
Supply Operations Update

42nd Board Meeting

GF/B42/11

14-15 November 2019, Geneva, Switzerland

Board Information

Purpose of the paper: Provide an update on Secretariat initiatives related to Supply Operations, previously referred to as Sourcing and Supply Chain

Context

1. Almost 50% of Global Fund disbursements fund the purchase of health products. The successful Replenishment of USD 14.02 billion (which also catalyzes domestic investment of USD 46 billion to fight the three diseases) means that there is an ever-greater volume of products that must be delivered efficiently to the right populations if we are to achieve the 2030 Sustainable Development Goals and end the epidemics. Ensuring that supply operations are effective and sustainable is not only critical for accelerating the end of the three epidemics but also for enhancing long-term health outcomes overall in countries. We can improve health outcomes through treatment, diagnosis and prevention efforts if we have the right systems in place to deliver the right health products to the right populations in the right way.
2. The overall Supply Operations vision, previously referred to as the Sourcing and Supply Chain vision, encompasses the entire supply operations process from end-to-end. The vision is to continue to facilitate healthier global markets for health products and improve performance for people-centric supply chains. There are three initiatives that contribute complementary value to the end-to-end Supply Operations vision:
 - i. **Market Shaping Strategy:** Improves short- and long-term affordability and supply continuity of quality-assured health products, supporting innovation and new product uptake, while building national procurement capabilities.
 - ii. **People-Centric Supply Chains:** Enables effective, efficient, and sustainable people-centric in-country distribution of health products.
 - iii. **Evolution of wambo.org:** Improves access and compliance for value-for-money procurement, whether funded by Global Fund grants or other sources of funding.
3. Following a highly consultative process, the Board approved an updated Market Shaping Strategy in 2015 with the mission to leverage the Global Fund's position to facilitate healthier global markets for health products, now and in the future, contributing to USD 150-200 million in annual savings from 2016-2018 for Principal Recipients using the Global Fund's Pooled Procurement Mechanism (PPM). Other key accomplishments have included (i) supply secured for low volume products through coordination across other buyers; (ii) access to long-term agreements with suppliers extended by the Global Fund to others, including partners and buyers using domestic funding; and (iii) support for the adoption and scale-up of innovations (e.g., seasonal malaria chemoprophylaxis, pediatric ARVs).
4. Work has progressed to advance people-centric supply chains. In 2016, teams focusing on in-country supply chains were established, and 20 country diagnostic assessments were initiated. Today, 16 transformations are progressing to strengthen in-country supply chains, using On Shelf Availability as a Key Performance Indicator (KPI) to monitor access to health products.
5. Given overall trends in domestic financing, much of the increased procurement needed to end the epidemics will be financed by non-Global Fund-grant sources. Although not a full solution to all in-country procurement challenges, providing access to international pooled procurement, such as wambo.org, may help mitigate some of the associated risks relating to access, price, quality and supplier performance. wambo.org is a transaction management tool, initially developed to facilitate orders by Global Fund grant recipients, connecting buyers to the Pooled Procurement Mechanism (PPM) and other product catalogues managed by sourcing partners (such as UNOPS for non-health items). In May 2017 the Board authorized a pilot to test and refine the process of opening the wambo.org platform to health product orders for current Principal Recipients (PRs) using domestic funding. In March 2019, the Strategy Committee approved an additional 50 transactions using domestic funding to enable the Secretariat to collect inputs to inform the development of a future vision for wambo.org.

Where are we now? Progress to date

Market Shaping Strategy

6. The Technical Evaluation Reference Group (TERG) completed a Mid-Term Review of the Market Shaping Strategy (2016-2022) (GF/B42/09, GF/SC11/05, GF/SC11/06). Key findings included strong performance of the PPM on foundational elements, including strategic sourcing capabilities and clearly defined KPIs and targets on product quality, availability and affordability. Success factors driving this included execution of performance-based long-term framework agreements, central tendering processes to promote a large base of reliable suppliers, trusted relationships with suppliers and effective coordination with other large procurers on some health products. For other global procurement channels and national procurement channels, a lack of visibility limiting potential to drive availability, affordability and quality was noted. Missed opportunities for steering innovation and accelerating new product introduction were identified across all procurement channels, and although siloed efforts have advanced to promote the sustainability of procurement, a lack of a systematic and comprehensive engagement to address and mitigate risks on this across countries was noted. The TERG made recommendations going forward.

People-Centric Supply Chains

7. People-centric Supply Chains aim to identify the areas of priority supply chain investments that will make a difference in health outcomes and sustainability. The key areas of focus are: 1) sustainable governance, country-led with all key stakeholders engaged and aligned; 2) supply chain segmentation, permitting initial efforts to focus on where key value can be delivered in the immediate term; 3) private sector engagement, particularly with respect to warehousing and distribution; and 4) planning innovation, to improve the balance between consumed and supplied products at the health facility level. Designing and implementing these people-centric supply chains is still in its beginning stages and must be developed in close collaboration with all relevant stakeholders, including the private sector, civil society and other local partners in countries.

wambo.org

8. The current pilot (GF/B37/DP09, GF/SC09/DP01) which allows current Principal Recipients to place orders for health products using domestic funding has supported 20 transactions by 8 buyers in 5 countries, as of 21 October 2019. User satisfaction is high, with 88% of buyers having already placed repeat orders, and 100% indicating they intend to continue using it. At the same time, the Secretariat has identified several challenges that it believes should be addressed to optimize the value of extending access to the platform: 1) access; 2) the pre-payment requirement; and 3) legislative barriers. While the Secretariat intends to present options in 2020 to reduce the pre-payment challenge and will continue to monitor the impact of legislative barriers for potential future action, it requests the Board to approve at this time an evolution of the current pilot to maximize the utility of the tool for the upcoming grant cycle (GF/B42/04).

