

# Large buyer Coordinated demand visibility update

18 April 2018  
AMDS Meeting  
Geneva, Switzerland



Republic of South Africa

# Global Fund, PEPFAR and Government of South Africa are working together to improve the consolidated demand outlook

## What we will do

- Coordinated approach** and messages
- Synergistic** strategies
- Direct engagement** with suppliers & supplier visits (sometimes)
- Align on **key supplier performance metrics**
- Sharing of **synthesized market intelligence** and general supplier performance
- Sharing information** (without providing confidential / sensitive information)
- Providing **improved demand visibility**

## What we will not do together

- Long-term agreements** with manufacturers
- Selection of suppliers** and demand allocation
- Execution of **purchase orders**
- We will not manage actual **supplier performance jointly**
- Managing **overall supplier performance** (Price, lead-time, delivery etc.)

# Increased dialogue between buyers & sellers over the last 18 months

**Update @ April 2018**



- 4<sup>th</sup> update all posted @ <https://www.theglobalfund.org/en/sourcing-management/health-products/antiretrovirals/>
- Other actions being adopted by buyers and sellers
- A number of procurement channels considering performance metrics, Framework contracts and moving away from frequent spot tenders
- Big funders/buyers committed to further strengthen partnership and improve on demand management

## Demand & order management

- Improve certainty on the time dimension; reduced volatility (smoothen demand)
- Aligned messages to programs on the benefits of better planning; incentivize good planning
- Expand scope and discuss forecasts/deviations to improve “trust in the forecast”
- Streamline administrative process and reduce bottlenecks to reduce inventory & write-offs
- Stronger coordination amongst funders and buyers
- Improved and more timely demand planning at the country level

## Process & product lifecycle

- Stable buyer/seller partnership and volume certainty to enable sustainable investment and to optimize process development, API sourcing, and production
- Early and continuous engagement especially on new products (buyer, seller, & programs)
- Optimize and harmonize product and packaging specifications
- Clear pathways for new products and new suppliers

## Performance

- Buyers to align on performance metrics
- Incentivize continuous improvement
- Articulate the cost of poor performance and encourage procurement channels to consider factors beyond price especially performance

# Large ARV Buyers and Sellers Forum November 2017

## Breakout Sessions notes: Value for Money

### Topics discussed

#### Sourcing/ Supplier Management

- Reduce packaging and markings while linking with regulations
- Bring services closer to customers to reduce freight cost and allow for smaller batch sizes

#### Demand Management

- Deliver large orders in smaller consignments
- Demand planning should be a 2-way communication
- Execute volume commitments

#### Process & product lifecycle

- Enable continuous production through smoother more regular orders
- Leverage technology to use bar-coding
- Implement packaging efficiencies to reduce shipping costs
- Harmonize labelling requirements by aligning global, regional and national approaches
- Encourage swifter regulatory approvals to implement manufacturing and supply efficiencies
- Alignment of regulatory processes to be able to while bringing more countries into regional harmonization efforts
- Reduce pill size through process technologies and new molecules

#### Supply chain optimization

- Invest in local packaging
- Freight optimization
- Ship bulk drugs to country and execute filling and labeling in country

#### Improve forecasting

- For manufacturers it is all about lead time
- Big buyers do the forecasts

#### Optimize packaging & labeling

- Single standard or put in barcodes that can be accessed in country (and link to reporting mechanism).
- Inserts can be printed locally or made directly available to patient via their cell phone
- Remove inserts and remove cartons (and standardize)
- Doing away with the cartons – low hanging fruit

# Large ARV Buyers and Sellers Forum November 2017

## Breakout Sessions notes: Value for Money (2)

### Topics discussed

#### Sourcing closer to demand

- For a local manufacturing level – capex is an issue. The length of tender or finding innovative finance mechanisms or an operational model that can spread the burden of this risk

#### Optimize storage

- In a large country – placing larger orders is a struggle – instead deliver it in monthly/quarterly batches; formulate the order to be delivered in batches

#### Other

- Leverage technology: bar coding and automatic ordering
- Leverage cell phone technology for pharmacovigilance
- Better leverage regional warehouses
- Redefine shelf life requirements to not hamper longer shelf life products and emergency deliveries.
  - suppliers recommend using months of until expiry instead of a percentage of RSL.
- Multi-month packs
- Establish market early warning system for suppliers

# Large ARV Buyers and Sellers Forum November 2017

## Breakout Sessions notes: Demand Management

### Topics discussed

#### Information needed

- Need also more disaggregated demand information including company specific allocations from more buyers
- Demand visibility should be shared for the next level up in the supply chain (e.g. FPP to provide visibility to API etc.)

