

SCMS

IN BRIEF



From Emergency Relief to Sustained Response:

LONG-TERM SUCCESS OF HIV/AIDS PROGRAMS DEPENDS ON INTEGRATED NATIONAL AND GLOBAL SUPPLY CHAINS

PEPFAR and SCMS are moving rapidly from emergency relief to sustainable support for HIV/AIDS treatment programs. During its first five years SCMS has demonstrated that USAID's design of the project has done what it was intended to do. But what should the next five years and beyond look like?

Just a few years ago many doubted that HIV/AIDS commodities could be reliably delivered in sufficient quantities to treat and care for the millions living with HIV in the world's poorest nations. The success of PEPFAR and its Supply Chain Management System (SCMS) provide the proof that they can.

Since 2006 SCMS has been ensuring the reliable availability of essential products to HIV/AIDS programs and strengthening national supply chains to become sustainable mechanisms delivering these products to patients who need them.

PEPFAR produced an excellent supply chain. Why just antiretrovirals? If the supply chain is working, let's maximize it.

– Ezekiel Emanuel, senior White House advisor on health, at the 2010 Aspen Ideas Festival discussing the Obama Administration's Global Health Initiative

Products delivered through SCMS now support more than one million patients on anti-retroviral (ARV) treatment. Global pooled procurement under SCMS has helped radically reduced the cost of ARV and other commodities, virtually eliminate stockouts, drastically reduced wastage due to overstock and expiry, and saved millions of dollars in shipping costs.

Integration of the supply chain, including forecasting and supply planning, procurement, regional distribution and freight forwarding has made SCMS the most effective and reliable HIV/AIDS procurement agent for developing countries. By virtue of this success, SCMS has become by default the global emergency responder of choice when supply interruptions occur or are threatened.



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SCMS established state-of-the-art regional distribution centers (RDCs) in Ghana, Kenya and South Africa that hold strategic stock, provide regularly scheduled shipments to neighboring countries and expedite emergency orders to prevent stockouts. The RDCs in Ghana and Kenya were the first world-class pharmaceutical warehousing facilities of their kind in East and West Africa. To provide a sustainable resource, the RDCs are independent commercial enterprises, attracting commercial suppliers of laboratory supplies, pharmaceuticals, anti-malaria bed nets and other products.

For public health programs in developing countries, best value for supply chains must go well beyond achieving lower costs. Supply chains must be strengthened to accommodate vastly larger quantities of commodities in order to avoid overburdening local infrastructures. Systems strengthening for key supply chain disciplines is empowering a new generation of supply chain professionals and has transformed national supply chains in multiple countries. Through increased capacity in supply planning, warehousing, logistics, data capture and management, distribution and other supply chain disciplines, countries now have the capacity to manage the large volumes of commodities flowing from international suppliers to the health care workers and patients who rely on them.

A robust quality assurance program has created a credible threat to anyone attempting to sell sub-standard commodities, introduce counterfeit product or steal from the SCMS supply chain. In five years SCMS has had no serious breach of product quality and has successfully responded to manufacturer recalls. SCMS's leadership in quality assurance is raising expectations in multiple other programs.

The Partnership for Supply Chain Management won two prestigious awards for its groundbreaking work on SCMS. During the European Supply Chain and Logistics Summit held in Prague, PFSCM received the Supply Chain Innovation Award and Best Value Supply Chain Provider Award. Competitors for the awards included well known companies like Pitney Bowes, Pfizer UK and Procter & Gamble.

Along the way we have learned many lessons

Transforming the way public health commodities are delivered was no small task. SCMS combines procurement services with systems strengthening, partnering with each country to ensure that the flow of commodities is appropriate to the capacity to warehouse and distribute them. We encountered numerous obstacles and, more importantly, learned valuable lessons about what really works.

