



Independent observer
of the Global Fund

ON TIME AND IN FULL DELIVERIES IMPROVE TO 68% FOR GLOBAL FUND HEALTH COMMODITIES

The Global Fund's procurement team has posted a nearly 100% improvement in its on-time and in-full deliveries of health commodities bought under the pooled procurement mechanism from the manufacturer to countries' ports of entry, due to a streamlining of the up-stream supply chain and a more rigorous assessment of performance by manufacturers and purveyors.

The challenge now, according to Chief Procurement Officer Christopher Game, is making comparable strides in-country, along the so-called 'last mile' from the port to the network of public health facilities around the 123 Fund-eligible countries.

Some \$1.2 billion in commodities was purchased by the Fund in 2014 using its pooled procurement mechanism, marking a four-fold increase over 2013 figures.

The table below illustrates the amount and the distribution of those purchases.

Category	HIV	Malaria	TB	Grand
High Impact – Africa I	\$124.0 m	\$32.7 m	\$0.0 m	\$156.7 m
High Impact – Africa II	\$337.5 m	\$61.5 m	\$1.0 m	\$400.0 m

High Impact – Asia	\$23.4 m	\$22.2 m	\$.7 m	\$4
AELAC	\$28.0 m	\$4.2 m	\$2.1 m	\$3
AME	\$366.6 m	\$185.5 m	\$10.6 m	\$56
Grand Total	\$879.5 m	\$306.1 m	\$14.4 m	\$1,20

Under the old system, enrollment in the voluntary pooled procurement (VPP) mechanism was somewhat of a misnomer as for many countries as it was a punitive measure taken following the revelation of financial mismanagement, fraud or impropriety. Now, however, despite concerns that it could be seen as limiting country ownership of the procurement process, pooled procurement is being touted as a market-friendly and cost-efficient solution to the needs for a steady supply chain of health commodities, including drugs, to Fund-eligible countries.

‘On time and in full’ is considered a gold-standard indicator in the measure of delivery performance by a supply chain. Because it looks at deliveries from the point of view of recipients rather than in suppliers, it is considered superior to other delivery performance indicators. Within the private sector, 80% OTIF is industry standard.

Streamlining the up-stream supply chain — which starts at the manufacturer level and ends, effectively, with the shipping agents commissioned by the Fund to ship products to various destinations — required a new commitment to data management and analysis about performance, production and procurement to better anticipate where potential delays are likely to originate.

Since September 2014, the procurement team has been working with the Grant Management Division to review a new strategy to align the in-country priorities for improved supply chain efficiency with the global strategy.

“We are really keen to expand the PPM process, without depriving countries of choice and ownership,” said Game. “So the more we are able to pay for directly to suppliers, the more we are in line with budgetary considerations, and the easier it is to flag anomalies, saving money down the road.”

This internal review follows a more concerted effort by the Global Fund to work closely with other international organizations that procure and distribute health commodities. A memorandum of understanding has been signed with UNITAID to improve coordination around HIV and TB commodities; similar work is under way with the World Health Organization around malaria-related products.

It is hoped that this new approach can, over the course of 2015, be applied at the country level — the downstream supply chain — to mitigate the delays that can contribute to stock-outs of needed commodities.

Part of the strategy envisioned by the Fund to achieve the industry standard, as well as to improve deliveries along the ‘last mile’ is to help countries identify the elements of their supply chains that are working — and build on those.

“We are really looking at African solutions for Africa,” said Game. “We are looking where commonalities exist [at the regional level] and then recommending what is practical, and affordable.”

Developing a best practice in supply chain management when there are so many elements that contribute to poor performance — from technology to capacity to a lack of basic infrastructure — is likely to take time and a sizeable investment in resources.

But for all of the coordination at the global level, supply chains are only as strong as their weakest link: and that link is, usually, at the country level. Whether it is the regulatory environment, a predatory tariff structure or institutional corruption, many countries where Global Fund money is being spent on commodities seem to have a number of elements conspiring to undermine any progress being made in improving efficiency or performance.

Some progress is being made in Africa. Zimbabwe, along with others, will be spearheading the Fund's mentoring program to underpin efforts to streamline the regulatory environment for health commodities, and encouraging the alignment of tariffs and structures across regional bodies.

[Read More](#)