#### Accuracy

- +/- 20% in forecasts is manageable

#### Impacts of poor demand

- Substantive uncertainty of demand with order late or not visible/predictable creates significant peaks and troughs in demand
- Manufacturing inefficiency where unutilized capacity and stop/start takes time to restart/respond - or may be allocated to other products
- Respond to poor demand management by holding inventory – so works in terms of responsiveness for buyers – even though not at an insignificant cost of capital and expiry risk (especially with high remaining shelf life requirements)
- Challenges compounded up the supply chain and longer lead-times for sourcing of APIs and Key Starting Materials (KSM)

# Global Fund, PEPFAR, Republic of South Africa Demand Management April 2018 Update

April 2018  
Geneva, Switzerland



Republic of South Africa



# Consolidated demand forecast is derived in 5 simple steps

- 1 Gather order information** from across top ~10 countries for top 10 products
- 2** Translate order dates to the **dates when order is placed towards the supplier**, adjusting for shipment lead times if necessary
- 3 Consolidate the information from** The Global Fund, PEPFAR and The Government of South Africa
- 4 Triangulate the data** with the general population information and historical order patterns
- 5 Prepare a product-specific quarterly forecast breakdown** and share it with supplier and countries for their feedback

## Caveats and limitations to the current version of the visibility data

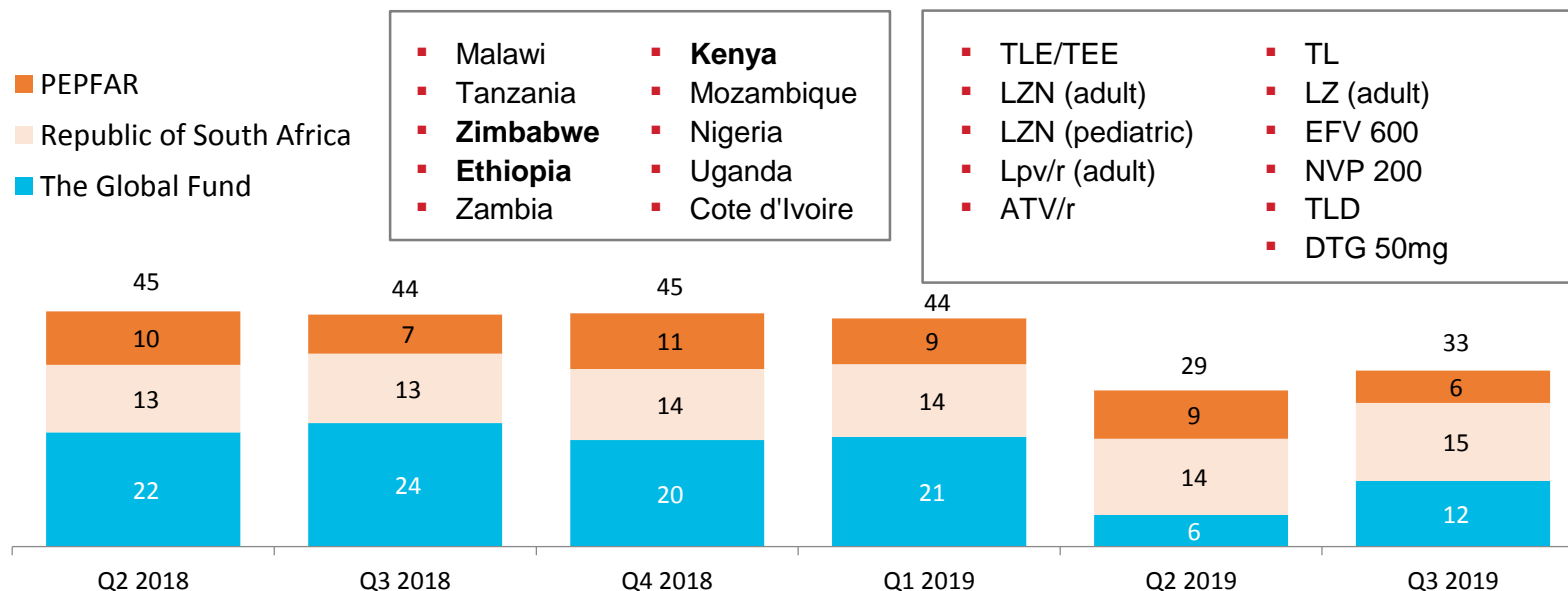
- **Conservative estimates** based on currently confirmed orders
- Prepared based on **data currently available** to The Global Fund, Government of South Africa and PEPFAR
- **Preliminary estimates for the discussion** – and not final purchase commitments
- **May not yet fully capture lead times** between order placement at manufacturer and in-country delivery
- **Fifth joint consolidated procurement** forecast

# Consolidated Demand Forecast Outlook

## Overall ARV Demand Outlook

Q2 2018-Q3 2019, Number of packs, million

**Bold font – non-PPM countries** Regular font – PPM countries



NOTE: Dates used are vendor INCO fulfillment dates. For the ease of analysis we excluded South Africa from The Global Fund funding. For South Africa, TEE is a predominant first-line instead of TLE.

