

PROJECT ASSISTANCE COMPLETION REPORT

Project Title: Regional Pharmaceuticals Management Project
Project Numbers: 538-0134
Funding Period: FY 1985 - 1990
LOP Funding: \$3.5 million
Implementing Agency: Organisation of Eastern Caribbean States
PACD: September 5, 1990

I. PURPOSE

The purpose of the project was to establish an integrated, managerially viable, self-financing drug service including a pooled tendering system serving seven Eastern Caribbean states. In addition, the project financed country-level activities targetted at improving in-country supply management processes.

II. BACKGROUND

The supply of pharmaceuticals for public sector health delivery accounts for 5-12 percent of the recurrent government health budgets. In the Eastern Caribbean, small market sizes combined with poor payment histories caused Caribbean governments to pay top dollar (including considerable surcharges) for drugs. Annual drug budgets were often expended before the full need for drugs was met causing a critical break in the health care delivery system. Most governments were necessarily dependent on credit terms, thus limiting the number of companies from which they could obtain their supply. Their precarious financial positions prevented them from demanding high quality drugs with adequate shelf lives and proper labelling.

Added to the financial management problems, the central medical stores which managed drug supplies, were poorly organized and often under staffed, and suffered from archaic inventory management systems. Additionally, they lacked reliable transportation which impeded timely pick up of drugs from the wharf and regular delivery to peripheral clinics.

III. SUMMARY OF INPUTS AND ACCOMPLISHMENTS

In August 1985 the USAID/RDO/C Mission and the Organisation of Eastern Caribbean States (OECS) signed a five year Agreement to undertake the project. The OECS subsequently awarded a host country contract for technical services to Management Sciences for Health. Each of the seven originally-anticipated OECS countries with the exception of Antigua elected and took the necessary steps (i.e., capitalized their pharmaceutical payment account at the Eastern Caribbean Central Bank) to participate in the project. The British Virgin Islands which now has full member status in the OECS also joined the project. (Antigua eventually joined the Project six months prior to the PACD.)

Technical assistance--including a 4-year resident technical advisor to the ECDS (who also served as project coordinator), two 18-month advisors (one for the Windward and one for the Leeward Islands), a one-year technical advisor on drug procurement schemes, and numerous short-term technical consultants--was provided to the OECS and the countries under the project. This collaboration produced numerous accomplishments over the life of the project including the establishment of:

- (1) the ECDS and all of its financial, management and administrative systems,
- (2) an internationally-competitive pooled tendering system for drugs including a management information system for tracking purchase orders, country drug forecasts and purchases, supplier performance, and financial account status to facilitate implementation of the annual tendering system
- (3) a regional drug formulary which is updated every two years
- (4) a periodically-published newsletter and drug information system, and
- (5) a computerized forecasting and inventory management system at the country-level

In addition, each participating country received a microcomputer to improve tracking purchase orders and inventories and a vehicle to assist in transporting drugs from the port to the central medical stores (CMS) and from CMS to the dispensing health clinics.

Enhancing the skills of CMS employees, chief pharmacists, and dispensing pharmacists was also a major focus of the project; over 400 "training opportunities" were taken by these targetted professionals in drug supply management, pharmaceutical updates, and drug supply forecasting.

IV. DEVELOPMENT IMPACT

The impact of this project was immediately felt with the results of the first tender cycle of drug prices: average savings on the unit prices of drugs was 44%. While the competitive tendering system resulted in further savings in the second cycle, subsequent cycles have focused primarily on containing costs and further improving quality.

The central medical stores (CMSs) have been upgraded--physical stocks have been re-arranged and systems for processing in-coming and out-going drugs have been improved; staff have received hundreds of hours of formal and informal training.

Late into the project (in the fourth year) it was determined by the OECS and MSH that the Lotus-based inventory management system designed for the CMS was not adequate for the countries' needs. After a review of commercially-available inventory software packages, the decision was taken to tailor a software package for the purpose. The new program will be able to provide MOH managers with critical management information on a timely basis so that countries can track inventory in a more responsible manner. It was understood that the new system would not be introduced in all project countries by the PACD and that following a trial and modification period in key countries (Grenada, St. Vincent and Dominica), the OECS would be responsible for completing the diffusion of this new technology.

As the project comes to a close, it would be misleading to suggest that the CMSs are operating at optimal efficiency--old habits die hard--however, the means to improve inventory management are well in hand. Whether the drug management improvements are institutionalized will depend on several factors including the motivation of CMS managers to maintain the systems, the willingness of permanent secretaries of health and others to use the management information system available to them to monitor this very expensive component of their annual budgets, and the adequacy and quality of new staff which might be assigned to the CMS.

One of the most significant impacts of the project, however, is its demonstration effect of the practical benefits of regional integration of common services. This project has established a mechanism which allows OECS technocrats to successfully cooperate for the mutual benefit of each participant in a way that these countries--some as close as 15 to 35 minutes by air--had not experienced in the past. The potential for replication of the model in other areas (e.g., textbooks, agricultural products) is already being closely examined by the OECS.

V. RECOMMENDATIONS FOR CONTINUING MONITORING

No formal on-going monitoring of this project is required although the Mission will continue to be interested in the project to monitor its continued success as an integration model.

LESSONS LEARNED

As noted above, the primary lesson of this project is that regional cooperation does not require political integration to work. This observation should not be construed to discount the desirability or potential benefits of full political integration, but rather illustrates that the value of cooperation in critical development areas need not be held hostage to the larger effort.

A second lesson is that cost containment efforts can make an equal or greater contribution to cost-effectiveness as price reductions. A number of project activities (e.g., the adoption of a regional formulary with rationalized drug choices; studies of the widely varying costs of comparable therapies which demonstrate the most cost-effective treatment therapies; and improvements to the inventory management systems which result in less drug wastage or, alternatively, fewer emergency orders) will all ultimately have a greater economic impact than the initial cost savings earned by the pooled tendering System

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Clearances:

C/HPE:CRBecker	<u>In draft</u>	<u>07/03/91</u>
PDO:GCashion	<u>In draft</u>	<u>06/24/91</u>
C/PRGM:PLerner	<u>In draft</u>	<u>06/25/91</u>
PRGM/ECON:DLarke	<u>In draft</u>	<u>06/25/91</u>
DIR:ASWilliams	<u>Info</u>	