Key messages and priorities

Market Shaping Strategy

9. The Secretariat is pleased that progress with implementing the Market Shaping Strategy has been recognized for the value it delivers, as highlighted by the TERG and the Strategy Committee during its 11th meeting. The Secretariat agrees with the overall recommendations of the TERG, including the importance of continuing to drive value on availability / affordability / quality through strategic sourcing.
10. The Secretariat also agrees with the priority areas highlighted by the Strategy Committee: (a) extend benefits to ensure that countries can successfully transition without back-sliding on health product availability, price and quality; (b) enhance collaboration with partners to foster innovation and accelerate new product scale-up; and (c) fill partner gaps on cost-effectiveness analysis to inform appropriate product selection and consider the value of products beyond just price. The Secretariat

notes that the decision to evolve the wambo.org pilot can help support successful transitions. The Secretariat also notes that deeper collaboration with key partners highlighted in the Mid-Term Review, such as Unitaid and the Global Drug Facility (GDF), can build on existing examples and experience in collaboration with the Global Fund.

11. The Secretariat has initiated development of an implementation roadmap informed by the recommendations with timelines and KPIs for key activities for the 2020 to 2022 period. Given that the TERG recommendations were neither costed nor prioritized, further discussions will be required to determine the activities which will result in the highest impact, those for which the Global Fund is distinctly positioned to advance (compared to partners) and the prioritization of these activities within a finite overall budget envelope.

People-Centric Supply Chains

12. The Secretariat has been able to advance progress in this innovative area of work, across complex country-led, multi-partner systems. Prioritization of initiatives under people-centric supply chains going forward will need to occur and will be dependent upon resourcing constraints.

wambo.org decision point

13. As described in GF/B42/04, the Secretariat requests the Board to approve an evolution of the wambo.org pilot to optimize value for the upcoming grant cycle, as recommended by the Strategy Committee in October 2019. This would support recommendations from both the Market Shaping Strategy Deep Dive (GF/B42/09; GF/SC11/05; GF/SC11/06) and the Sustainability, Transition and Co-financing Policy Deep Dive (GF/B42/12; GF/SC10/03).
14. To complement the requested evolution in scope of the pilot, the Secretariat proposes multi-stakeholder consultations with Board constituencies in early 2020, biannual reporting to the Strategy Committee and a full evaluation and multi-stakeholder consultation in 2022.

What are the next steps for Committees and Board?

Market Shaping Strategy

15. The Secretariat would benefit from Committee and Board support for enhanced collaboration with partners to deliver the Market Shaping Strategy.
16. The Secretariat would continue to benefit from Committee input on the future vision for delivering the Market Shaping Strategy. The Secretariat has proposed holding annual strategic review meetings with key partners and stakeholders and providing another update on implementation of the Market Shaping Strategy to the Strategy Committee in October 2020.

People-centric Supply Chains

17. Committee and Board facilitation between the Secretariat, donor partners and key in-country stakeholders, including communities, would help drive results across the complex landscape.

Expansion of wambo.org pilot

18. Board approval of GF/B42/DPXX would permit additional learnings while making wambo.org available with non-grant sources of funding during the next grant cycle, thereby increasing visibility, transparency, efficiency and compliance.

Discussion questions

- i. To what extent does the Board consider that the full integration of end-to-end processes will be critical to deliver greater value?

- ii. One of the recommendations of the TERG Mid-Term Review was to strengthen our processes to enhance innovation. What does the Board consider could be an appropriate partnership model to better support this?
- iii. What recommendations does the Board have for how the Secretariat can more systematically engage relevant stakeholders, including Communities, Civil Society and the private sector in people-centric supply chains?
- iv. Beyond making wambo.org available for domestic financing purchases, what additional recommendations does the Board have for how the Secretariat can better support countries to achieve their ambitious domestic funding (and co-financing) targets?
- v. How does the Board consider the trade-offs between managing risks associated with the evolution of the wambo.org pilot with the anticipated value that could be delivered in this next grant-making cycle?

Annex: Further information

- Evolving the wambo.org pilot for non-Global Fund-funded orders (GF/B42/04)
- Report from the Technical Evaluation Reference Group (GF/B42/09)
- Sustainability, Transition and Co-Financing Update (GF/B42/12)
- Extending access to wambo.org for non-Global Fund-financed orders (GF/SC11/07)
- Deep Dive on Market Shaping Strategy (GF/SC11/06)
- Technical Evaluation Reference Group: Market Shaping Strategy Mid-Term Review (GF/SC11/05)
- TERG Thematic Review on Sustainability, Transition and Co-financing Policy (STC Policy) (GF/SC10/04)
- Update on Implementation and Request for Additional Domestic Funding Transactions (GF/SC09/11)
- wambo.org Domestic Funding Pilot: Update on development of indicators to evaluate the success of the pilot (GF/SC04/11 Revision 1)
- Market Shaping Strategy Update (GF/SC04/07)
- [wambo.org: Progress Update and Steps for Advancement](#) (GF/B37/07)
- wambo.org: Progress Update and Steps for Advancement (GF/SC03/16)
- wambo.org Progress Update and Steps for Advancement (GF/SC02/06b; GF/AFC02/23a)
- [Sustainability, Transition and Co-financing Policy](#) (GF/B35/04)
- [Market Shaping Strategy](#) (GF/B34/17)
- [Market Shaping Strategy: Annex 1](#) (GF/B34/17)
- TERG Thematic Review on the Market Shaping Strategy (GF/SIIC16/04)