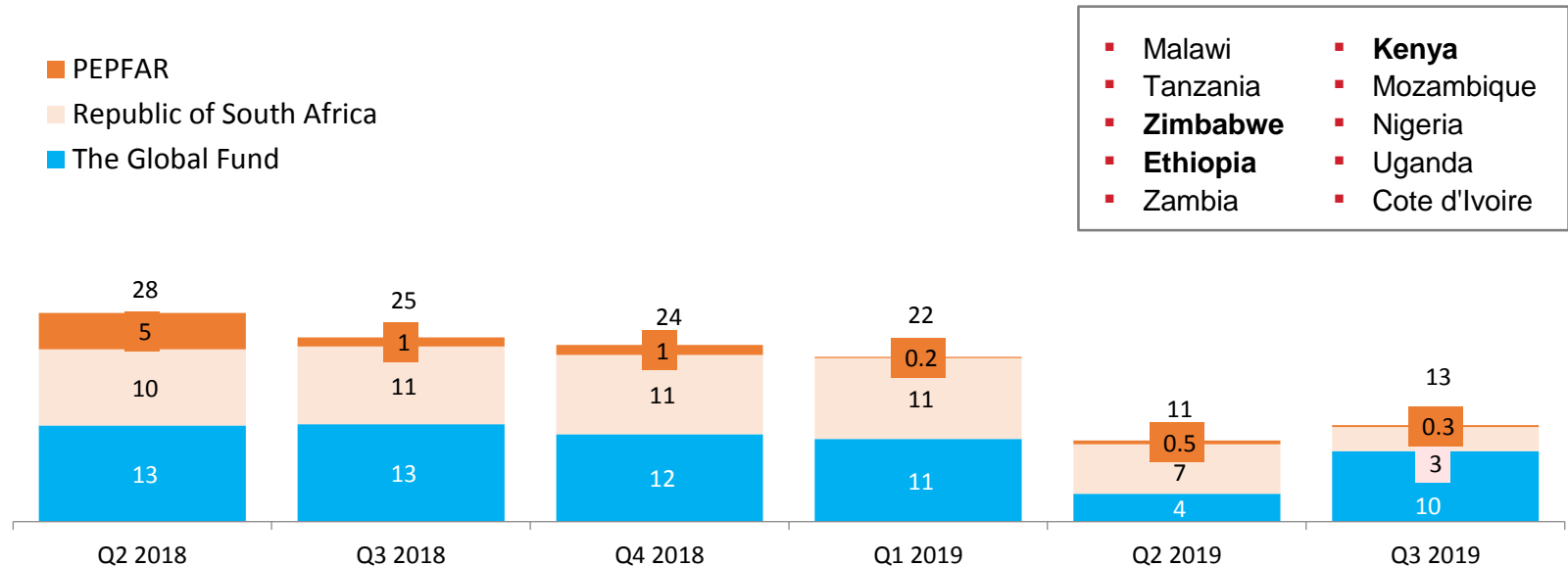
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# TLE 600, TLE 400, and TEE – Consolidated Demand Forecast Outlook

## Overall ARV Demand Outlook

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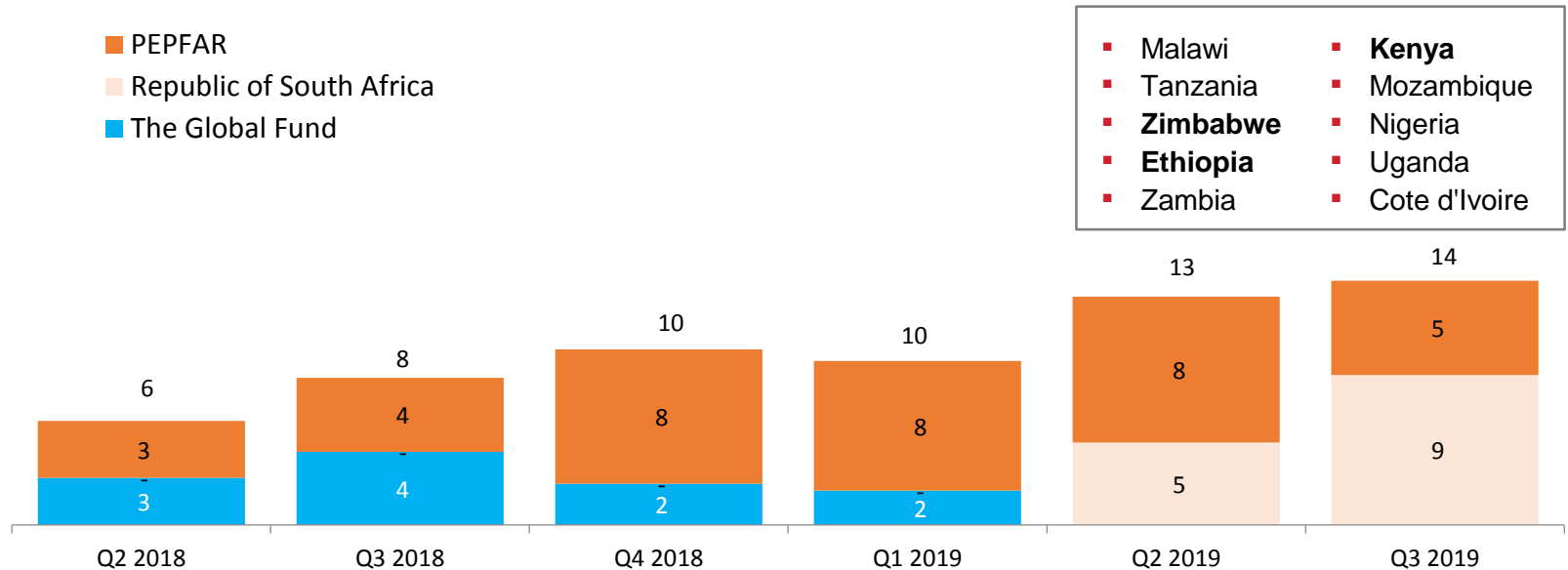
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# TLD – Consolidated Demand Forecast Outlook

