

# Electronic Report to the Board

## wambo.org: progress update and steps for advancement

GF/B35/ER17

### **For Board Decision**

PURPOSE: To provide a comprehensive update on the roll-out of wambo.org in 2016 and on lessons learned; to seek Board approval, following the unanimous joint recommendation by the Audit and Finance Committee and the Strategy Committee, to authorize the piloting of a limited number of transactions by current Principal Recipients with domestic funding via wambo.org in order to respond to requests by certain countries and inform further strategic and operational planning for wambo.org.. This document proposes one decision point as follows:

1. GF/B35/EDP21: Wambo.org: Progress Update and Steps for Advancement

This document is part of an internal deliberative process of the Global Fund and as such cannot be made public.

# I. Decision Point

1. Based on the rationale described below, the following electronic decision point is recommended to the Board:

**Decision Point: GF/B35/EDP21: Wambo.org: Progress Update and Steps for Advancement**

- 1. The Board acknowledges the progress update on wambo.org presented by the Secretariat and notes the proposal contained in the paper “Wambo.org: Progress Update and Steps for Advancement”, as set forth in GF/B35/ER17, to pilot a limited number of transactions by current Principal Recipients (“PRs”) using domestic funding via wambo.org.**
- 2. Based on the joint recommendation of the Audit and Finance Committee and the Strategy Committee, the Board approves the piloting of a limited number of transactions (at a maximum ten in total) by current PRs using domestic funding via wambo.org.**
- 3. Accordingly, the Board:**
  - i. requests that the Secretariat reports back to the Audit and Finance Committee and the Strategy Committee on the operationalization of this pilot, including any lessons learned from such transactions in light of the long-term perspective for wambo.org; and**
  - ii. delegates to the Audit and Finance Committee and the Strategy Committee the authority to approve further transactions with domestic funding through wambo.org on a pilot basis, with the objective to provide input into further strategic and operational planning for wambo.org.**

**Budgetary implications: no additional resources required**

# II. Relevant Past Decisions

1. Pursuant to the Governance Plan for Impact as approved at the Thirty-Second Board Meeting,<sup>1</sup> the following summary of relevant past decision points is submitted to contextualize the decision point proposed in Section II above.

Relevant past Decision Point	Summary and Impact
GF/AFC02DP01 and GF/SC02/DP01: wambo.org: progress update and steps for advancement <b>(October 2016)</b>	The Audit and Finance Committee and the Strategy Committee jointly discussed and provided input into the progress of wambo.org to date and the steps for advancement as described in GF/AFC02/23a and GF/SC02/06a. The Audit and Finance Committee and the Strategy Committee unanimously recommended the Decision Point above to the Board for approval.
<b>GF/B34/DP08: Market Shaping Strategy (Nov 2015)</b>	Based on the recommendation of the Strategy, Investment and Impact Committee, the Board approved the Amended

<sup>1</sup> GF/B32/DP05: Approval of the Governance Plan for Impact as set forth in document GF/B32/08 Revision 2.

Relevant past Decision Point	Summary and Impact
	and Restated Market Shaping Strategy, as set forth in Annex 1 to GF/B34/17 - Revision 1 (the “Amended and Restated Market Shaping Strategy”). This decision point and the Amended and Restated Market Shaping Strategy supersede Board decision point GF/B23/DP21 and the previous Market Shaping Strategy set forth in Annex 1 to GF/B23/09 – Revision 1. wambo.org was recognized in the Market Shaping Strategy as one way to channel the Market Shaping Strategy while contributing to its objectives.
<b>GF/B23/DP21: Global Fund Market Shaping Strategy and Market Shaping Interventions for ARVs (May 2011)</b>	The Board acknowledged the Global Fund’s critical role in shaping markets to maximize global access to health products and further emphasized its desire for the Global Fund to more actively shape markets for health products to optimize price, quality, design and sustainable supply. The Board approved the market-shaping strategy recommended by the Market Dynamics Committee, including a set of specific interventions for anti-retroviral medicines (ARVs). This strategy superseded the Market Shaping Strategy approved in 2007 (GF/B15/DP15).
<b>GF/B23/DP09: Plan for Comprehensive Reform: Value for Money (May 2011)</b>	The Board recognized that the Global Fund is well-positioned to drive value for money and leverage its role as the primary financier of essential health products to improve quality, price, design, and sustainable supply. The Board asked the Market Dynamics Committee to propose expanded uses of the Global Fund’s market dynamics “toolkit”. Among other directives, it also requested the Secretariat to take all necessary and appropriate measures to fully implement voluntary pooled procurement and aggressively execute the Market Dynamics Committee recommendations.
<b>GF/B15/DP15: Market Dynamics and Voluntary Pooled Procurement (April 2007)</b>	The Board adopted the objective and guiding principles for market shaping set out at the 14 <sup>th</sup> Board meeting and amended at this meeting. In addition, the Board decided to pursue voluntary pooled procurement as the first element of its market dynamics strategy. As such, the Board required that the pooled service shall be operated by one or more global or regional procurement agent(s), and that the Secretariat “shall direct the Procurement Agent to seek to award contracts for a given product to several suppliers, where possible and appropriate in view of consideration of market dynamics.” Finally, participants in the pooled service must agree to direct payment to the procurement agent for purchases. It also determined to strengthen the “Price Reporting Mechanism” (now the Price Quality Reporting Mechanism) and enter into contracts to provide procurement capacity-building services to Principal Recipients.

### III. Action Required

Approval of Decision Point above.

