

In Nigeria, a PEPFAR-wide strategy for procurement

Working with the USG/PEPFAR Procurement and Supply Management (PSM) Team and the PEPFAR Implementing Partners (IPs) in Nigeria, SCMS has developed a multi-pronged approach to coordinating procurement. A key component of the strategy is the purchase, shipping and distribution of high-volume commodities that are warehoused in a local distribution center in Abuja before pick-up by IPs. This innovative model could be applied to other countries where lack of coordination leads to stockouts, costly emergency orders and wastage due to overstock and/or expiry.

Until 2009, PEPFAR implementing partners in Nigeria developed individual quantifications for their HIV/AIDS treatment programs. They did so using different methods with differing assumptions and data. This fragmented approach obscured the overall picture of the PEPFAR Nigeria antiretroviral treatment (ART) program drug requirements, impeded coordinated product selection and hampered PEPFAR-wide budget planning, preventing economies of scale in procurement.

This disjointed approach prevented an accurate assessment of the overall cost of ARVs to PEPFAR of ARVs and the future burden faced by the Government of Nigeria.

The USG/PEPFAR PSM team (USAID, CDC and Department of Defense) was interested in leveraging economies of scale among the many IPs to help build a sustainable procurement program for the PEPFAR-supported health facilities. Working with the USG/PEPFAR PSM team and other IPs, SCMS developed a multi-pronged approach to coordinating procurement.

Forecasting and supply planning is a first step for coordinated procurement. In September 2008, SCMS worked



PEPFAR IPs pick up HIV test kits for the SCMS warehouse (photo courtesy of David Fombot)

with IPs to develop individual quantifications and compile the first PEPFAR-wide, twelve-month aggregated quantification for ARVs. As a follow up, SCMS in February 2009 trained eighteen representatives from ten IPs in the use of Quantimed and PipeLine, two quantification tools, and on current best practices. Working together they prepared a forecast of ARVs and developed a supply plan for the 2009 Country Operational Plan (COP09).

The quantification exercise provided the USG/PEPFAR PSM team the first aggregate figure, \$105 million, for total ARV needs for the coming budget year. It also revealed how quickly that ART programs were planning to switch patients from Stavudine-based treatment regimens to more costly Truvada, causing potential shortfalls in funding. As a result, USG/PEPFAR Nigeria programs were advised to transition to Truvada only those patients needing the switch for medical reasons.

The resulting data were also used to identify two high-value, high-volume ARV combinations for pooled procurement by SCMS (Truvada and the triple fixed dose combination AZT/3TC/NVP 300/150/200mg tabs).

Pooled procurement of these two drugs was implemented so successfully that USG/PEPFAR PSM team then decided to pool procurement for all adult first-line ARVs and cotrimoxazole (CHAI through UNITAID donation provides medicines to support adult-second line and all pediatric patients on treatment). Now, during quarterly meetings, IPs share information on their current stock of commodities and their anticipated future needs based on data from their respective sites. The quality of their data has improved. In

2008, less than 50 percent of service delivery points were reporting. Today, more than 90 percent do. SCMS processes the aggregate information and provides a comprehensive report to IPs, the Government of Nigeria and USG/PEPFAR PSM team, and uses the information to plan orders from suppliers.

SCMS carefully plans freight and logistics for the commodities under the pooled procurement program. Project staff procures these commodities on the international market and then has them delivered to the central warehouse, known as the local distribution center (LDC). The LDC is operated in a partnership between RTT, a South Africa-based company (the SCMS team member organization that manages our regional distribution centers in Ghana, Kenya and South Africa), and MDS, a Nigerian company based in Lagos. The facility, known as a local distribution center (LDC), is a fully equipped pharmaceutical compliant warehouse with world-class racking, inventory management software, temperature controls and security systems.

