



Independent observer  
of the Global Fund

## The Global Fund has made progress in the implementation of its market shaping strategy, although challenges remain

During the 17th Strategy Committee (SC) Meeting held in October 2021, the Global Fund Secretariat updated the SC and the Audit and Finance Committee on supply operations and market shaping. Supply operations focus on improving the systems, structures, and processes for planning and executing the flow of health products while market shaping refers to efforts to promote the availability and affordability of essential health products.

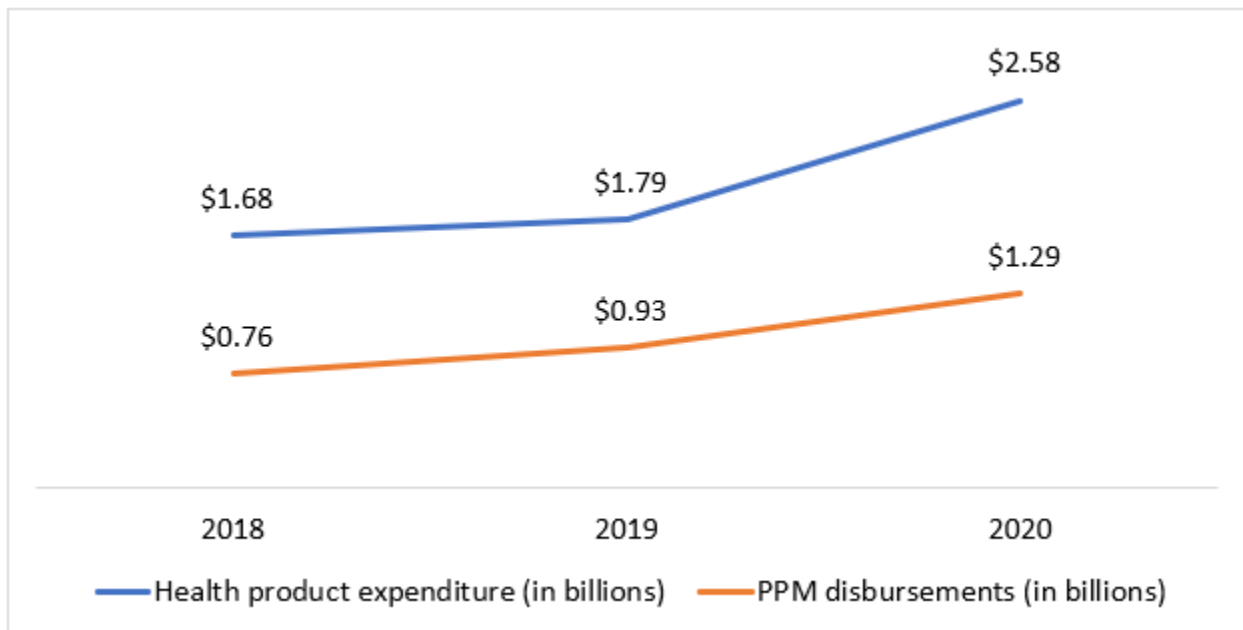
From the update, it can be seen that the Global Fund's expenditure on health products has been increasing each year since 2018 and will be significantly higher in 2021 and 2022 due to having to provide countries with additional funding to support them in combatting COVID-19. In implementing the [market shaping strategy](#), the Global Fund has made progress in consolidating the market for key health products. The Global Fund has continued to deliver value by consolidating its purchasing power and by doing so lowering the total cost of health products. However, there are certain market shaping approaches that need more attention from the Global Fund, such as support for innovation and the introduction of new products, and greater coordination and partnership will be needed to address them. Also, the organization has seen steady growth in the use of its online procurement platform, [wambo.org](#), by new buyers placing non-Global Fund-financed orders. When the Global Fund starts to implement the 2023-2028 Strategy, it will transition to a new market shaping strategy that will build on the lessons learned in the implementation of the current market shaping strategy.

The source of information for this article is the documents for the Global Fund's 17th SC Meeting held in October 2021.

