



# USAID | DELIVER PROJECT

## Snapshot

# New Demand-Based Supply Chain Model Yields Health Benefits in Nepal



*The new supply chain model has ensured a steady flow of health supplies to communities in Nepal.*

**The new system has proven effective by reducing stockouts of drugs and medical supplies across the country by as much as 17.9 percent.**

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In Nepal, most of the population relies on the public health system for their medicines. In 1994, as much as 40 percent of clinics and hospitals across the country would frequently run out of important drugs and supplies to treat common illnesses. The supply system allocated commodities based on historical consumption patterns and equitable rationing of national stocks, which left it unable to accommodate any significant increase in demand, such as an epidemic. Frequently, drugs that were not in high demand would expire and be wasted.

By 2006, efforts to improve the supply system had decreased stockouts significantly but it became clear that further improvement would require fundamental restructuring. The Ministry of Health and Population (MOHP), with support from the Nepal Family Health Program (NFHP) and the USAID | DELIVER PROJECT, began moving to a new demand-based supply chain model, popularly known as a pull system.

The pull system has the flexibility to adjust the flow of supplies because the annual estimated consumption of a health facility is held at the district store for demand-based quarterly resupply. It has proven effective by reducing stockouts of drugs and medical supplies across the country by as much as 17.9 percent.

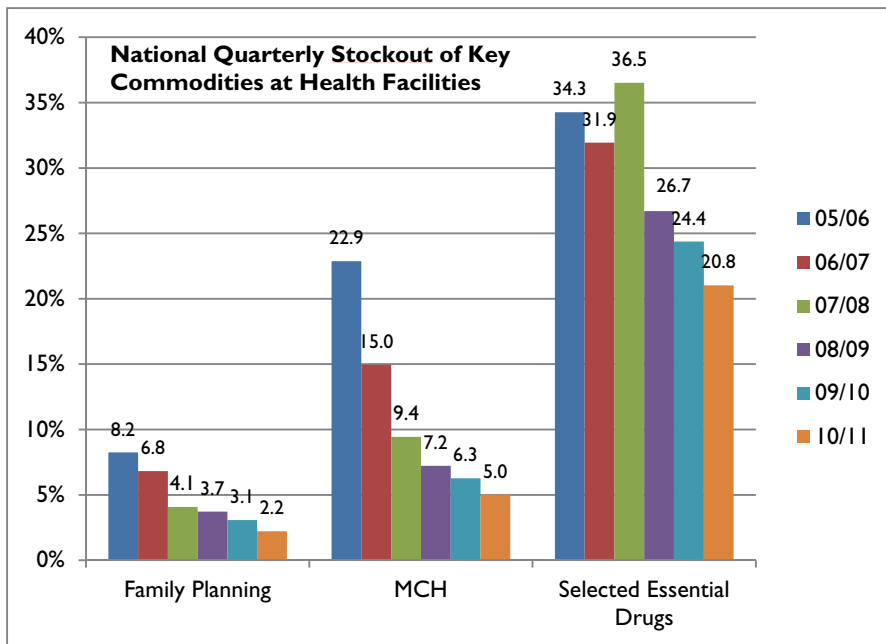
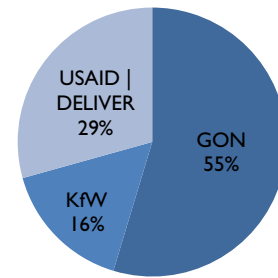
A steady supply of medicines is a critical part of any health system, giving people access to life saving treatments. For example, with the increased availability of Cotrim Pediatric, an antibiotic used to treat pneumonia in children, the number of new cases treated in many remote districts, including Bajura, Rolpa, Rukum, Jajarkot, and Bajhang, increased markedly after shifting to a pull system. Such increased availability is helping Nepal reach its millennium development goal of decreasing the mortality rate in children under the age of five.



With the new demand-based system, expiry and wastage of drugs have declined, and reliable availability of health commodities has increased. The system also appears to have contributed to improved logistics management information system (LMIS) reporting. Reporting from health facilities is up from 90 to 96 percent, which strengthens the supply chain.

Both policymakers and the people who operate the supply system support the new model. For policymakers, the system supports the broader goal of decentralization; for districts, the system enhances district control over health resources; and for healthcare providers, the system provides clients with a more reliable supply of commodities.

### Cost Sharing to Implement the New Supply Chain Model



Source: Nepal MOHP LMIS Unit/Logistics Management Division

The Government of Nepal (GON), with cost sharing and technical assistance from *Kreditanstalt für Wiederaufbau* (KfW) and the USAID | DELIVER PROJECT/NFHP, made the shift to the new system through system redesign, revised policies and procedures, comprehensive training for logistics personnel and health providers in Nepal’s 75 districts, and development of a supervision and monitoring structure.

While challenges remain, the pull system is proving its worth as the people of Nepal gain better access to health services.

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The authors’ views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

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