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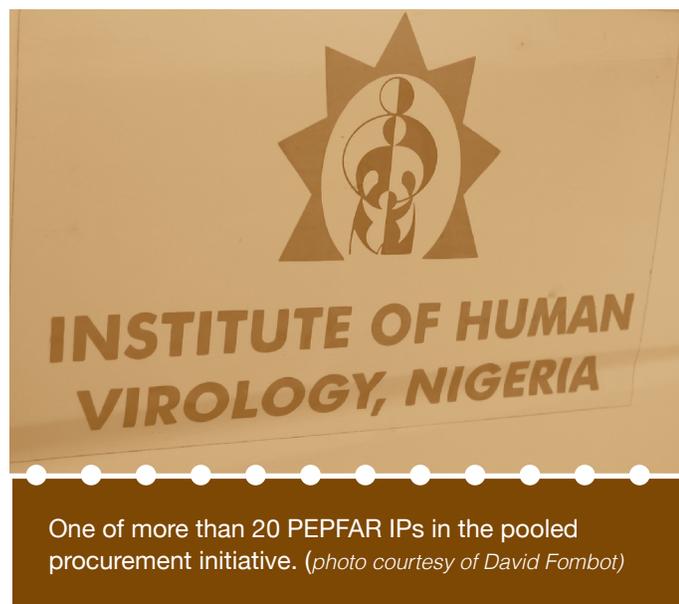
To reduce the cost of expensive air freight, most ARVs come by ocean from India to SCMS's regional distribution center (RDC) in Ghana before being shipped by regularly scheduled charter flight to Abuja. Due to their short shelf lives, most test kits come directly to Abuja by air.

After arriving at the LDC in Abuja, SCMS notifies IPs that the commodities are ready for pick up. IPs visit the LDC to retrieve their orders and then distribute the goods to almost 700 treatment and testing sites around the country.

Benefits

The pooled procurement program has provided a reliable supply of ARVs and test kits, virtually eliminating stockouts of these key commodities in PEPFAR-supported health facilities. Coordinated supply planning and the relatively large volumes of commodities ordered under the program help SCMS staff negotiate better terms and delivery dates from suppliers.

Over time, coordination among IPs has provided other benefits as well. At first, SCMS played an advocacy role,



encouraging IPS to redistribute stock among each other to avoid stocking out or risk expiration. Now, SCMS simply provides the information in a report. IPs then review the information and proactively approach each other with offers to share or requests for needed commodities with SCMS continuing to monitor this activity. The results have been impressive: Since May of 2010, partners have transferred at least \$2.8 million in ARVs among themselves to prevent stockouts and expiries. Every dollar saved can be reinvested in PEPFAR's and USAID's life-saving HIV/AIDS program in Nigeria.

Challenges

A challenge has been an ongoing discrepancy between forecasted need and actual orders, which tend to be significantly less than forecasted. Forecasts and supply plans are developed based on projections for treating current patients and bringing more onto treatment. Orders are based on actual consumption. Increases in treatment are often less than projected. Another reason for the discrepancy is that PEPFAR is not the only one source of ARVs; the Global Fund and government of Nigeria also fund ARV procurement for treatment programs which often are used in PEPFAR-supported health facilities. SCMS works to create a more realistic picture by balancing the projected need with historical trends in PEPFAR purchases.

Plans for the future

Based on the results of pooled procurement for ARVs and test kits, USG/PEPFAR Laboratory team and IPs are planning to pilot a program, to add two high-volume laboratory reagents to the initiative. After noting the LDC's success, other donors—including the Clinton Health Access Initiative (CHAI) and UNITAID—have begun using the warehouse to store their pharmaceuticals. RIT and MDS are now considering building an additional warehouse to accommodate the increased volume. Currently, the relatively low volume of cold-chain products procured through the program can be stored off-site with other partners until distributed; however, if volumes increase, the LDC will add a cold storage room as well.

From the money saved by preventing costly emergency orders and loss through wastage, to the benefits of coordinated distribution, Nigeria's approach to pooled procurement shows how patients benefit when partners work together for the good of all.

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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