

SCMS

IN BRIEF



Private sector development and increased efficiency: local procurement

The Government of Ethiopia is improving access to pharmaceutical products across the country. Most products provided at government-run health facilities to patients originate from the private sector.

As a result, developing the private sector and building partnerships within it supports the government and improves access to medicines. These efforts may also increase efficiency, decrease cost and improve timely delivery, since the cost and time required to import products may be eliminated through use of local suppliers and manufacturers. SCMS is supporting the government, and supporting the private sector, by procuring many products from the national market.

SCMS procures a wide range of products for PEPFAR-supported national health programs in coordination with the Pharmaceuticals Fund and Supply Agency (PFSA), which does most of the pharmaceutical procurement and distribution for the country. In 2012 SCMS procured over \$25 million worth of pharmaceutical and non-pharmaceutical products in Ethiopia. The program areas of SCMS procurement include: ART monitoring laboratory commodities, infection prevention materials, drugs for the treatment of sexually transmitted diseases and opportunistic infections, products for the Food-by-Prescription program and health system strengthening materials. SCMS occasionally procures antiretrovirals, HIV rapid test kits and other essential products on a gap-filling basis, to support Global Fund procurement and ensure continuous availability.

SCMS used to initiate orders in the Ethiopia office and manage procurement from project headquarters. However, SCMS was continually challenged to find pharmaceutical suppliers that met both USAID quality standards and the Government of Ethiopia's registration requirements. Since most of these products were imported, requesting import waivers for each shipment was an unsustainable solution. To find a long-term solution, SCMS assessed the capacity of local importers and manufacturers to determine whether they met country regulations and USAID requirements. Through this assessment, SCMS identified seven suitable importers and one suitable manufacturer.

In addition to acquiring products from local suppliers, SCMS worked to shift the procurement process from the head office to the country office. Local procurement has continued to grow, with technical support and ongoing evaluation. Country office procurement in 2012 was worth over \$16.7 million and is expected to increase by 40% in 2013.



Working with local suppliers helps strengthen Ethiopia's public health supply chain

Benefitting all levels of the supply chain, locally-managed procurement helps streamline the process, results in greater compliance to country regulations, improves efficiency, and builds the capacity of the private sector.

In 2012, SCMS's Ethiopia office placed its first order of pharmaceutical products from a local supplier. Since then, the office has placed 10 more orders. In addition, the streamlined local procurement of pharmaceuticals helped avert a potential stockout of tuberculosis treatments. Beyond local suppliers, SCMS also approved one local pharmaceutical manufacturer, which provided the first locally-produced product for SCMS: 310,000 bottles of Co-trimoxazole suspension.

Both imported and locally-manufactured products supplied by the local private sector are quality assured through batch testing in either South Africa or Tanzania. Product testing ensures that purchased items meet the required USAID and

Ethiopian government standards, and local procurement ensures government requirements are met. SCMS performed an assessment of available in-country options and expects to perform local product testing in the near future as well. By expanding local efforts the public health supply chain will see further time and cost savings and experience further support from the private sector strengthening.

Locally suppliers help streamline procurement because private sector suppliers are already approved by the Government of Ethiopia. Purchasing products from local suppliers and manufacturers supports the private sector and can reduce costs as product importation is no longer necessary. SCMS continues seeking to expand the private sector capacity to have product testing done locally as well. In turn, local procurement supports the government through strengthening the private sector, and further supports the local businesses and economy.

ABOUT SCMS

The Supply Chain Management System (SCMS) was established to collaborate within country and global partners to ensure a reliable, cost-effective and secure supply of high quality medicines and health products for HIV/AIDS prevention, care and treatment. SCMS is funded as part of the President's Emergency Plan for AIDS Relief. Visit us at www.scms.pfscm.org.

The author's views expressed in this publication do not necessarily reflect the views of the US Agency for International Development or the United States government.

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