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DEFICIENCIES IN NATIONAL SUPPLY CHAINS HINDER GLOBAL FUND GRANTS OPERATIONS

In-country supply chains for many drugs and health products currently face end-to-end challenges, including issues related to forecasting and quantification, storage and inventory management, distribution, quality assurance, and information management and reporting.

Over the next strategy period, approximately 40% of Global Fund support going to countries for their HIV, tuberculosis, malaria and RSSH programs will be used for procurement and supply-chain management of health products.

In an update presented at the 36th Global fund Board Meeting in Montreux, Switzerland, common/typical issues with national supply chains were presented. Specific problems include: widespread use of paper systems which is time consuming and prone to human error, manual / Excel ordering not integrated into warehouse management systems, unavailability of accurate inventories, high inventory carrying costs, lack of centralised warehousing, and poor diagnostics & product quality.

Additionally, many countries depend on pharmacies and health facilities for collecting supplies rather than scheduling delivery services. The frequency of ordering and the replenishment is not conducive to optimum levels of inventory which leads to high levels of expired health products. Also, transportation from district pharmacies to health facilities is not always safe for the products or for the people transporting them. It was also observed that practical and meaningful Key Performance Indicators (KPIs) were not being met, and stock-outs were an issue.

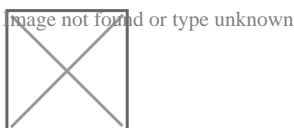
In order to manage supply-chain risk, functional in-country supply chains are crucial to the Fund's mission. Ineffective in-country supply chains put treatment programs and targets at risk and remain a significant

barrier to accessing essential health products. According to the Fund, procurement processes have been significantly strengthened through the establishment of the Pooled Procurement Mechanism (PPM) and wambo.org. The Fund has also recognized that ongoing supply chain strengthening requires in-country cooperation in order to avoid the fragmentation that has hindered progress in the past. For more on risk management in the procurement and supply-chain context, readers can access a prior GFO article [here](#).

The fund has adopted the approach of establishing a new department within the Grant Management Division which will include three specialized teams: strategy design; tactical team; and MAP (metrics, analysis and performance). In addition, McKinsey / IHS was selected as the Fund's supply chain strategy partner and there is a plan to complete a supply-chain strategy slated for the end of June 2017.

A new supply chain strategy

A phased process from now until the middle of next year will guide the Global Fund in developing its country supply chain strategy. See figure below.



Source: Graphic adapted from the Global Fund

In efforts to further refine its Supply Chain Strategy, the Fund has initiated a number of diagnostic efforts:

- Select next wave of countries on which to conduct supply chain diagnostics
- Securing resources to conduct supply chain diagnostics through IQC (Indefinite Quantity Contract) RFP issued 25th October 2016
- Funding for transformational interventions to be obtained through either country allocations, portfolio optimization or catalytic funding

Next steps in the new supply chain strategy

To further manage risk along the supply chain, the Fund has also launched a “Supply Chain Assurance” project that aims to:

1. Develop a strong assurance program to protect commodities from risks in the end-to-end national supply chain.
 2. Propose innovative ways to implement reliable in-country assurance programs.
 3. Provide guidance for country teams to establish/verify necessary supply chain assurance measures.
- The Fund indicates that this revised approach will be implemented in 5 countries by April 2017, with lessons learned from these countries informing a large-scale roll-out.

The Fund has also obtained two supply chain ‘loanees’ from UPS and Unilever, for one year secondment each, who are responsible for coordinating the Supply Chain Strategy and Transformations.

Specific opportunities to enhance the supply chain by the Fund are also seen in the use of the [wambo.org](#) online procurement platform to advance services on a pilot/test basis.

Some examples of further enhancements are:

- Enhancing existing collaboration with UNFPA on condoms and lubricants,
- Expressions of interest to access wambo.org with domestic funding
- Facilitating the introduction and roll-out of new, innovative health products in collaboration with

UNITAID

- Enhancing existing collaboration with Pan American Health Organisation on procurement for Latin America and Caribbean countries

Some information from this article was taken from Board paper GF/B36/16 available at:
www.theglobalfund.org/en/board/meetings/36.

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