## IV. Executive Summary

***The present Board paper incorporates input from a joint discussion of the Strategy Committee and Audit and Finance Committee at their Second meeting. Through decision points GF/AFCo2/DPo1 and GF/SCo2/DPo1, the Committees unanimously recommended the proposed Decision Point to the Board for approval.***

1. wambo.org was designed and implemented by the Global Fund over 2014-2015 to support Global Fund grants in its initial Phase 1 as an online procurement platform for Global Fund Principal Recipients (PRs). Phase 2 of the project, if approved by the Global Fund Board, would entail wambo.org expanding its scope and benefits outside of the Global Fund to include members of the broader global public health community as a global public good.
2. wambo.org is currently in Phase 1, having launched in January 2016, and has been made available to Global Fund PRs over the course of this year.
3. Overall nine months into operations wambo.org is well placed to meet the targets set by the end of the year. An update on the first complete year of operations and results achieved compared to targets will be shared at the next meetings.
4. Over the course of 2016, the Secretariat has focused on on-boarding PRs to wambo.org, in particular but not limited to those already using the PPM mechanism. As a result of this, as at 4 November a total of 62 PR organizations have been fully on-boarded (25) or are in the on-boarding process (37); 25 transactions have been channelled by 10 PR organizations via the platform, totalling nearly USD 245 million in throughput; and order lead time has decreased.
5. The gradual expansion of product offering within PPM context is meeting expectations. So far, wambo.org includes LLINs, ACTs, ARVs, condoms and lubricants and rapid diagnostic tests for HIV and malaria, which represent over 80% of PPM spend. Other products are scheduled to be launched on the platform in the coming months, including Viral Load diagnostics, as well as non-core health products such as drugs for opportunistic infections. The Secretariat is also assessing the opportunity to enable non-health products and services.
6. From a financial point of view, project expenditure has been kept well within budget. The UNITAID Executive Board recently provided its approval for a grant to co-fund wambo.org activities over a two year period (2016-17) up to USD 5.76 million.<sup>2</sup> As at 30 September 2016 (Q3 actuals), 2016 OPEX expenditure on the project roll-out phase totaled USD 1.6 million, with approximately USD 0.8 million forecasted for the rest of the year, for a forecasted total of approximately USD 2.4 million; a portion of this amount will be covered by UNITAID. In 2014 and 2015, OPEX expenditure related to the proof of concept and development phase had totaled USD 1 million (funded by the Bill and Melinda Gates Foundation) and USD 5.8 million respectively, bringing the total forecasted OPEX expenditure in 2014-16 to approximately USD 9.2 million, all sources of funding included.
7. The priority for 2016 remains to focus on Phase 1 roll-out. As a result, Phase 2 Preparations and Consultations are not expected to be launched before 2017. In light of questions raised across constituencies, the present document provides an illustrative description of what potential future Phase 2 Preparations and Consultations could look like. However, because of current priorities and appropriate sequencing, this does not represent a concrete plan at this stage.
8. Some current PRs have manifested strong interest to use the platform with domestic funding in addition to Global Fund funding. This interest ties to numerous aspects of the Amended and Restated Market Shaping Strategy and in practice, certain PRs can already leverage Global Fund negotiated pricing while purchasing commodities with their own funding.

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<sup>2</sup> Matching the Global Fund's own investment, to be confirmed on an annual basis, limited to Phase 1 activities, i.e., wambo.org roll-out in support of Global Fund grants, and not intended to cover Global Fund staff costs.

9. If implemented on a small scale, using wambo.org to facilitate procurements with domestic funding would not require major re-development of the platform or imply relevant costs (the necessary contractual arrangements would need to be put in place or amended as needed). In this sense, this step can be seen as a “Phase 1b”: formally going beyond Phase 1a (i.e., wambo.org operating within the PPM framework, with grant funds), but not yet entailing all the elements of complexity to be closely analysed during Phase 2 Preparations and Consultations.
10. The Secretariat has designed an approach to respond to country interest and channel via wambo.org a small number of orders by PR organizations using domestic funding. The approach centres around the mitigation of potential risks to and liabilities for the Global Fund and on the requirement of upfront payment by PRs to ensure transactions are accepted by suppliers. This proposed approach forms the object of the proposed Decision Point enshrined in this document and unanimously recommended to the Board for approval by the Strategy Committee and Audit and Finance Committee. To provide a concrete understanding of the implications, an illustrative process description and risk analysis are provided in the Annexes.
11. The Secretariat has maintained consistent communication with the Board and Committees on wambo.org development over the past two years and will continue to provide information updates to the Board and Committees on wambo.org’s roll-out. Over the coming months, the Secretariat will hold consultations and briefings with Board constituencies, Committees, and relevant stakeholders.

## V. Background

12. wambo.org is an online procurement platform where buyers, presently Global Fund PRs, are able to search, compare and purchase a broad range of products to support health programs globally.
13. In November 2015, a paper was disseminated for information at the FOPC and at the 34th Board Meeting. That paper outlined the two phases of the wambo.org initiative:
  - a. **Phase 1**, in which wambo.org operates to facilitate Global Fund grant implementation and streamline procurement of products for Global Fund-supported HIV/AIDS, TB and malaria programs, operating in the PPM framework;
  - b. **and Phase 2**, in which wambo.org could, subject to Global Fund Board approval, become a global public good available to the broader global health community.
14. Specifically, during Phase 1 wambo.org operates in accord with the current PPM operating model, such that for example all orders placed to date are paid with funding coming from Global Fund grants (and payment occurs directly from the Global Fund to the procurement agent on behalf of the PR) .
15. This means that before a Board decision extending the scope of wambo.org is adopted, the product focus would be centred around health products; and that only transactions with Global Fund grants can be processed.
16. Because the present paper proposes to go beyond Phase 1a, as described in paragraph 9, by allowing PRs, in a limited set of countries that have expressed interest to use wambo.org with domestic funding (so-called Phase 1b) it contains a proposed decision point on the latter element.
17. Generally, it is worth noting that the policy framework that guides PPM (and wambo.org) and the operational framework that provides the toolkit to implement such guidance were established at two different points in time, with the policy framework continuously evolving. The operational framework was set in 2007 with decision GF/B15/DP15 on the VPP; the policy framework has since then evolved, particularly with the adoption of the first Market Shaping Strategy in 2011 (GF/B23/DP21) and the Amended and Restated Market Shaping Strategy in 2015

(GF/B34/DP08). The Procurement for Impact (P4I) initiative previously presented to Committees (GF/SIIC15/06) has further enhanced the effectiveness of direct procurement at the Global Fund, while the formal operational framework set in 2007 remained in place.