- *Start at the beginning.* Supply planning based on sound data is the key to a reliable supply of HIV/AIDS commodities. Without robust supply planning nothing else works.
- *Success relies on economies of scale.* High volume and high frequency of procurement have positioned SCMS to develop relationships with key suppliers and freight forwarders, leveraging lower prices and ensuring availability of commodities and space on key shipping routes. Those who buy infrequently are at a disadvantage with vendors.

Benefits of PEPFAR's Design of SCMS

	Lowers commodity costs	Lowers shipping costs	Leverages commodity availability	Leverages shipping route availability	Prevents stockouts	Prevents expiry and wastage	Builds country capacity	Supports Country Performance
Forecasting and supply planning	X	X	X	X	X	X	X	X
Pooled procurement	X	X	X	X			X	X
Supply chain integration	X	X	X	X	X	X	X	X
High volumes	X	X	X	X				
High frequency			X	X	X	X		X
Regional warehousing and distribution	X	X	X	X	X	X		X
Inter-country collaboration					X	X	X	X
Systems strengthening					X	X	X	X

- *Value trumps price.* Insisting on always paying the lowest price would put some suppliers out of business, limiting competition and the global supply of key commodities. In addition, the supplier with the lowest price may skimp on product quality, make false promises about product availability or fail to deliver on time. Understanding the global market and knowing vendor reputations are essential to successful procurement.

Savings in shipping can be assigned to other uses. As the political situation stabilized in Zimbabwe, for example, SCMS switched from air freight to road shipments of ARVs from the RDC in South Africa, saving around 60 percent in shipping costs — or potentially \$130,000 per year. Initial savings were used to purchase HIV test kits to cover a shortage in the national testing program.

- *Lack of capacity is not limited to the public sector.* Although many countries have transformed major links in their supply chains, lack of capacity among private sector manufacturers and suppliers of commodities limits the ability to procure ARVs, OI drugs, test kits and other commodities from local markets.
- *Countries need time to develop their capacity.* The existence of a reliable global procurement agent provides countries breathing space as they work to develop sustainable systems for supply planning, procurement, warehousing, distribution and other key supply chain disciplines.
- *Inter-country collaboration benefits all.* Under SCMS, countries have been inspired to adopt each others' best practices in warehousing, LMIS and other supply chain disciplines and have rushed to the aid of others to prevent stockouts and, when facing overstock, donate unneeded commodities.

The long-term success of HIV/AIDS treatment programs relies on robust supply chain systems at all levels.

We recommend maintaining the benefits of economies of scale, global pooled procurement and the integration of supply planning, procurement, warehousing and distribution.

Long-term success will rely on promoting a graduated approach to country ownership while maintaining the benefits



Systems strengthening activities like these in Tanzania and other countries promote country ownership and long-term sustainability of programs.

of global and regional pooled procurement. Continued support to systems strengthening should be based on a gradient rating system that would include such key supply chain capacities as forecasting and supply planning, procurement, warehousing, distribution, logistics, inventory and data management.

Recognizing the success of the SCMS model for procurement, the Global Fund to Fight AIDS, Tuberculosis and Malaria contracted the Partnership for Supply Chain Management – which manages the SCMS contract – to procure antiretroviral drugs, Artemisinin combination therapy drugs, laboratory supplies, reagents, test kits, condoms and other commodities utilizing the Global Fund's Voluntary Pooled Procurement mechanism.

Inter-country collaboration should continue in order to develop and promote best practices and to promote collaboration in preventing both stockout and wastage due to overstock.

Lastly, supply side capacity will only happen with a robust private sector, including the manufacturing, supplying and distribution of public health commodities.

Although the situation in each country differs, we know this much: Public health programs with robust, integrated supply chains are the most resilient when faced with unexpected events and are best prepared to provide a safe, secure and reliable supply of public health commodities for those who need them.

CONTACT

David Jamieson

SCMS

1616 Fort Myer Drive 12th Floor

Arlington, VA 22209

Email address: djamieson@pfscm.org

T. 571.227.8669

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.