COVID-19 Impact on Health Product Supply: Assessment and Recommendations

27 March 2020

The COVID-19 pandemic is impacting global health product supply chains, affecting key materials and ingredients, finished health products, logistics, shipping and more. The Global Fund is constantly and closely working with suppliers and partners to assess the impact on core health product supplies and provide recommendations for implementing partners on how to manage the impact.

This regularly updated document contains our most recent assessment and recommendations.¹

Assessment

As of 24 March 2020, the Global Fund’s product and delivery outlook shows the overall impact of COVID-19 on health product supply chains for Global Fund grants as low to moderate.

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<thead>
<tr>
<th>Area</th>
<th>Situation Update</th>
<th>Operational Risk Assessment</th>
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<tbody>
<tr>
<td>All pharmaceuticals</td>
<td>Most manufacturers of active pharmaceutical ingredients and other key companies in China have recently resumed full production; however, these interruptions in early Q1 will likely impact the production of finished pharmaceutical products through April 2020. We are closely monitoring how national governments, including India, respond to COVID-19 and may update our risk assessment depending on the impact this may have on pharmaceutical supply.</td>
<td>Low to moderate</td>
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<td>Including antiretroviral, malaria and TB medicines</td>
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<td>Long-lasting insecticidal nets</td>
<td>With China suppliers resuming production now, there is limited impact on the supply of pyrethroid-based bed-nets. PBO nets are supplied by few manufacturers and supply is limited, therefore this requires close monitoring and engagement. Initial supply issues for the Next Generation nets will ease with China-based manufacturers resuming production, although the lead times remain long due to the production backlog and increased demand.</td>
<td>Low to moderate</td>
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<td>Country responses to COVID-19 may impact global supply, therefore we are closely monitoring developments. To</td>
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¹ Access the latest version at https://www.theglobalfund.org/media/9440/psm_covid-19impactonsupplychainlogistics_report_en.pdf
To mitigate delays and facilitate timely supply, the team is continuously engaging with suppliers to dynamically allocate to best supply options in coordination with partners.

| **Diagnostics** | Production for diagnostics is largely on track. There is potential for a 1-2 months delay as some diagnostics elements, such as buffers, originate from China. | Low to moderate |
| **Freight and logistics** | Flight delays and cancellations are contributing to air freight capacity constraints. Ocean freight remains the most reliable mode of transport; however, refrigerated container availability constraints (particularly in China and India) has reduced capacity for pharmaceuticals. Cost impacts are expected across all transport modes. | Low to moderate |

The Global Fund has taken steps to assess and address COVID-19-related procurement and supply chain risks.

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<th><strong>Area</strong></th>
<th><strong>Global Fund Actions</strong></th>
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| **Conduct supply chain risk analysis** | • Run risk analysis of upstream and downstream product supply chains.  
• Identify possible threats involved in the end-to-end supply chain. |
| **Estimate the risk and impact** | • Summarize high risk product or product categories, define current inventory buffer and locations.  
• Conduct scenario planning to understand implications in prolonged supply chain interruption.  
• Collect 6 to 12-month accurate demand to determine required supply, considering that the lead time range for core Global Fund health products is between 5 and 6 months. |
| **Avoid the supply chain risk** | • Explore options to ramp up alternative products, suppliers and additional supply options.  
• Rerouting/changing transportation mode and leveraging other existing logistic capacity to reduce replenishment lead-times.  
• Enhance demand verification process to correct inflated demand to mitigate the bullwhip effect. |
| **Strengthen collaborative relationships** | • Work in close collaboration with partners to identify and address critical supply challenges.  
• Leverage partnership to optimize supply, logistics solutions and accelerate regulatory approval pathway.  
• Jointly manage demand with common recipient countries. |
| **Communicate timely** | • Ensure timely and transparent communication to avoid unnecessary panic and develop contingency plan. |
| **Control the risk** | • Establish cross-function supply chain operational risk management committee when risk becomes high.  
• Optimize processes and tools to support better planning and reduce demand fluctuations.  
• Determine possible product and supplier shortlists in case alternate supply is required. |
Recommendations for Implementers

On 19 March, the Global Fund advised Principal Recipients on the impact of COVID-19 on future orders and provided recommendations to optimize supply and enable reliable delivery.

We are assessing potential delays for every order. Currently, 10% of orders face delays of more than thirty days. We are communicating closely with Principal Recipients to review mitigation plans and adapt lead times to minimize disruption.

All Principal Recipients should submit requisitions for deliveries expected in 2020 by 10 April 2020. This information is reflected in the Category and Product-Level Procurement and Delivery Planning Guide: Indicative Lead Times, updated on 19 March 2020:

- [Category and Product Level Procurement and Delivery Planning Guide: Indicative Lead Times (March 2020)]

The Global Fund’s Guidance Note on Responding to COVID-19 provides flexibility for countries to use up to 5% of approved Global Fund grants to mitigate the risks of the pandemic on health systems, with particular attention given to the early replenishment of stocks. The Global Fund is monitoring the approval status of several COVID-19 diagnostics and will provide an update should the possibility of future procurements using Global Fund funding for these products become available.

Implementing partners participating in the Pooled Procurement Mechanism should reach out to their Global Fund Principal Recipient Services contact with any questions or for additional information. Other Principal Recipients should contact their Country Team should they incur significant challenges or delays of more than 30 days in procuring core life-saving products.