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Opening Statement of the Honorable **Ed Royce (R-CA), Chairman**
Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations
Hearing:
“Global Health Supply Chain Management: Lessons Learned and Ways Forward”
May 17, 2018

(As prepared for delivery)

“U.S. global health assistance is critical to U.S. interests, and the wellbeing of every American. It helps combat deadly infectious diseases like Ebola and pandemic flu – invisible enemies that respect no borders, threaten our people and undermine economic growth. It advances global efforts to eradicate polio and debilitating neglected tropical diseases. It promotes maternal and child health and advances U.S. economic and security interests by supporting the growth of healthier, more stable societies. It buys us much good will. And it saves the lives of millions of men, women, and children – each and every year.

The overwhelming majority of U.S. global health commodities, including for medicines and other products, are delivered through a USAID-managed ‘Procurement and Supply Management’ contract, or ‘PSM.’ PSM delivers commodities in 56 countries and provides related technical assistance in 40 countries. In January 2016, USAID combined two prior PSM contracts into one. With a 5-year, \$9.5 billion ceiling, this is the largest contract USAID has ever managed.

Last fall, this committee began receiving reports of ‘stock-outs’ of life-saving ARV drugs and bed nets that were meant to be delivered under this mega-contract. I commend Chairman Smith for his leadership here, as well as Ranking Members Engel and Bass. In response, we launched an investigation that included a review of thousands of pages of contract agreements, guidelines, orders and notifications. We conducted dozens of interviews with USAID, CDC, current and past supply chain managers, local implementing partners and others. Staff traveled to Uganda and Ethiopia, where significant disruptions have been reported, to meet with USAID mission staff and local implementers, inspect warehouses and identify challenges.

Through this investigation, we have found that at the lowest point, the ‘on time and in full’ delivery rates for life saving HIV/AIDS medicines was a shocking seven percent, while the industry standard is around 70 percent. Delays were caused by missteps at virtually every stage of the process – from the contract awarding process; to the transition between the contractors; to delays in the implementation of a new, supposedly highly regarded IT system; to the performance of the contractor and the oversight of USAID and the Office of the Global AIDS Coordinator. And while delivery rates have improved and reports of stock-outs have ceased, concerns about what went wrong and why remain.

We are here today to continue our oversight of USAID and the Office of the Global AIDS Coordinator, to identify lessons learned and to ensure that these mistakes are not repeated. We recognize that Administrator Green and Ambassador Birx inherited this contract from the previous Administration, and I applaud them for their dedication and rigorous work toward righting this wrong. In global health programs, no amount of mismanagement or waste can be tolerated. Lives are literally on the line. We must get this right.

Thank you, Chairman Smith, for this important hearing.”