## VI. Discussion

### Section 1. Progress update: roll-out and operations of wambo.org in support to Global Fund grants during Phase 1

18. From an operational standpoint, wambo.org is currently operating in Phase 1 environment, i.e., in accord with the framework outlined in paragraph 17 above. In this phase, wambo.org represents first and foremost an automation of certain aspects of the PPM process, especially as far as order placement and management is concerned. Simultaneously, wambo.org has been aiming to expand benefits beyond the group of PRs currently/previously using PPM. Non-previously PPM PRs may choose to join wambo.org with full order capability by signing the PPM registration letter, effectively registering with the PPM program. PRs can also choose to join wambo.org in viewing capacity only, to have visibility on reference prices, but without the ability to place orders on the platform.<sup>3</sup>
19. wambo.org became technically operational on 25 January 2016. This milestone followed over one year of consultation, design, implementation and testing within the Global Fund and together with partners. wambo.org was launched with a clear vision for 2016 anchored around: integration with Global Fund operations; expansion of the platform's functionalities, user base and product offering; and laying the foundation for future work preparing a possible transition to a global public good, provided the necessary resources have been secured and Board approval is obtained.
20. In March 2016, the Secretariat shared with the Committees the results framework that has been developed to measure wambo.org success. **Annex 4** contains an update on wambo.org progress so far, measured in the Results Framework, as at 4 November 2016. Overall, nine months into operations, wambo.org is well placed to meet the targets set by the end of the year. An update on the first complete year of operations and results achieved compared to targets will be shared at the next meetings.
21. Measured as at 4 November 2016, wambo.org has fully processed 19 transactions, totalling a value of USD 113 million. This figure represents orders which have been fully processed and for which a Purchase Order has been issued. Other requisitions are in various stages in the order process as of 4 November 2016, such that the most recent view into the platform throughput totals USD 245 million.
22. **PR engagement and on-boarding update.** At the moment, wambo.org is open for registration to all Global Fund PRs managing active grants<sup>4</sup>. To join wambo.org, interested Global Fund PRs must complete an on-boarding process which includes hands-on training to ensure they can effectively use wambo.org. Once a PR confirms the intent to join wambo.org, the necessary legal and technical documentation is prepared, and in-depth training and order process simulation is conducted with the respective Global Fund staff and PR representatives.
23. As at 4 November 2016, 25 PR organizations have been registered with wambo.org, and a further 37 PRS are in the registration and onboarding process, for a total of 62 PR organizations engaged so far.<sup>5</sup>

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<sup>4</sup> As a reminder, PPM is voluntary except under certain high-risk circumstances where it is a condition under the grant, either due to capacity issues or as a result of previous OIG findings. As wambo.org replaces the PPM as the default mechanism to place orders, it will enable the on-boarding and engagement of the high risk portfolio.

<sup>5</sup> On-boarding is defined as when a PR has completed the necessary wambo.org trainings, signed the relevant wambo.org documents including the PPM registration letter, and has received access to the platform.

24. **Product offering.** wambo.org aims to make the range of health product catalogues readily accessible to strengthen public health programs. This includes so called “core” categories for which the Global Fund establishes LTAs with manufacturers, but also other categories where the Global Fund currently does not have volume leverage or procurement expertise. In those cases, and in line with the Amended and Restated Market Shaping Strategy, the Global Fund works closely with partner organizations and relies on procurement service agents (PSAs). wambo.org aims to make their negotiated prices available on wambo.org in a timely manner.
25. A number of products are now available for purchase on wambo.org and the product enablement has followed a staggered roll-out. Long Lasting Insecticide Nets (LLINs) were the first product on wambo.org, followed closely by Artemisinin-based Combination Therapies (ACTs) and Anti-retroviral drugs (ARVs), condoms and lubricants and rapid diagnostic tests for HIV and malaria. These products alone account for over 80% of PPM spend in 2015, and orders have been placed for the first three of these categories. For condoms and lubricants, wambo.org is operationalizing the current Global Fund sourcing strategy on this strategy, centered around two possibilities: leveraging UNFPA’s long term agreements with manufacturers, or the PSA’s spot procurement services, based on characteristics of the order with the aim to offer the best package; for RDTs, the Global Fund plans to conduct a tender and establish LTAs between late 2016 and early 2017. Until then, the platform will leverage the services of the procurement agent.
26. The Secretariat is currently working to make available on wambo.org HIV Viral Load diagnostics. Specifically, wambo.org will make available to PRs the outcome of the 2015 tender results.
27. Other products, such as non-core health products and lab supplies, are scheduled to be made available on wambo.org, including non-core pharmaceuticals such as medicines for opportunistic infections and OST; other diagnostics; lab and medical supplies; leveraging procurement agent catalogues pending potential future Global Fund tenders.
28. As far as TB medicines are concerned, their inclusion in wambo.org needs to be seen in the context of the MOU that was recently signed between the Global Fund and GDF to guide the collaboration between both organizations. The MOU covers, among a number of elements, the wambo.org initiative, and a dialogue is beginning to explore potential opportunities for GDF to use the online platform.
29. As a reminder, all products offered in wambo.org catalogues for PPM products follow the same quality assurance standards that apply to all PPM orders; i.e., global quality standards (WHO prequalification, WHOPEs, etc.) are included as eligibility requirements in the tenders the Global Fund Sourcing team runs periodically. For products offered in wambo.org mainly by leveraging the efforts of other partners or procurement agents, the Global Fund relies on their QA standards.
30. In addition to health products under the scope of the PPM mechanism, the Secretariat is evaluating opportunities to leverage the platform for non-health products and services. For a number of such categories the possibility exists to leverage the efforts of partner organizations. Notably, the Secretariat is collaborating with UNOPS with a view to making the vehicles this organization procures available to PRs on the platform. While formally not within the scope of the PPM mechanism, this is in light of an established institutional collaboration under an existing MOU.
31. **Partner collaboration.** The collaboration with UNFPA and the Innovation workstream run in partnership with UNITAID illustrate, and provide an opportunity to to enhance partnerships as per the adopted Amended and Restated Market Shaping Strategy, and as per the fourth Strategic Objective in the Global Fund Strategy 2017-2022 (Investing to End Epidemics)<sup>6</sup>, related to ongoing coordination with partner organizations to develop and implement product roadmaps.<sup>7</sup> wambo.org does not duplicate efforts with other partners or “compete” with ordering systems they

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<sup>6</sup> Investing to End Epidemics, GF/B35/DP4.

<sup>7</sup> GF/B34/17

may already have. Partners with product expertise / agreements can use the platform to make available “their” products, at agreed-upon terms, to a wider range of buyers.

