



Stop TB Partnership

SUMMARY SHEET

AGENDA NR. 11.0 - 10.0	SUBJECT	RESTRUCTURING GDF	
FOR INFORMATION <input type="checkbox"/>	FOR DISCUSSION <input checked="" type="checkbox"/>	FOR DECISION <input checked="" type="checkbox"/>	

BACKGROUND (INCLUDING PROBLEM STATEMENT):

During 2010, the Boston Consulting Group (BCG) was retained by the Stop TB Partnership to assess the future direction of the Global Drug Facility (GDF) and advise the Coordinating Board (CB). A recommendation report was submitted to the CB in July 2010 and a draft Implementation and Restructuring Plan (IRAP) in October.

The IRAP was subject to the input of the new GDF Manager, who took up the post on 17/11/10 and the new Executive Secretary, who took up the post on 1/2/11.

SUMMARY/OUTLINE OF THE SESSION:

The GDF Manager's response to the BCG, as endorsed by the Executive Secretary.

The GDF Manager has reviewed the IRAP and prepared a report in response, together with a revised organigram. This makes some changes to what was proposed by the BCG. The salient points of the review are as follows and as encapsulated in the Executive Summary:

- Agreement on all key points outlined in the IRAP with respect to Organisation and Governance, Performance Management, Order Management Process, Market Development;
- Disagreement with respect to approach to Country Support/Technical Assistance (TA). TA is a competitive advantage for GDF and needs to continue, but the manner in which it continues needs to change in future;
- GDF Manager analysed the IRAP from a cost/workload/sustainability perspective, which was not adequately addressed by BCG;
- In 2010, GDF had 23/24 staff based in Geneva and 4 staff based in the field. The total 27 staff, coupled with 6 external staff who provide support services to GDF, cost USD4,569,500. The cost of the same set up in 2011 is projected at USD5,254,925 reflecting a 15% increase in staff costs. Together with the staffing costs, operational costs were USD2,059,400;
- These costs were covered by donor funding from UNITAID, USAID, CIDA and DFID. Funding from these sources is confirmed for 2011 to cover staffing costs, and pledges pending disbursements to cover costs in 2012.
- Clients who used GDF's procurement services, covered the fees paid to GDF's procurement agents and which totalled USD3,629,377 in 2010.
- The BCG identified potential savings of USD400,000 per annum by virtue of a new structure which focused on a streamlined approach to the work. However, it did not satisfactorily address the major inefficiency and duplication of work effort which exists with the outsourcing of GDF's core function - procurement, to a 3rd party.
- Concern as to whether the costs are sustainable in future given potential reduction in donor funding. Moreover, whether the existing modus operandi and outsourcing of procurement, resulted in best value for money;
- GDF Manager's organigram, addresses the inefficiency and sustainability issues by proposing that by end Q4 2011, GDF transitions from outsourcing its procurement to conducting procurement in house. This will result in savings of a minimum of

USD~~3,629,377~~ assuming the same procurement volumes as 2010. This money can be used to offset the GDF staffing and operational costs presently funded by donors.

- BCG organigram has an approximate cost of USD5,590,725. GDF Manager's organigram has an approximate cost of USD5,610,275. The costs are therefore relative, but the major differences are twofold. First, potential savings by retaining the procurement function in house and improved levels of efficiency by minimising the number of layers involved in processing orders. Secondly, Regional Support Officers will be in 7 regional locations (EMRO, WPRO, EURO; SEARO, AFRO (Southern), AFRO (West) and AFRO (East), with standardised roles/responsibilities aimed at minimising stockouts, including assistance with drug quantification, data collection for forecasting purposes, procurement planning, identification of funding sources, inventory management, conducting monitoring and evaluation missions and drug management workshops...

The CB is requested to review the response, provide input and decide on the decision points- as below.

DEPENDING ON THE TYPE OF SESSION (FOR DISCUSSION OR FOR DECISION):

DISCUSSION POINTS FOR THE COORDINATING BOARD:

- Organigram proposed by BCG
- Organigram proposed by GDF manager
- Staffing costs and operating costs
- GDF manager's comments on the IRAP

DECISIONS REQUESTED FROM THE COORDINATING BOARD:

- Confirmation of organigram proposed by GDF manager for an interim period of 1 year following placement of staff in posts and with review thereafter
- Recognition of the costs of staffing and operation for 2012
- Endorsement of the GDF manager's comments on the IRAP

FINANCIAL IMPLICATIONS:

For 2011 with existing GDF structure in place and pending recruitment being completed

USD 5,254,925 staffing costs

USD 1,500,000 projected operating costs (based on 2010 levels of expenditure)

Total: USD6,754,925

Total Grant Funding available for drugs/diagnostics: Outlined in the Finance presentation

For 2012 assuming all recruitment is completed as per the GDF Manager's organigram

USD 5,610,275 staffing costs

USD 1,500,000 projected operating costs (based on 2010 levels of expenditure)

Total: USD7,110,275

Total Grant Funding available for drugs/diagnostics: Outlined in the Finance presentation

EXPECTED SOURCE(S) OF FUNDING:

- Funds already pledged by CIDA, USAID, UNITAID, DFID

NEXT STEPS

ACTION REQUIRED:

- (i) Coordinating Board endorsement
- (ii) Implementation of the new organigram

RESPONSIBLE AGENCY/OFFICER: Caroline Bogren

TIMEFRAME: 1 JANUARY 2011 – 31 DECEMBER 2012