## Overall ARV Demand Outlook

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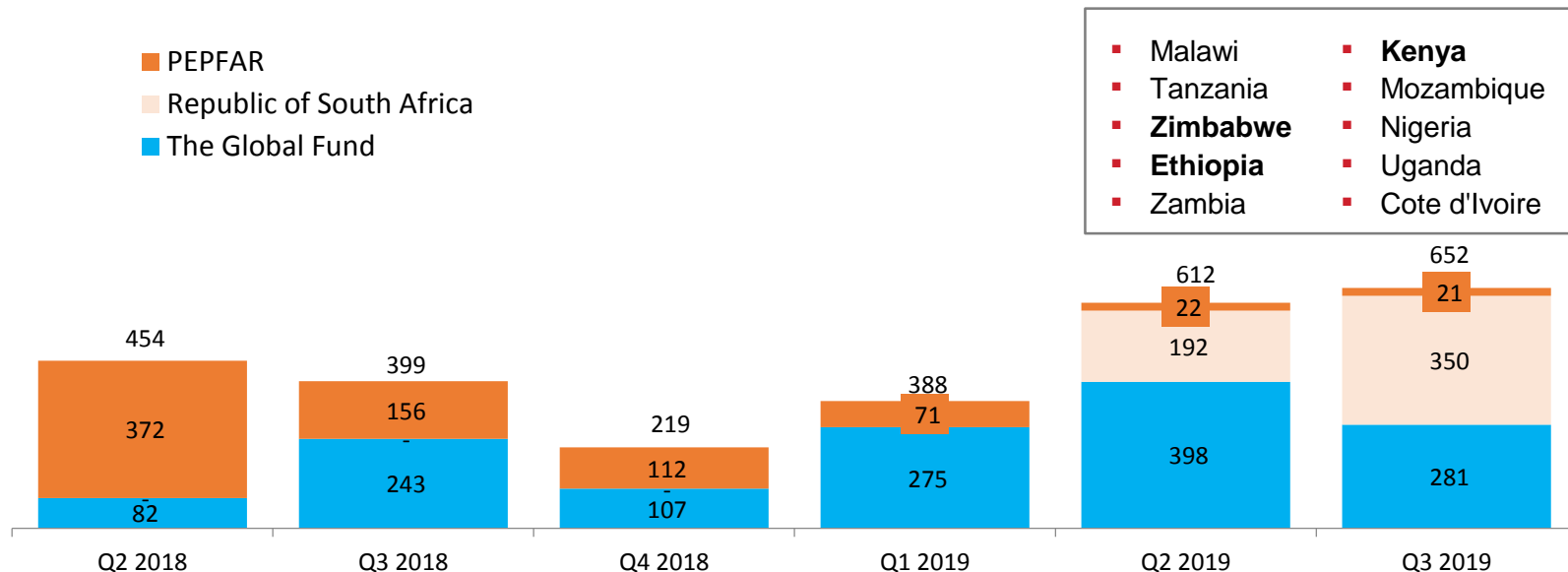
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# DTG 50mg – Consolidated Demand Forecast Outlook

## Overall ARV Demand Outlook

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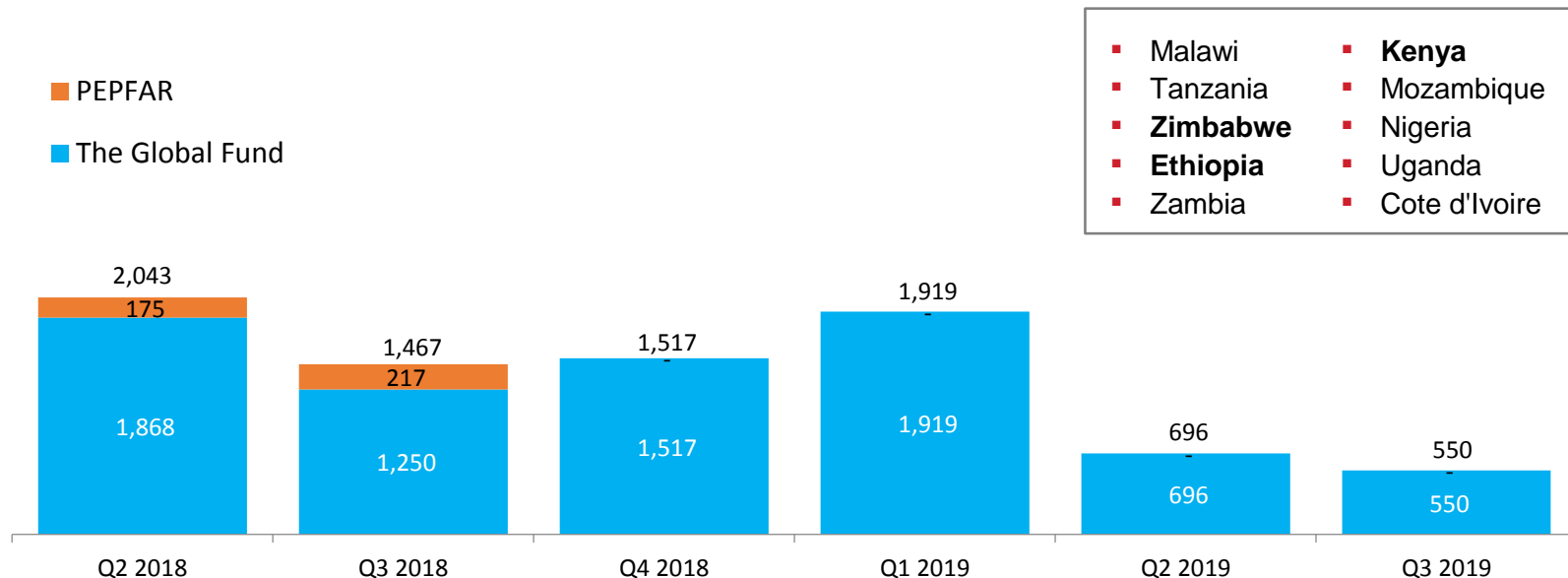
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# LZN (Adult) – Consolidated Demand Forecast Outlook