32. UNFPA has significant procurement expertise in the procurement of condoms, which are a core intervention against HIV/AIDS. The Global Fund already relies on UNFPA for a portion of the condom category management as per the existing Memorandum of Understanding (MOU).<sup>8</sup> The Global Fund and UNFPA are now at advanced stages of devising how to best make UNFPA’s tendered condom catalogue visible to PRs via wambo.org. This arrangement demonstrates wambo.org’s flexibility to enable catalogues from partner organizations and introduce new products for PRs to procure online.
33. The case of PAHO provides yet another, different example of opportunities to strengthen and expand existing partnerships. Under an existing partnership, PAHO is able to leverage existing Global Fund LTA terms for ARVs for orders funded by PAHO Member states under the Strategic Fund. wambo.org shows potential to complement this existing relationship, particularly as Global Fund PRs from the LAC region transition out of Global Fund support. The Global Fund and PAHO are discussing opportunities that wambo.org could offer to further enhance the existing partnership, in accord with the framework outlined in paragraph 17 above.

## Section 2. The long term perspective on possible transition towards Phase 2 (global public good)

34. In Phase 1, the platform is currently available to Global Fund PRs, for procurements funded with Global Fund funding, in line with the framework outlined in paragraph 17 above. wambo.org could only become a global public good – thus entering Phase 2 – if and when the Global Fund Board formally approved the transition and its implications.
35. The priority for 2016 remains to focus on Phase 1 roll-out, including building product offering and on-boarding PRs with adequate support. As a result, Phase 2 Preparations and Consultation are not expected to be launched before 2017. In light of several questions raised across constituencies, the present document describes what potential future Phase 2 Preparations and Consultations could look like. However, because of current priorities and appropriate sequencing, this does not represent a concrete plan at this stage.
36. The work towards a possible Phase 2 transition would include fact-based analyses on a range of topics (Preparations) and a thorough, inclusive consultative process (Consultations). The Preparations and Consultations would likely require at least 12-18 months from their initiation and would lead up to a “go/no-go” decision by the Global Fund Board to begin, or not, operations in Phase 2 and within global public good setting.
37. **Preparations.** There are, as many constituencies have noted and as the Secretariat has openly recognized, key areas of the Phase 2 vision that need to be better clarified before Phase 2 can be operationalized. Before beginning Preparations, the Secretariat would, to the extent possible, consult Board constituencies and stakeholders about which topics to include in the analysis. **Annex 3** contains an illustrative, non-exhaustive list of such topics, which includes a number of specific points raised by different constituencies during engagements so far.
38. **Consultations.** Over the course of 2014-2016, the Secretariat has held periodic engagements with PRs, Global Fund Board and Committee members, partner organizations and relevant development organizations. These would complement the entire course of the preparatory phase, starting from a joint understanding of areas to analyse; and continuing with a periodic discussion of key facts and options that emerge from the Preparations.

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<sup>8</sup> The Global Fund Sourcing strategy splits the condom category between two suppliers: UNFPA and IDA Foundation. The Secretariat has worked with both partners to display condoms on wambo.org.



39. **Committee and Board involvement and decision.** When the work towards Phase 2 begins, the Secretariat would provide periodic updates to, and invite the feedback from, the Global Fund Committees and Board about the approach followed, strategic options, and consolidated trends that emerge from the Consultations. These would all ultimately provide an input into a Board decision to move or not to move to Phase 2 operations.

Section 3. Facilitation of a limited number of transactions by PRs with domestic funding via wambo.org, prior to Phase 2

***The Strategy Committee and the Audit and Finance Committee have jointly discussed the Secretariat's proposal to facilitate a limited number of transactions by PRs with domestic funding via wambo.org prior to Phase 2, and unanimously recommended the corresponding Decision Point to the Board for approval.***

40. Enabling the facilitation of transactions by countries with domestic funding, in addition to funding from Global Fund grants, is a key part of the wambo.org original vision in the long term and is paramount to realizing wambo.org's potential to facilitate sustainable access to affordable prices, in synergy with other important initiatives.
41. Formally, it goes beyond the confines of Phase 1 as stated in previous Board and Committee papers, since the framework outlined in paragraph 17 above is tied to procurement with grant funds, rather than with domestic funding. However, from an operational point of view the platform has been developed to allow for domestic funding transactions, without significant re-development and associated costs. As such, this step can be seen as "Phase 1b". Because it goes beyond the current approved framework (2007 decision GF/B15/DP15 on the VPP), the approval of the Board is required before this can be operationalized.
42. Conducting a limited number of transactions with domestic funding would also allow the Secretariat to further refine requirements and process flows with a limited number of PR organizations. The results of these early transactions will contribute to the knowledge base and feed into the long-term process solution before allowing transactions with domestic funding on wambo.org on a broad scale (subject to Board approval). The Secretariat estimates that running up to ten of such transactions would meet such objective.
43. Further, moving in the direction of enabling domestic funding transactions would fit within the policy context of the Amended and Restated Market Shaping Strategy, which recognizes that investing in sustainability is critical to protecting gains made in the fight against the three diseases at the country level (GF/B34/17/Annex 1 p. 26). Specifically, facilitating continued access to quality products at affordable prices in a sustainable way is paramount to ensure that the impact of Global Fund investments is not jeopardized when countries begin procuring health products as part of their co-financing commitments and when countries ultimately transition out of Global Fund support.
44. **Policy context.** Preparing for country transition and supporting long-term market viability is one of the six key strategic objectives of the Amended and Restated Market Shaping Strategy, to be pursued, among other things, by seeking to provide continued access to long-term agreements negotiated through the PPM to transitioning countries or regional bodies engaged in pooled procurement (GF/B34/17/Annex 1 p. 27). More generally, there is recognition that extending the benefits of market shaping interventions to all countries and PRs represents an integral part of ensuring continued availability and affordability of health products. This is a key objective under the Amended and Restated Market Shaping Strategy, which calls for steps to be taken to directly extend the benefits of the Global Fund's market shaping efforts more broadly, for example by extending the option of participating in the Global Fund's LTAs (GF/B34/17/Annex 1 p. 20).