## Health product expenditure increases each year

The procurement and management of health products are fundamental components of a bigger plan to end HIV, tuberculosis (TB), and malaria as epidemics. As one of the leading players in the fight against the three diseases, the Global Fund plays an active role in shaping the global markets for HIV, TB, and malaria health products. The organization's expenditure on health products for the three diseases continues to increase each year. Over the 2018-2020 period, the Global Fund spent \$6.05 billion on health products, of which 49% (\$2.98 billion) was via its [Pooled Procurement Mechanism \(PPM\)](#). Specifically, the organization spent \$1.68 billion, \$1.79 billion, and \$2.58 billion in 2018, 2019, and 2020, respectively (Figure 1). Comparatively, the amounts spent on health products in 2021/2022 are higher due to the significant funding for health products to combat the COVID-19 pandemic through the [COVID-19 Response Mechanism \(C19RM\)](#).

Figure 1: Health products expenditure



Despite the global supply chain disruptions due to the pandemic, the Global Fund made progress to ensure health products were available and affordable. Comparatively, in 2016 and 2020, the organization increased by two-fold the number of antiretroviral drugs (ARVs) procured each month through PPM from 2.5 million to 6.3 million, respectively. Similarly, malaria drugs procured through PPM increased from 106 million to 165 million while long-lasting insecticidal nets (LLINs) increased from 97 million in 2016 to 103 million in 2020. The Global Fund made strong progress on delivering the full quantity requested or On-time In-Full (OTIF) delivery. OTIF for health products procured via PPM improved from 78% to 93% for ARVs, 73% to 82% for antimalarial drugs, but remained almost the same at 94% and 93% for LLINs in 2016 and 2020, respectively. Furthermore, the organization reduced the prices of HIV drugs by 36% and for antimalarial drugs and LLINs by 32% procured via PPM in 2016-2020.

However, [the Office of the Inspector General \(OIG\) report](#) published in December 2021 notes a need to revisit the methods used to measure PPM savings on the total cost of delivered health products. The Board-approved method allows for several options to calculate savings. The OIG noted that in 2020, the Supply Operations Department of the Global Fund used different timelines to calculate savings. For malaria Rapid Diagnostic Tests (mRDTs) and LLINs, the Department used annual results to calculate savings, thereby reporting negative savings. Conversely, the department used the cumulative weighted average price for January 2015 to June 2018 in their calculation for ARVs, thereby reporting savings of \$231 million. From this calculation, savings made on ARVs surpassed the set target by 88%.

Comparatively, if annual results were used in the calculation, ARV savings would be \$15 million. The use of different timelines to calculate PPM savings provides an inaccurate picture of achievements made in supply operations.

Progress made in the implementation of the market shaping strategy, although challenges remain

In August 2021, the Global Fund invited partners to join a market-shaping roundtable to discuss progress and challenges in the implementation of the market shaping strategy. In terms of progress, the Global Fund has increased its consolidation of the market for the main health products and continued to deliver value by improving its purchasing power, resulting in lowering the total cost of health products. However, the OIG noted that variations between PPM and non-PPM prices that are hindering achieving procurement efficiencies. After comparing the PPM and non-PPM procurement prices for 2019 and 2020, the OIG noted a considerable difference despite the prices being from the same suppliers. For instance, 97% of non-PPM procured LLINs had a lower price compared to those procured through PPM, with an estimated difference of \$52 million. On the other hand, 67% of non-PPM procured ARVs had a \$1.2 million additional cost than those procured through PPM. This hinders the attainment of one of the market shaping goals of affordable health products.

From the update, progress has been limited in implementing some key market shaping approaches, such as managing demand, supporting innovation, introducing new product innovation, and ensuring the sustainability of financing mechanisms. There is a need for greater multistakeholder coordination and multilateral partnerships to speed up the implementation of these approaches.

The Global Fund can draw on lessons from supply chain challenges and good practices from the COVID-19 pandemic period. The pandemic has demonstrated a need for more resilient and responsive market-shaping interventions, designed to leave no one behind. In particular, community, public and private sector engagement are essential when formulating market-shaping interventions. The close coordination and collaboration in the fight against the pandemic have demonstrated how to overcome supply chain constraints, particularly in ensuring access to health products in low- and middle-income countries. Also, there are lessons learned on how close partnership is essential for scaling up and increasing the uptake of new products, such as the COVID-19 rapid diagnostic tests introduced in less than seven months. Supply chain-related challenges experienced due to COVID-19 have accelerated an already existing push for the local production of health products.