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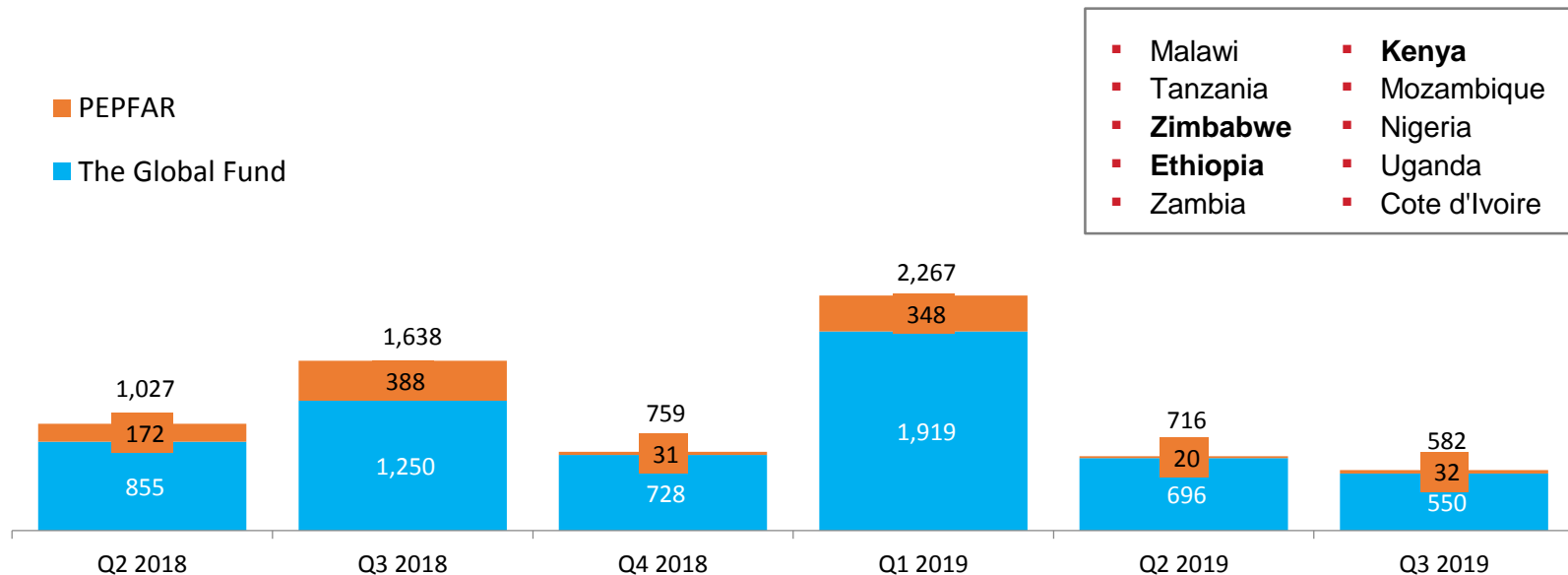
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# LZN (Pediatric) – Consolidated Demand Forecast Outlook

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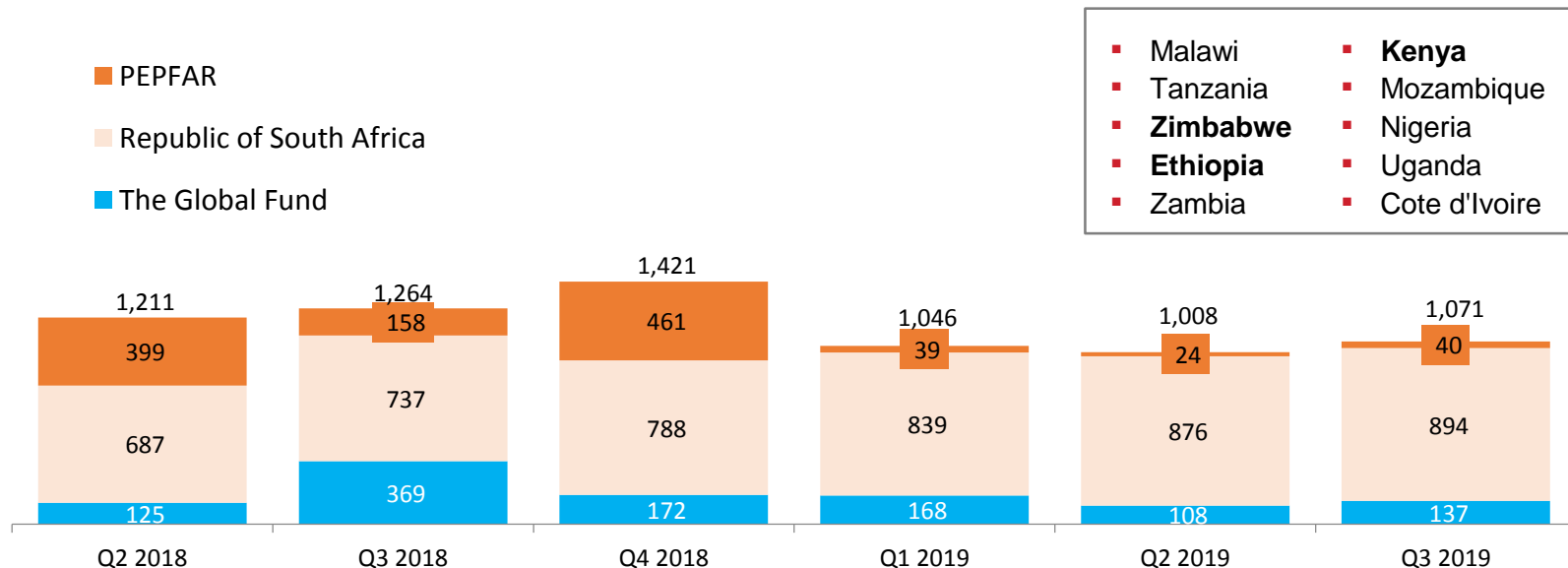