45. There is already a practice of extending PPM prices to transitioning countries and regional bodies, a precedent which is explicitly recognized by the Amended and Restated Market Shaping Strategy (GF/B34/17/Annex 1 p. 20 and 27). LTAs, specifically for ARVs, have been “opened” to an EECA country procuring with own funds and with PAHO resulting in important savings. Further savings could be secured if this practice were extended, such as through operationalization via wambo.org. The Amended and Restated Market Shaping Strategy further explicitly requires the Global Fund to deliberately consider the opportunity to extend access to prices in the development of new interventions or category sourcing strategies going forward.
46. wambo.org provides a platform that can be leveraged to operationalize and extend the access to the prices and terms negotiated by the Global Fund under PPM to countries financing their own procurements with domestic funding. As such, wambo.org represents one means to facilitate the sustainability of Global Fund investments as set forth by the Amended and Restated Market Shaping Strategy. Potential benefits would be possible for a number of stakeholders. Global Fund PRs that have begun to utilize the platform to facilitate procurements with Global Fund grants would have the opportunity to seamlessly transition to using the platform with own funds, extending the benefits in terms of economies, and also in terms of administrative ordering timelines, transparency and auditability, ease of use and ease of access to information about what the market can offer, and data about past transactions.
47. Enabling the use of wambo.org with countries’ own funds would also enable capturing a larger set of data on market dynamics. The Amended and Restated Market Shaping Strategy explicitly recognizes that accessible, current, complete and *holistic* data is critical to designing, implementing and evaluating effective market shaping interventions (p. 27, cursive added). For example, data on past national procurements may be used as an input into market reviews that inform PPM tenders and that are periodically shared and aligned with partners in the context of Strategic Reviews. In addition, easier access to data on national procurements has the potential to simplify the tracking of counterparty financing. Of course, this would rely on countries agreeing to share their data, and as such would need to be investigated systematically as part of Phase 2 Preparations and Consultations prior to the approach being systematically rolled out.
48. wambo.org is a purchasing platform and its potential in this sense must be considered in concert with the other initiatives and efforts towards the sustainability of market shaping actions, particularly those explicitly mentioned in the Amended and Restated Market Shaping Strategy.
49. **Expressions of interest.** While no formal commitments are possible before a decision by the Global Fund Board as proposed in this paper, interest has been expressed to use wambo.org to facilitate transactions with domestic funding as soon as available. This interest has been expressed in particular by government PRs in countries in the EECA region (e.g., Georgia and Moldova) and in the LAC region, the latter particularly in light of the potential of Global Fund and PAHO jointly leveraging the platform. Additional opportunities are also under examination following indications by the Country Teams. Finally, in some cases partners have suggested opportunities where wambo.org could facilitate governments taking increasing financial responsibility for programs while maintaining the trajectory in terms of health impact.
50. Cautioning that operationalizing the use of wambo.org for domestically funded procurements would be subject to a Board decision, the Secretariat has engaged with these countries to understand what the challenges are, what potential benefits could accrue and what the requirements would be, from the point of view of PR organizations.
51. **Scope and parameters for the “pilot” processing of transactions with domestic funding prior to Phase 2.** The proposed decision point enshrined in this paper, unanimously recommended to the Board for approval by the Strategy Committee and Audit and Finance Committee, refers to a pilot (and as such temporary), designed to meet the requests of the countries mentioned above in a short timeframe. Examining whether this practice should be extended systematically, and if so how, would be integrated in the Phase 2 Preparations and

Consultations, together with important other elements, such as a review of in-country regulatory frameworks. Under the proposed decision point, facilitation of transactions with domestic funding will be on an ad hoc basis, for a maximum of ten transactions.

52. The Secretariat has purposefully chosen not to limit the pilot to a specific set or number of countries, to avoid responding differently to similar requests by countries in similar situations, based on when the request was placed relative to the number of countries included. Rather, the scope of the pilot was set in terms of number of transactions, i.e. 10 maximum. For purposes of clarification and illustratively, around 5-6 countries have currently expressed interest, and the number is currently not expected to become much larger during the pilot.
53. Similarly, the timeline for the pilot was not formally expressed in the decision point to avoid having to respond differently to similar request, just because they came a few days apart. Because Phase 1b will precede, and/or take place during the Phase 2 Preparations and Consultations, the timing to implement Phase 1b is expected to last between 12-18 months.
54. In terms of products included in the scope, all health products available on wambo.org would be purchasable by countries with domestic funding, subject to regulatory and similar considerations that may apply in their jurisdiction. Such products would include those available on wambo.org as at 4 November 2016 (LLINs, ACTs, ARVs, condoms and lubricants and rapid diagnostic tests for HIV and malaria), as well as those listed in paragraphs 26-28 of the present paper, as and when they become available on wambo.org. Country demand indicates that the categories that are most likely to be requested, at least at first, are those where the Global Fund has LTAs, although this is not an express scope-limiting factor of the pilot. Countries will be able to procure all products listed in wambo.org, subject of course to regulatory requirements such as NRA registration/marketing authorization and similar considerations that may apply in their jurisdiction.<sup>9</sup> In terms of quality, the same standards and guarantees are applied as for orders backed by Global Fund funding, as the same conditions apply for products to be offered on the platform.
55. **Cornerstones of proposed approach for the processing of transactions with domestic funding prior to Phase 2.** In general, two elements are worth noting. First, wambo.org would facilitate the creation of purchase orders by PRs to the relevant suppliers (typically, procurement agents). From a legal standpoint, purchase orders signed by PRs and issued on their behalf via wambo.org, together with the terms and conditions specified in the LTAs, would form the commercial contract. wambo.org would act as a facilitating system in these transactions: the contractual relationship would remain between the PR and the relevant supplier (typically, the procurement agent).
56. The role of the Global Fund would be limited to allocating orders to one of the eligible suppliers with whom it has signed an LTA<sup>10</sup>. Necessary measures would be taken to ensure that the Global Fund is discharged from any liabilities and all relevant documentation, legal agreements, and purchase order templates would include explicit clauses to that effect (see Annex 2). This setup, based on the interplay of LTAs and individual purchase orders, would be very similar to the current PPM setup, with the obvious exception that the Global Fund would not be providing payment on behalf of the PRs.
57. Contrary to the process for orders with Global Fund grant funding, in the case of transactions with domestic funding there would be no review or intervention by Global Fund teams, other than to allocate the order to one manufacturer or another, as currently done for transactions with grant funds under relevant product strategies. To ensure that the domestically-funded order is consistent with the domestic processes and national health strategy and quantification, when on-

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<sup>9</sup> It is important to note that the pilot is restricted to organizations that are already PRs of the Global Fund. In collaboration with suppliers, the Global Fund maintains a database of which products are registered in which jurisdictions, and which other notable limitations apply where. When an order is placed, regardless of which source of funding is backing it, the Global Fund teams will allocate it to one out of a set of manufacturers that are eligible, i.e., that were selected during a competitive tender and that can supply the product in the jurisdiction of the ordering PR organization.

