

# COVID-19 Impact on Supply Chain Logistics: Assessment and Recommendations

12 March 2020

The global response to control the outbreak of the new coronavirus, COVID-19, may influence health product supply chains, including logistics and shipping, as almost all finished health products or ingredients used in health products originate from China.

The Global Fund is working closely with suppliers and partners to assess the impact on core health product supplies and provide recommendations for implementing partners on how to manage that impact. This regularly updated document contains the most recent assessment and recommendations.

## Assessment

As of 12 March 2020, the Global Fund's assessment shows the overall impact of COVID-19 on health product supply chains is **low to moderate**.

Area	Situation Update	Preliminary Operational Risk Assessment
<b>All pharmaceuticals</b> Including antiretroviral, malaria and TB medicines	Following some closures, active pharmaceutical ingredients (API) manufacturers and other key companies have recently resumed full production. There are emerging in-country logistics challenges for key starting materials and intermediates, which are needed to produce APIs. These constraints may impact finished product production in April 2020.	Low to moderate
<b>Long-lasting insecticidal nets</b>	The Global Fund identified production interruptions linked to closed production sites and/or the need to find alternative sources for raw materials. We continue to closely monitor the situation and are working with the U.S. President's Malaria Initiative (PMI) to anticipate demand for pyrethroid-PBO nets.	Low to moderate
<b>Freight and logistics</b>	The global response to control the COVID-19 outbreak increases the complexity of health product supply chains, including logistics and shipping, as almost all finished health products or ingredients used in the production of health products originate from China.	Low to moderate

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

Area	Global Fund Actions
<b>Conduct supply chain risk analysis</b>	<ul style="list-style-type: none"> <li>• Run risk analysis of upstream and downstream product supply chains.</li> <li>• Identify possible threats involved in the end-to-end supply chain.</li> </ul>
<b>Estimate the risk and impact</b>	<ul style="list-style-type: none"> <li>• Summarize high risk product or product categories, define current inventory buffer and locations.</li> <li>• Conduct scenario planning to understand implications in prolonged supply chain interruption.</li> <li>• 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.</li> </ul>
<b>Avoid the supply chain risk</b>	<ul style="list-style-type: none"> <li>• Explore options to ramp up alternative products, suppliers and additional supply options.</li> <li>• Rerouting/changing transportation mode and leveraging other existing logistic capacity to reduce replenishment lead-times.</li> <li>• Enhance demand verification process to correct inflated demand to mitigate the bullwhip effect.</li> </ul>
<b>Strengthen collaborative relationships</b>	<ul style="list-style-type: none"> <li>• Work in close collaboration with partners to identify and address critical supply challenges.</li> <li>• Leverage partnership to optimize supply, logistics solutions and accelerate regulatory approval pathway.</li> <li>• Jointly manage demand with common recipient countries.</li> </ul>
<b>Communicate timely</b>	<ul style="list-style-type: none"> <li>• Ensure timely and transparent communication to avoid unnecessary panic and develop contingency plan.</li> </ul>
<b>Control the risk</b>	<ul style="list-style-type: none"> <li>• Establish cross-function supply chain operational risk management committee when risk becomes high.</li> <li>• Optimize processes and tools to support better planning and reduce demand fluctuations.</li> <li>• Determine possible product and supplier shortlists in case alternate supply is required.</li> </ul>

## Recommendations for Implementers

As a precautionary measure, we recommend that all Global Fund implementing partners place orders 30 days earlier than normal to better manage any disturbances that may emerge in being able to deliver products on time.

This information is reflected in the updated Category and Product-Level Procurement and Delivery Planning Guide Indicative Lead Times<sup>1</sup>, which have been adjusted in response to the COVID-19 impact on supply chains.

We continuously monitor and assess the situation. 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.

<sup>1</sup> In English: [https://www.theglobalfund.org/media/4754/psm\\_categoryproductlevelprocurementdeliveryplanning\\_guide\\_en.pdf](https://www.theglobalfund.org/media/4754/psm_categoryproductlevelprocurementdeliveryplanning_guide_en.pdf)  
In French: [https://www.theglobalfund.org/media/6155/psm\\_categoryproductlevelprocurementdeliveryplanning\\_guide\\_fr.pdf](https://www.theglobalfund.org/media/6155/psm_categoryproductlevelprocurementdeliveryplanning_guide_fr.pdf)