# LPV/r (adult) – Consolidated Demand Forecast Outlook

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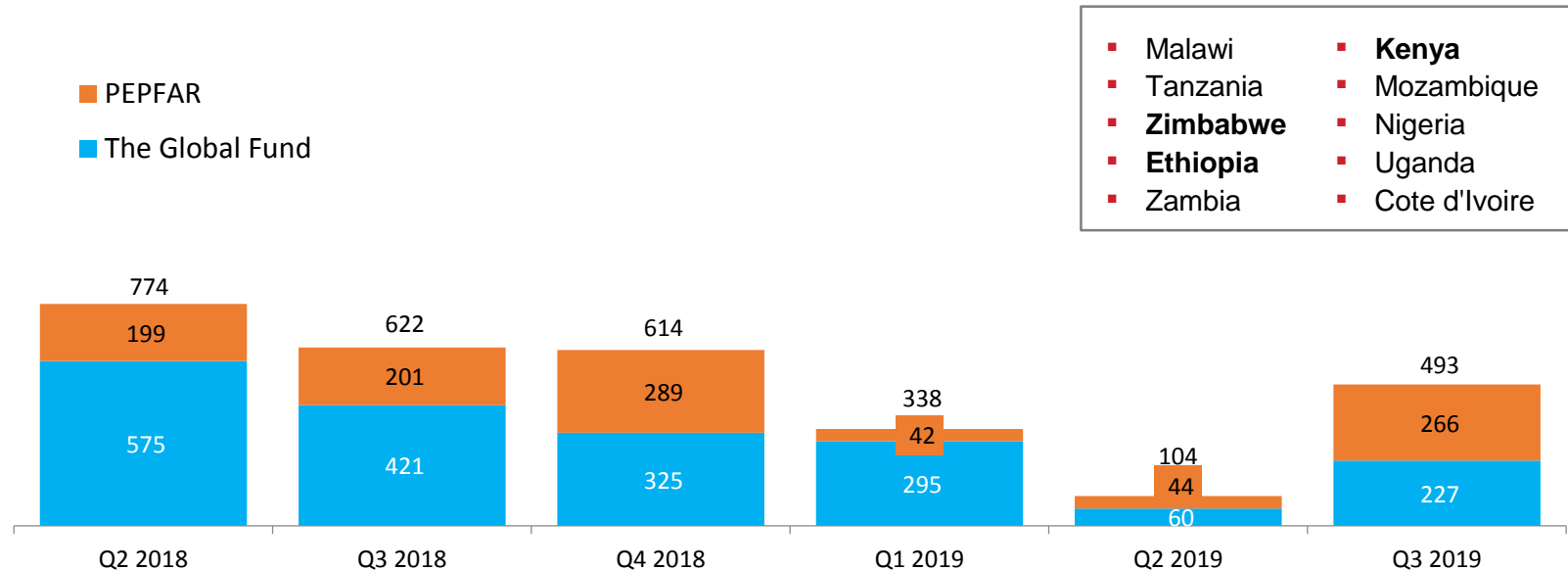
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# ATV/r – Consolidated Demand Forecast Outlook