Increase in the use of wambo.org to place orders not covered by the Global Fund's own program funding

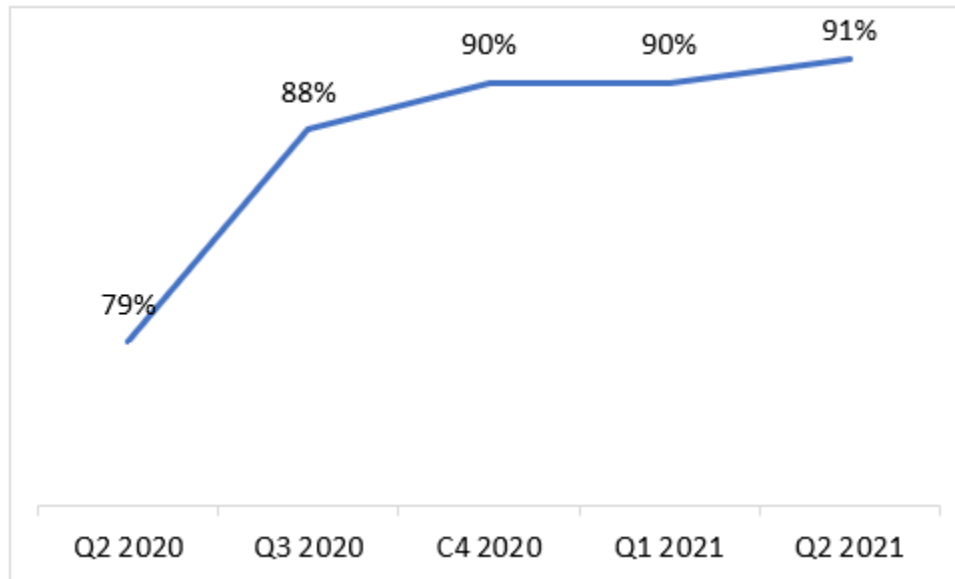
The number of new buyers placing orders not covered by the Global Fund funding via the wambo.org platform has steadily grown to 33 new buyers in 23 countries as of 31 August 2021. Buyer retention remains high, with 73% (24 buyers) of the 33 buyers placing repeat orders. Also, the number of orders not covered by the Global Fund funding has increased to 126, with a value of \$38.5 million, including \$4.7 million worth of requests submitted in 2021 that are being processed. However, the delivery and quantity of ordered products were hampered by delays due to COVID-19 in 2020, reducing OTIF from 78% in 2019 to 65%. Indeed, the OIG noted it took an average of eight months for deliveries of ordered health products, against the six months target, increasing the risk of stockouts. The OIG attributes the delays to an array of factors, including regulatory issues, production delays and an inability to supply certain commodities. Also, there was an overuse of wambo.org to procure emergency COVID-19 products but suppliers had made arrangements to handle a limited number of urgent orders.

A Secretariat-commissioned survey in early 2021 revealed that the satisfaction of non-Global Fund grant users regarding wambo.org increased from 61% in 2020 to 94% in mid-2021. Ninety-six percent (96%) were satisfied with accessing and approving proforma invoices, credit notes, and final summary invoices. More non-grant users (82%) would place another order using non-grant funds than grant users (67%).

Those who were dissatisfied cited offline payment processes to Procurement Services Agents (PSAs), although from the report it is unclear what this means.

The Procurement and Supply Management Strategic Initiative (SI) continues to strengthen in-country supply chain capabilities. This SI focuses on improving governance, planning innovation, supply chain design, and private sector engagement. It has improved the on-shelf-availability (OSA) of health products at health facilities from 79% in the second quarter of 2020 to 91% in the second quarter of 2021 (Figure 2). The target of at least a 90% overall OSA score was met in the fourth quarter of 2020 and continues to be met in subsequent quarters.

Figure 2: On shelf-availability (OSA) overall score



The Global Fund is rolling out spot checks in 45 countries with a C19RM allocation of less than \$20 million to provide additional insights into investments to enhance the supply chain and health services. The spot checks will include four on-site verifications annually to improve supply chain performance visibility, commodity and service availability, and enhance assurance.

#### Transition to the new market shaping strategy

Moving forward, the organization will transition to a new market shaping strategy which is an integral part of the Global Fund 2023-2028 Strategy. This will build on the lessons learned in the implementation of the current market shaping strategy, including experiences from COVID-19. It is intended to facilitate equitable and sustainable access to quality health products and services by fostering innovation and partnership and championing sustainable sourcing and supply chains at global, national, and community levels.

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