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

7 April 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. Access the latest version of this document on the Global Fund website.

Assessment

As of 7 April 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 remains at moderate.

<table>
<thead>
<tr>
<th>Area</th>
<th>Situation Update</th>
<th>Operational Risk Assessment</th>
</tr>
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<tbody>
<tr>
<td>All pharmaceuticals</td>
<td>Pharmaceutical-related production in China is recovering. In India, production is expected to continue through the lockdown period, however capacity will be reduced due to manpower and increasing logistics constraints. Delays are likely to be experienced over the next few months. We continue to monitor progress directly with suppliers and the U.S. Government, WHO, the Stop TB Partnership and other partners to support access to needed products despite the challenging situation.</td>
<td>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>Longer lead times are expected for pyrethroid nets as production in India has stopped and the COVID-19 response in Viet Nam has tightened. We continue to work with suppliers in China as they resume production to minimize the impact. The India lockdown affects PBO supply with potential further impact depending on the Viet Nam response. We are closely monitoring the supply situation for both pyrethroid and PBO nets. Initial supply issues for Next Generation nets will ease with China-based manufacturers now at 90% capacity. Lead times remain long due to production backlog and increased demand.</td>
<td>Moderate</td>
</tr>
<tr>
<td>Diagnostics</td>
<td>Some supply constraints are emerging due to the lockdown in India. Options exist for helping ensure supply continuity,</td>
<td>Moderate</td>
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To mitigate delays and facilitate timely supply, the Global Fund is continuously engaging with suppliers to monitor progress and dynamically allocate to best supply options, in coordination with partners.

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

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<th>Area</th>
<th>Global Fund Actions</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, 9% 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.

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.

Rapid approval by implementing partners of freight estimates and necessary freight re-rerouting may permit securing the best currently available option, while approval delays may lead to missed shipping slot opportunities.

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.