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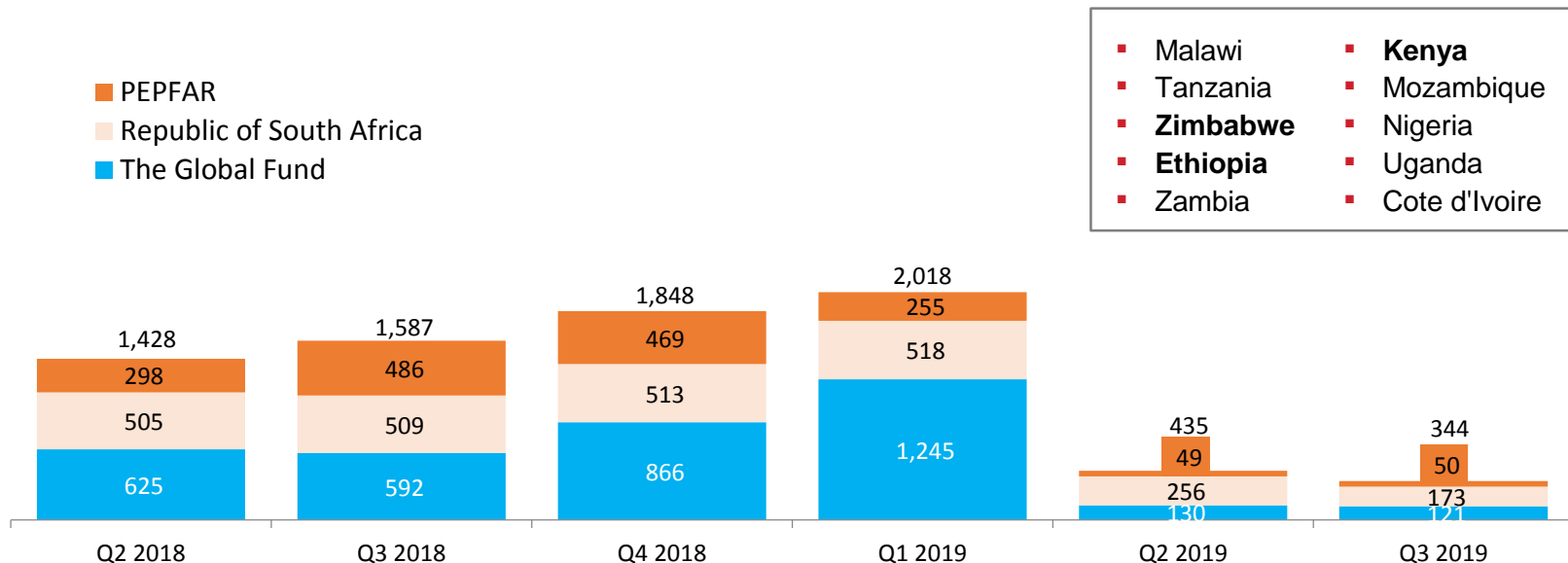
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# TL and TE – Consolidated Demand Forecast Outlook

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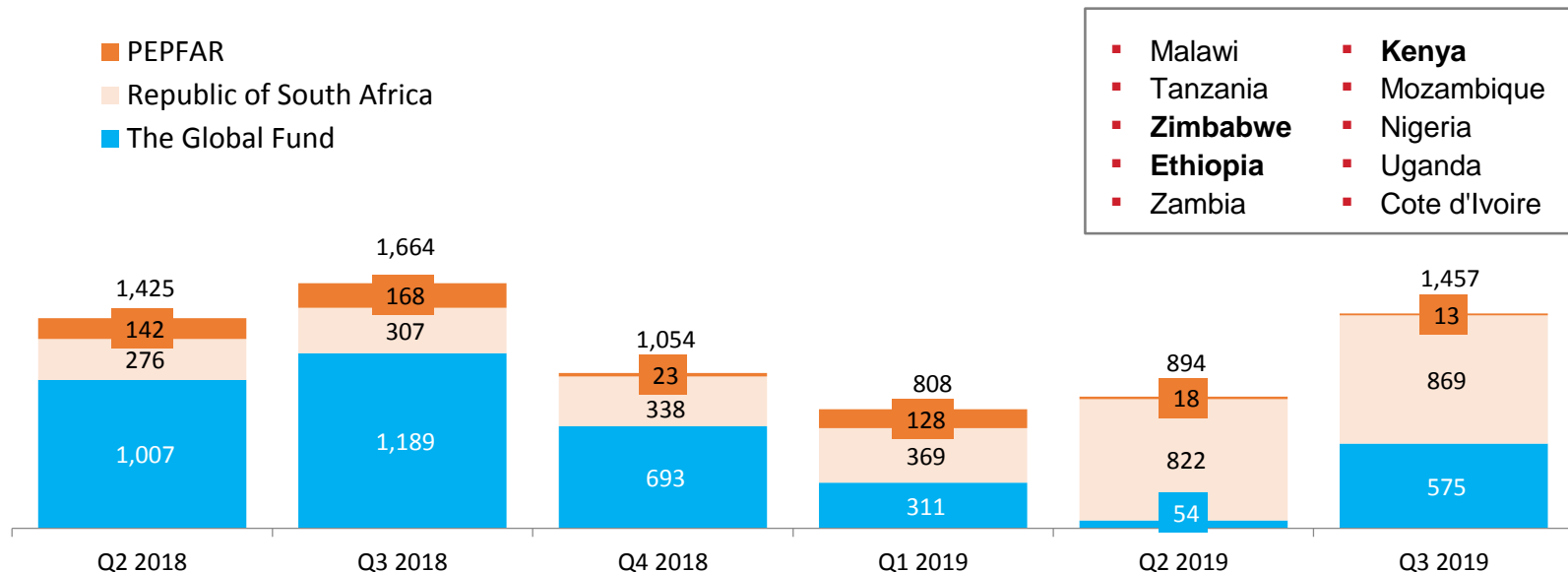
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# LZ (adult) – Consolidated Demand Forecast Outlook

