

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

20 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 20 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**.

Area	Situation Update	Operational Risk Assessment
<p>All pharmaceuticals Including antiretroviral, malaria and TB medicines</p>	<p>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 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.</p>	<p>Moderate</p>
<p>Long-lasting insecticidal nets</p>	<p>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. While India lockdown affects PBO supply, production in Viet Nam is ongoing, which allows us to mitigate risks. 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.</p>	<p>Moderate</p>
<p>Diagnostics</p>	<p>Some supply constraints are emerging due to the lockdown in India. Options exist for helping ensure supply continuity, linked to geographical diversity of suppliers (e.g., China, South Korea, Thailand). Orders should be placed urgently to</p>	<p>Moderate</p>

	secure production slots and enable reliable delivery. Delays of at least 2 months are anticipated for orders placed after 10 April.	
Freight and logistics	Suspended operations, flight delays and cancellations are contributing to air freight capacity constraints. The disrupted global supply network has reduced some ocean capacity for pharmaceuticals. The Global Fund's Procurement Services Agents are tracking the rapidly changing status of origin and destination airport, sea port and land options in real time to propose the best delivery option. Re-rerouting of shipments, consolidating airfreight to ocean freight or changing transit countries to catch "cargo-only" aircraft are increasingly necessary. Cost impacts are highly likely.	Moderate

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.

Area	Global Fund Actions
Conduct supply chain risk analysis	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Ensure timely and transparent communication to avoid unnecessary panic and develop contingency plan.
Control the risk	<ul style="list-style-type: none"> • 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

The Global Fund is [advising Principal Recipients](#) on the impact of COVID-19 on future orders and providing recommendations to optimize supply and enable reliable delivery.

We are assessing potential delays for every order. Currently, 8% of orders face delays of more than thirty days, including 14% of orders in transit. We are communicating closely with Principal Recipients to review mitigation plans and adapt lead times to minimize disruption.

Rapid decisions by Principal Recipients of freight proposals are required to secure the best available slot, as approval delays could contribute several weeks' delays.

PRs to urgently submit all outstanding requisitions in wambo.org and send Procurement Request Forms (PRFs) to Stop TB/GDF for deliveries expected in 2020. We will work with our PSAs to explore options to minimize risks to supply disruption. At this point deliveries may only be possible for late November/December 2020 at the earliest, and delays of more than 30 days are expected. Failure to place requisitions in line with the [Category and Product-Level Procurement and Delivery Planning Guide: Indicative Lead Times](#) increases the risk that an order will not be financed from the current implementation period because the order was not placed with sufficient time for delivery before the end of the grant.

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 Board approved COVID-19 response mechanism will finance COVID-19 control measures consistent with WHO guidance, including personal protective equipment (PPE), diagnostics, treatment, communications and other measures.

Principal Recipients are strongly encouraged to procure PPE through local channels given the high global demand for these products. Only if Principal Recipients face severe challenges should they reach out to [UNICEF Procurement Services](#) to order through their [catalogue](#). TB programs can also reach out to [Stop TB's Global Drug Facility](#) to procure PPE.

The Global Fund is best positioned to procure COVID-19 diagnostics based on our established relationships with diagnostic manufacturers and we are working through a WHO-led consortium to operationalize the procurement process. We will provide an update in the coming days.

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.