<sup>10</sup> Cf. footnote 9.

boarding interested PR organizations onto wambo.org for use with domestic funding, the Secretariat will work with each interested PR organization to map the decision making processes and approval hierarchies that apply for domestic procurements.

58. Second, compared to orders placed with Global Fund grant funding, those placed with domestic funding will typically carry a higher risk for the supplier or procurement agent. For the short term, the proposed solution is to require upfront payment before the order is acknowledged as actionable by the supplier or procurement agent. Devising a mechanism to systematically deal with this risk would form part of Phase 2 Preparations<sup>11</sup>, and would aim at ensuring that wambo.org can be used with domestic funding across diverse countries and without excessive risks for suppliers.
59. An illustrative process description is included in **Annex 1**. This is for illustrative purposes only and, if the Decision Point proposed in this paper were approved, the Secretariat would implement this process or a slightly different one (to the extent the proposed process needed to be amended as the process is put into practice), provided that the two cornerstones above remain. Any update on the process would be provided at future Committee meetings. An analysis of risks entailed in the proposed approach and related mitigation actions is available in **Annex 2**.

This document is part of an internal deliberative process of the Global Fund  
and as such cannot be made public.

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<sup>11</sup> Mechanisms such as letters of credit are being considered as potential de-risking mechanisms, and will be examined more in-depth as part of Phase 2 Preparations. They will not be employed during the pilot due to the deeper analysis and timelines that would be implied.

## Annex 1: Illustrative process description for transactions by PRs with domestic funding

1. Prior to launching transactions with domestic funds, PRs would undergo an extension of the wambo.org onboarding process. This on-boarding of the PRs for domestic funding use would require documentation of the approval hierarchies required for transactions to be valid using domestic funds, as well as the assurance that use of wambo.org would be in compliance with the relevant national laws. The on-onboarding documents would also discharge the Global Fund from any liability. The platform would allow the PR to release purchase orders approved electronically, but would also allow them to approve through the traditional hard copy if so required. This onboarding approach would represent a logical extension of the wambo.org on-boarding process currently followed by PRs to use the system to facilitate procurements with Global Fund grants.
2. As when ordering with Global Fund grants, PRs on-boarded to wambo.org utilizing domestic funding would be able to navigate and search through the full set of items that can be sourced from LTAs negotiated by the Global Fund (or those that may be sourced through the LTAs of partner organizations bound to the Global Fund by MOUs, or through the spot procurement services of procurement agents).
3. PRs would select the requested items to order based on product specifications and quantities, need-by date and other logistics-related fields. The transaction would be routed through the relevant in-country approval hierarchy within the PR organization and then allocated by the Global Fund to the best suited suppliers and manufacturers, drawing from LTAs for categories where they exist. The applicable logistics costs would also be included before the requisition is sent back to the PR for approval, together with a formal price quotation validated by the relevant supplier.
4. Contrary to the process for orders with Global Fund grant funding, in the case of transactions with domestic funding there would be no review or intervention by Global Fund teams, other than to allocate the order to one manufacturer or another under the LTAs, where applicable, and to solicit input from the supplier or procurement agent. Officials of the PR organization would be responsible for verifying the accuracy of the order information and for confirming that products, as allocated, are registered in their jurisdiction.
5. Once the requisition has been fully approved by the PR, purchase orders would be issued to the relevant suppliers (typically, procurement agents (PSA)). Contrary to those backed by Global Fund grants, purchase orders for domestic funding transactions would explicitly indicate the need for pre-payment by the PR to the supplier (or PSA), reinforce the Global Fund's absence of liability in the transaction and caution the supplier (or PSA) not to incur into liabilities related to the order prior to receiving upfront payment. Proof of payment of the pro forma invoice would need to be provided (uploaded directly in wambo.org), as may be requested by the supplier, before the order is processed and delivered. When the transaction is complete, the supplier would issue a final invoice with all costs and balances and would either request additional payment from the PR, if applicable, or proceed with any reimbursement to the PR, if applicable.

## Annex 2: Risk analysis

Category	Risk	Mitigation
Strategy	Opening up LTAs to non-Global Fund funding may require careful negotiations with suppliers	<p>Approach negotiations carefully and on a case by case basis, potentially starting with cases where agreement has already been reached or negotiations begun.</p> <p><i>Note: This approach is not yet intended as a structural approach and as such will not apply to all PRs. A more systematic approach would be part of Phase 2 Preparations and Consultations.</i></p> <p><i>It is also worth noting that the Amended and Restated Market Shaping Strategy expressly calls for deliberately considering the inclusion in LTAs of clauses granting access for transitioning countries to negotiated prices and conditions (irrespective of wambo.org), which currently is only in place for ARVs.</i></p>
Strategy	Prices applicable to non-GF funding may not be as attractive as those applicable to orders backed by volume commitments, since they would only benefit from reductions linked to volumes achieved	<p>Carefully and transparently communicate to PRs benefits that can be expected. Reductions on volumes achieved would remain attractive commercially.</p> <p>The attractiveness of this process is not only related to the price element: it also brings value from a simplicity and transparency perspective and – subject to in-country regulations and decisions – relieves the PR from the need to run their own tenders, ensuring that appropriate suppliers respond.</p>
Operations	Suppliers may not acknowledge purchase orders from PRs with a credit rating that does not meet their standards, due to high perceived payment risk	To ensure supplier acknowledgement of orders irrespective of credit ratings and avoid deprioritizing of PR orders on domestic funds, <b>upfront payment</b> will be required of PRs in order to complete the ordering process.
Operations	PRs may not adhere to the approach of upfront payment. For example, the requirement to provide upfront payment may admittedly entail some additional time before the order is confirmed, thus making the ordering process with domestic funding longer than that with Global Fund grants.	<p>The proposed short-term approach detailed in this document has been shared with a select number of PRs that expressed interest in piloting the use of wambo.org with domestic funding; these, in full understanding of the payment terms, have shown interest in participating.</p> <p><i>Note: This approach is not yet intended as a structural approach and as such will not apply to all PRs. A more systematic approach, potentially including de-risking mechanisms, would be part of Phase 2 Preparations and Consultations.</i></p>
Operations	PRs may find it difficult to record the necessary approvals and proceed with the timely payment of pro forma invoices, impacting the timely management of transactions	<p>In the first experiences of domestic funding via wambo.org, prioritize countries with administrative processes compatible with the timelines expected of wambo.org transactions. Most countries that are in the process of transitioning out of Global Fund support are likely to fall in this category.</p> <p><i>See note above</i></p>
Financial	In case of absence of upfront payment, an unreported financial liability may apply to the Global Fund	<p>Explicit clauses on purchase orders issued for domestic funding use will explicitly indicate the need for pre-payment to the supplier (or PSA), reinforce the Global Fund's absence of liability in the transaction and caution the supplier (or PSA) not to incur into liabilities related to the order prior to receiving upfront payment.</p> <p><i>Note: Transactions processed through wambo.org result in commercial contracts between the PR and the supplier; though the Global Fund facilitates the creation of this contract, and will enter into relevant contracts to make these arrangement possible, it is not a party to the procurement contract between the PR and the supplier (or PSA).</i></p>

