the applicable regulations in different countries to determine the most appropriate qualification of wambo.org transactions under national law and guide the establishment of related agreements with and decisions by competent authorities.
4. Global public good business case.
During the initial Proof of Concept study in 2014, the Secretariat developed a comprehensive business case for wambo.org that provided an in-depth analysis of the financial implications for the Global Fund. A preliminary business case was also prepared for extrapolating wambo.org to a global public good scenario. For reference, these high-level extrapolations indicated that transactional throughput could be triplicated for HIV/AIDS, tuberculosis and malaria products, and 10 times the transactional throughput for other products. The benefits, financial and otherwise, of making wambo.org available as a global public good in Phase 2 would be contingent on which partners and funding / procuring entities decide to join. A key element of Phase 2 Preparations will involve verifying and elaborating on this global public good business case, which would then be shared with the Global Fund Board and Committees prior to any subsequent Board decisions.

5. Sustainable revenue model.
Should wambo.org become a global public good, a revenue model would need to be established to ensure sustainability. The Secretariat has taken as working assumptions to guide the design of a potential revenue model as part of the Preparations for Phase 2 and to be discussed as part of the Consultations: (a) the revenue model must be self-sustaining but not-for-profit; (b) it is not ruled out that small fees may potentially be charged to the direct users (i.e.: in-country procurers), but these should be kept at a low level so as not to become a barrier to entry and so as to permit use by all interested countries; (c) contributions from partner organizations and large procuring or funding entities such as the Global Fund are not ruled out, but these should not dictate or have undue influence on wambo.org's ability to serve, and be guided by the interest of the countries and the communities.
6. Governance model.
Should wambo.org become a global public good and enter Phase 2, it would need to be governed, financed and essentially "owned" by all who use it in a fair and transparent way. A new governance structure would need to be established should wambo.org become a global public good. This may include user countries, funding and procuring organizations leveraging the platform, as well as the supplier base, but the ultimate interests of communities and the perspective of other partners and civil society would also have to be accounted for. Phase 2 Preparations would have to identify options for a governance structure that enables representation of the main stakeholders involved in wambo.org operations but ultimately guarantees the interests of the ultimate users and beneficiaries of the system; and one that guarantees effective, timely decision making. As for all other topics in this list, the governance model will be thoroughly discussed as part of Consultations with Board constituencies, partners and stakeholders.
7. Modifications to operating model and system design, if and as needed.
During 2015, wambo.org was developed with the immediate objective of enabling Phase 1 operations (in support of Global fund grant implementation); however, where possible flexibilities were built in the process and system to enable a possible future transition to global public good operations. As part of Phase 2 Preparations, the Secretariat would identify and prepare for any adaptations necessary to open up to use by other entities and operate efficiently in that setting. This may include identifying the design of the long term systems architecture, particularly depending on the direction taken with respect to institutional set up (see below). Phase 2 Preparations would include the design of these aspects, but the implementation would only be following a Board decision to begin Phase 2 operations.
8. Institutional set up of wambo.org as a global public good.
In order to operate as a global public good, wambo.org may or may not continue to be hosted within the Global Fund. In other words, it may or may not need to spin-off from it. Options will be influenced by governance considerations, but also technical aspects related to the operating model (e.g., financial flows, taxation considerations). Illustratively, options could include wambo.org continuing to be embedded within the Global Fund; wambo.org being hosted by the Global Fund, but a distinct status regulated by a charter; wambo.org hosted by another partner, again with or without special status; and wambo.org operating as an independent entity, of course with a wide array of possibilities in terms of institutional type.