



Smart Investing:

Financing Public Health Supply Chains A Data for Advocacy Job Aid

Indicator

Total Supply Chain Cost as a Percentage of Total Commodity Value

Data

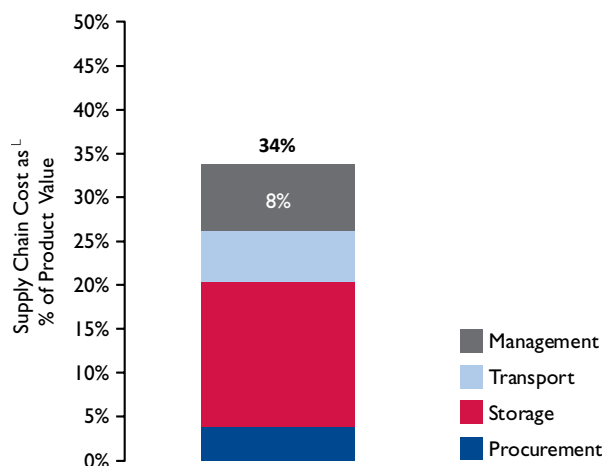
For every U.S. dollar worth of medicines in the pipeline (throughput), the supply chain costs 34 cents.

Analysis

Overall, results from the supply chain functions show that procurement costs 4 cents, warehousing costs 17 cents, transportation costs 6 cents, and management costs 8 cents for every dollar invested in essential medicines. When operational plans and budgets are prepared, this cost is usually invisible in the public health budgets and allocation decisionmaking.¹

Data in Graphics

Total Supply Chain Cost as a Percentage of Total Commodity Throughput



Source: Agudelo, Juan, James Rosen, Cecilia Novoa, and Anabella Sánchez. 2014. *Estudio de Costos de la Cadena de Suministros del Ministerio de Salud Pública y Asistencia Social de Guatemala*. Guatemala: USAID | PROYECTO DELIVER, Orden de Trabajo 4.

¹ Using a supply chain cost methodology designed by the USAID | DELIVER PROJECT, several countries in Latin America and the Caribbean—Guatemala and Peru—analyzed the costs of forecasting, procuring, warehousing, distributing, managing information, and dispensing medicines to users.

January 2017

This publication was produced for review by the U.S. Agency for International Development. It was prepared by the USAID | DELIVER PROJECT, Task Order 4.

Policy Statement

In 2014, countries in Mesoamerica and the Dominican Republic spent approximately \$600 million to procure essential medicines. However, because of weaknesses in the public health supply chains, medicines are stored in regional warehouses instead of reaching the hands of people in the communities, especially those in remote areas.

Procuring medicines does not make them available to the last mile. Functioning and fully funded public health supply chains are essential to deliver supplies—and it makes reproductive health rights a reality.

Investing in public health supply chains is a smart investment. If medicines don't reach communities, the whole purchase could be lost. When essential medicines are available everywhere, all men, women, youth, and children will receive the medicines when and where they need them to support healthier lives.

Guide to Action

- Carry out supply chain cost analysis and include outputs in either traditional budget line items, or results-based financing schemes.
- Allocate funds for every supply chain function (forecasting, procurement, management, warehousing, transportation); and every budget line item (human resources, operational costs, per diem, warehousing, gasoline, and transportation).
- Monitor budget allocations at decentralized units to make sure that funded budget line items are used in supply chain functions.
- Use a systemic and strategic approach to manage the public health supply chain at the highest level of the government.
- Create a centralized supply chain management entity to handle all functions of the supply chain, even in decentralized settings.

Recommended Citation: Sanchez, Anabella 2016. *Smart Investing: Financing Public Health Supply Chains-A Data for Advocacy Job Aid*. Arlington, Va.: USAID | DELIVER PROJECT, Task Order 4.

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

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