Reputational or Legal	If the supplier does not perform on its commitments, there is a reputational or legal risk for the Global Fund which has facilitated the transaction through wambo.org	The onboarding documents whereby the PR accepts terms of using wambo.org to facilitate procurements funded with domestic resources will contain an express clause that states that the Global Fund assumes no liability for the performance of the supplier. In addition, although the Global Fund is not party to the commercial contract between the PR and the supplier, it will monitor through wambo.org all transactions that leverage the LTAs it has signed. Most of the value on these agreements will be for Global Fund grant-funded transactions, which will give the Global Fund the necessary leverage to ensure that all transactions are addressed as per agreed terms.
Compliance	PR procurement policies may not allow to rely on 3 <sup>rd</sup> party tendering	As part of the on-boarding of the PRs for domestic funding use on wambo.org, PRs will need to explicitly confirm that the tendering processes of the Global Fund and its partners meets the competitiveness and QA criteria that apply to their markets. They will confirm that they are authorized, in accordance with the procurement laws that apply to them, to rely on the Global Fund and its partners to determine the most appropriate supplier / manufacturer when an allocation process takes place. <i>Note: A systematic review of in-country regulatory frameworks across countries would be included as part of Phase 2 Preparations.</i>

## Annex 3: Illustrative, non-exhaustive list of topics that may be included in Phase 2 Preparations and Consultations

Before beginning Preparations for Phase 2, the Secretariat would, to the extent possible, consult Board constituencies and stakeholders about which topics to include in the analysis. Below is an illustrative, non-exhaustive list of such topics, which includes a number of specific points raised by different constituencies during engagements so far.

- a. Implications of opening wambo.org up to use by other large funding and purchasing organizations on market shaping.  
Given the profound differences between the dynamics of markets for different categories, this analysis would likely need to be run on a category by category basis. There are many possible ways that wambo.org could facilitate procurement by different organization. The harmonization of specifications / requirements and further consolidation of volumes is one option, but not the only one. It may be appropriate in some category markets and lead to cost optimization, but it may pose a high risk in terms of stability and market structures in other cases.
- b. Long term perspective on enabling use of wambo.org by transitioning countries with domestic funding.  
Enabling countries to procure with their own funds is a fundamental element of wambo.org's potential to become a means to facilitate, in synergy with other important initiatives, sustainable access to prices. The short term solution proposed in Section 3 of this paper represents a first step in that direction, but more will be needed to fully realize the potential. For example, a de-risking mechanism may be appropriate, in order to ensure suppliers are suitably comfortable processing orders even without upfront payment. For the time being the Secretariat is following up on initiatives in global health to address this aspect (e.g., the Commodity Credit Facility being discussed and designed by UNICEF). When Preparations begin, the Secretariat would begin to engage more systematically.
- c. Analysis of in-country regulatory frameworks.  
In Phase 1, wambo.org facilitates orders with Global Fund funds; within in-country laws and regulations, procurements with external funding are often subject to a specific set of guidelines. In Phase 2, as orders begin to be facilitated with domestic funding, wambo.org would have to operate within the general procurement framework of each country. This will require a detailed examination of the applicable regulations in different countries to determine the most appropriate qualification of wambo.org transactions under national law and guide the establishment of related agreements with and decisions by competent authorities.
- d. Global public good business case.  
During the initial Proof of Concept study in 2014, the Secretariat developed a comprehensive business case for wambo.org that provided an in-depth analysis of the financial implications for the Global Fund. A preliminary business case was also prepared for extrapolating wambo.org to a global public good scenario. For reference, these high-level extrapolations indicated that transactional throughput could be triplicated for HIV/AIDS, tuberculosis and malaria products, and 10 times the transactional throughput for other products. The benefits, financial and otherwise, of making wambo.org available as a global public good in Phase 2 would be contingent on which partners and funding / procuring entities decide to join. A key element of Phase 2 Preparations will involve verifying and elaborating on this global public good business case, which would then be shared with the Global Fund Board and Committees prior to any subsequent Board decisions.
- e. Sustainable revenue model.  
Should wambo.org become a global public good, a revenue model would need to be established to ensure sustainability. The Secretariat has taken as working



assumptions to guide the design of a potential revenue model as part of the Preparations for Phase 2 and to be discussed as part of the Consultations: (a) the revenue model must be self-sustaining but not-for-profit; (b) it is not ruled out that small fees may potentially be charged to the direct users (i.e.: in-country procurers), but these should be kept at a low level so as not to become a barrier to entry and so as to permit use by all interested countries; (c) contributions from partner organizations and large procuring or funding entities such as the Global Fund are not ruled out, but these should not dictate or have undue influence on wambo.org's ability to serve, and be guided by the interest of the countries and the communities.

f. Governance model.

Should wambo.org become a global public good and enter Phase 2, it would need to be governed, financed and essentially "owned" by all who use it in a fair and transparent way. A new governance structure would need to be established should wambo.org become a global public good. This may include user countries, funding and procuring organizations leveraging the platform, as well as the supplier base, but the ultimate interests of communities and the perspective of other partners and civil society would also have to be accounted for. Phase 2 Preparations would have to identify options for a governance structure that enables representation of the main stakeholders involved in wambo.org operations but ultimately guarantees the interests of the ultimate users and beneficiaries of the system; and one that guarantees effective, timely decision making. As for all other topics in this list, the governance model will be thoroughly discussed as part of Consultations with Board constituencies, partners and stakeholders.

g. Modifications to operating model and system design, if and as needed.