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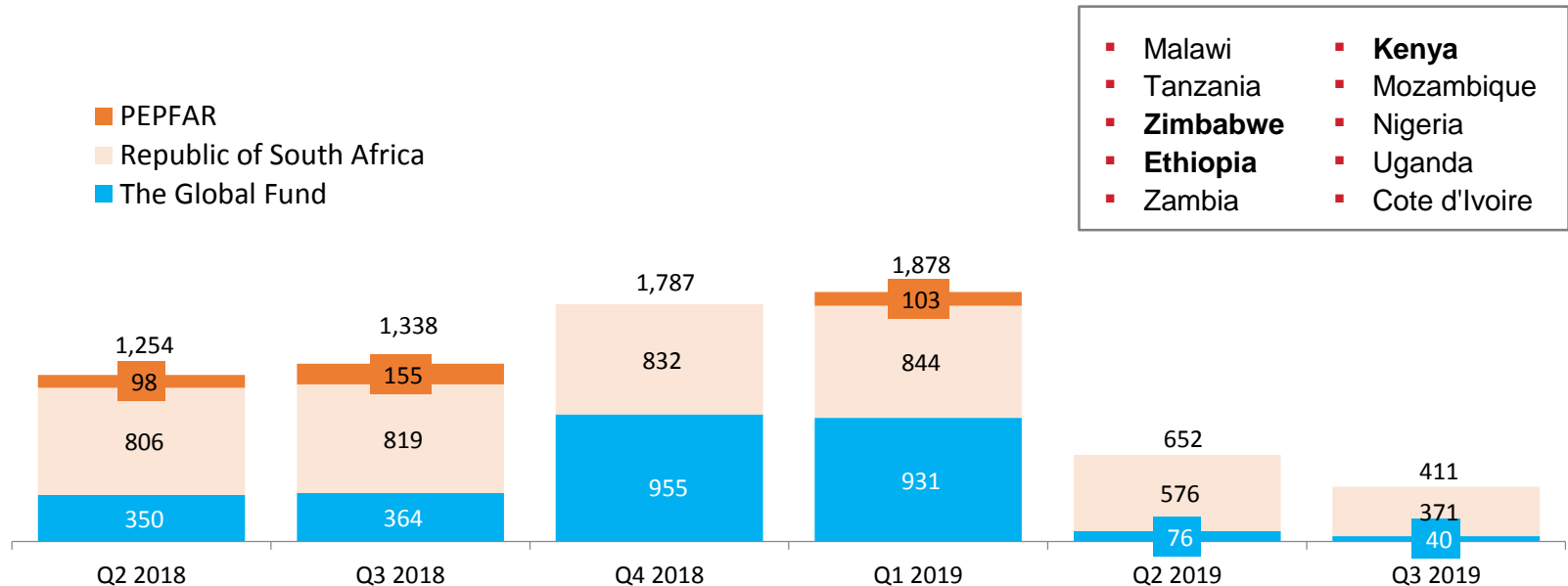
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# EFV 600 – Consolidated Demand Forecast Outlook

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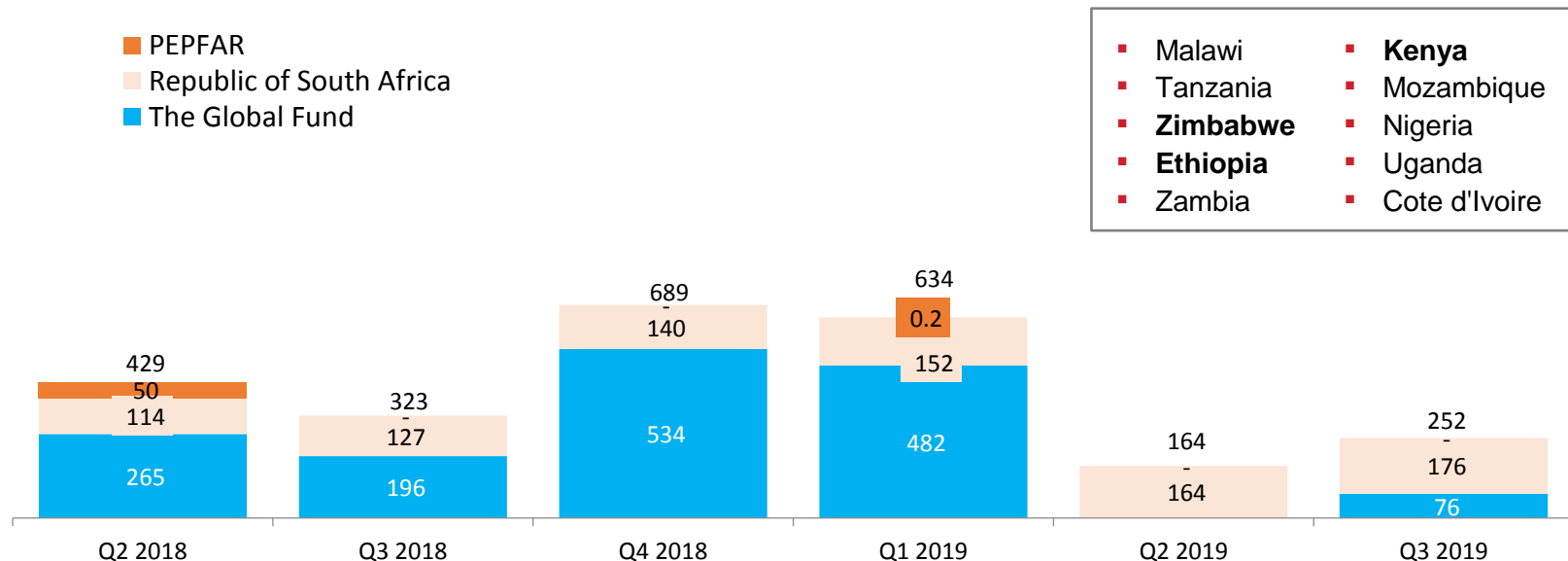
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# NVP 200 – Consolidated Demand Forecast Outlook

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