During 2015, wambo.org was developed with the immediate objective of enabling Phase 1 operations (in support of Global fund grant implementation); however, where possible flexibilities were built in the process and system to enable a possible future transition to global public good operations. As part of Phase 2 Preparations, the Secretariat would identify and prepare for any adaptations necessary to open up to use by other entities and operate efficiently in that setting. This may include identifying the design of the long term systems architecture, particularly depending on the direction taken with respect to institutional set up (see below). Phase 2 Preparations would include the design of these aspects, but the implementation would only be following a Board decision to begin Phase 2 operations.

h. Institutional set up of wambo.org as a global public good.

In order to operate as a global public good, wambo.org may or may not continue to be hosted within the Global Fund. In other words, it may or may not need to spin-off from it. Options will be influenced by governance considerations, but also technical aspects related to the operating model (e.g., financial flows, taxation considerations). Illustratively, options could include wambo.org continuing to be embedded within the Global Fund; wambo.org being hosted by the Global Fund, but a distinct status regulated by a charter; wambo.org hosted by another partner, again with or without special status; and wambo.org operating as an independent entity, of course with a wide array of possibilities in terms of institutional type.

## Annex 4: Results to date

In March 2016, the Secretariat shared with the Committees the results framework that has been developed to measure wambo.org success. These metrics are used to track progress, identify issue areas, and devise solutions. The Results Framework is reviewed on an on-going basis by the wambo.org team and is presented to the Steering Committee for discussion and sign-off on a monthly basis.

At this time, the Secretariat is providing the Global Fund Board and Committees with an update on wambo.org progress so far, measured against the Results Framework. The snapshot of the Results Framework provided in this paper reflects data as at 4 November 2016. Overall, nine months into operations, wambo.org is well placed to meet the targets set by the end of the year. An update on the first complete year of operations and results achieved compared to targets will be shared at the next meetings.

wambo.org is contributing to more streamlined procurement for both implementing partners and within the Global Fund. This update aims to demonstrate where the platform has already begun to make strides in improving the procurement process, as well as where there is opportunity to broaden the scope to fully deliver the expected vision.

**Order Lead Time.** As an indicator of simplified, streamlined procurement operations, order lead time is measured in working days from initial requisition to order confirmation (non-weighted average). This includes elements in control of the Secretariat as well as elements that are influenced by PRs, regulatory requirements etc. The average time needed to complete the corresponding steps without using wambo.org is 43 days.<sup>12</sup> Using wambo.org, automation of these processes has achieved a 14% reduction in average order lead time, resulting in an average lead time of 37 days (25 business days) for purchase orders released so far. The Secretariat is committed to further improve on upcoming orders, as more experience is gained.

**Cumulative net cost savings.** The business case shared with the Board and its Committees in 2015 projected that by the end of 2016, wambo.org would enable the Global Fund to achieve a breakeven of project costs by the end of one year of operations, via the extension of PPM-negotiated prices to non-previously PPM PRs, volume discounts, and a reduction in handling fees, above and beyond the savings realized through PPM irrespective of wambo.org and captured in corporate KPI 12.

The roll-out strategy for 2016 focuses on on-boarding PRs already using PPM as a matter of priority, and as a result no savings additional to PPM have been recorded as at 4 November 2016. It is expected that savings will begin to accrue as countries not previously using PPM join<sup>13</sup>.

**Timely implementation of product roadmap.** At this time, ACTs, ARVs, LLINs, condoms and lubricants and rapid diagnostic tests for HIV and malaria are available for purchase on wambo.org. HIV Viral Load diagnostics are expected to be available for purchase on the platform soon. This product availability is consistent with the anticipated product roadmap that was shared with the Committees in March 2016. Further information is included in this paper.

**Number of PR organizations on-boarded.** By year end 2016, the Secretariat plans to have provided access to the platform for at least 35 PR organizations, some of whom will place orders while others will utilize the viewing capability only. For reference, approximately 120 PR organizations across approximately 60 countries currently have access to the PPM mechanism. The

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<sup>12</sup> Current average lead time is based on PPM average order lead time H2 2016 for PFSCM.

<sup>13</sup> For completeness of information, as at early October 2016 PPM savings from transactions, not additional but channeled via wambo.org to date amounted to approximately 8.2 million USD, in the order of magnitude of project investment 2014-2016. Related to orders confirmed so far (purchase orders issued); based on confirmed amounts compared to amounts included in grant budgets/LOHPs; health products cost only, excluding PSM costs. In addition, PPM savings realized to date in 2016 include 4.5 million USD as a result of lower fees negotiated with procurement agents as part of the Sourcing transformation, of which wambo.org is one important part.

proposed target for 2016 reflects a carefully-paced roll-out plan that guarantees a smooth experience for PRs and allows the Global Fund to make adjustments when needed.

As at 4 November 2016, 25 PRs have enrolled with wambo.org and activated access to the system; of these, 10 have already placed orders. In addition, 37 PR organizations have confirmed transition and are finalizing documentation. Further information on PR on-boarding is provided in previous sections of this paper.

**Transaction throughput.** The 2016 target of USD 250 million in aggregate transaction value by year end 2016 is based on the current order forecast and a carefully-paced roll-out.<sup>14</sup> As at 4 November 2016, confirmed purchase orders through wambo.org have reached USD 113,416,981.60. In addition, requisitions currently being processed equal approximately USD 132,046,197.93, bringing the transaction throughput as at 4 November 2016 to USD 245,463,179.53.

**Customer satisfaction.** Informal feedback from PRs demonstrates positive response and satisfaction overall, with PRs returning to purchase additional goods across categories on the platform. wambo.org customer satisfaction will be measured through a survey later in the year created to measure the tool's ease of use, efficiency of ordering process, and quality of on-boarding, training and support. The survey will identify areas for improvement and the most appropriate design directions when applicable. This survey is expected to take place in November 2016.

**Platform performance.** The stability of the platform and its performance is measured under the lens of platform availability (target of 99.8% of time), number of severe errors that result in the service being completely unavailable and halting transactions with no workaround (target of less than 5 in the year) and response time measured in Geneva and at key in-country locations (target of less than 10% degradation on initial base line). As at 4 November 2016, the platform has experienced 100% platform availability and 1 severity 1 level error.<sup>15</sup>

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<sup>14</sup> Based on 2014-2015 reference prices. It is assumed that the target of USD 250 million could be influenced by positive price effects.

<sup>15</sup> Degradation of response time is currently not available but is anticipated to be at less than 10%.