

The Importance of the Supply Chain

The supply chain for reproductive health spans from the initial acquiring of raw materials to delivering finished products to the women and men who are dependent on supplies for their sexual and reproductive health. These people may not return to a clinic or pharmacy if they cannot get the products they want consistently. In a well functioning supply chain, each unit should treat the next unit as a customer, always focusing on service to the end user. This is just as relevant to the free and low-cost contraceptives that governments distribute in public sector programmes as it is to private sector supplies and to subsidised products provided by non-governmental organisations and other social marketing channels.

Customer satisfaction has long been recognised as the key motivator in family planning programmes, but supply chain managers have not traditionally focused on how their supply chains can satisfy customers. Even today, many family planning programme managers underestimate the vital link between a consistently dependable contraceptive supply and satisfied clients who use contraceptives regularly.

Since the 1994 International Conference on Population and Development (ICPD) in Cairo, national family planning programmes have increasingly tried to identify clients as the bottom line, but public sector services will never rely on their customers in the same direct way businesses do. Thus, the importance of supply chain management is often overlooked.

Information: Fuel for the Supply Chain

Although supply chain management can be fairly complex in certain environments, the purpose is quite basic—to help programme managers determine the type and quantities of products to acquire. At a minimum, this requires a method for collecting data on the number of products being used by clients, the quantity of supplies already available in the system, and the number of products that have been removed from the system due to factors like theft, expiry, or damage. This is the main purpose of using an efficient Logistics Management Information System (LMIS).

Information enables programme managers to carry out the four essential logistics activities—forecasting the quantity and type of products that are needed, financing their purchase, procuring them from a quality source, and delivering them to users.

- Ideally, reproductive health programmes *forecast* customer needs on an annual basis, covering a period of three years. In addition to LMIS data, it is useful to also include wider service and population data as part of the forecasting exercise.
- It has become increasingly well-known that a major obstacle to ensuring the continuous flow of reproductive health products along the supply chain is the growing disparity between donor *financing* and customer demand in developing countries. In addition, financing has become more complex as the number of donors has increased and governments increasingly use their own revenue for contraceptive purchases, or seek funding from international lending institutions like the World Bank.
- Another challenge is that many public health systems are decentralising their management. Yet, even if a country decentralises healthcare, the overwhelming advantages in cost, quality control and efficiency support the notion that *procurement* of reproductive health supplies should remain centralised.
- Nearer the end of the supply chain, storage and transportation plans in reproductive health programmes function best when they focus on the *delivery* of products to clients, not just from one point to another along the supply chain. A distribution network that demonstrates its value to the programme and its clients is more apt to attract funds and policy support.

Investing in the Supply Chain Pays Off

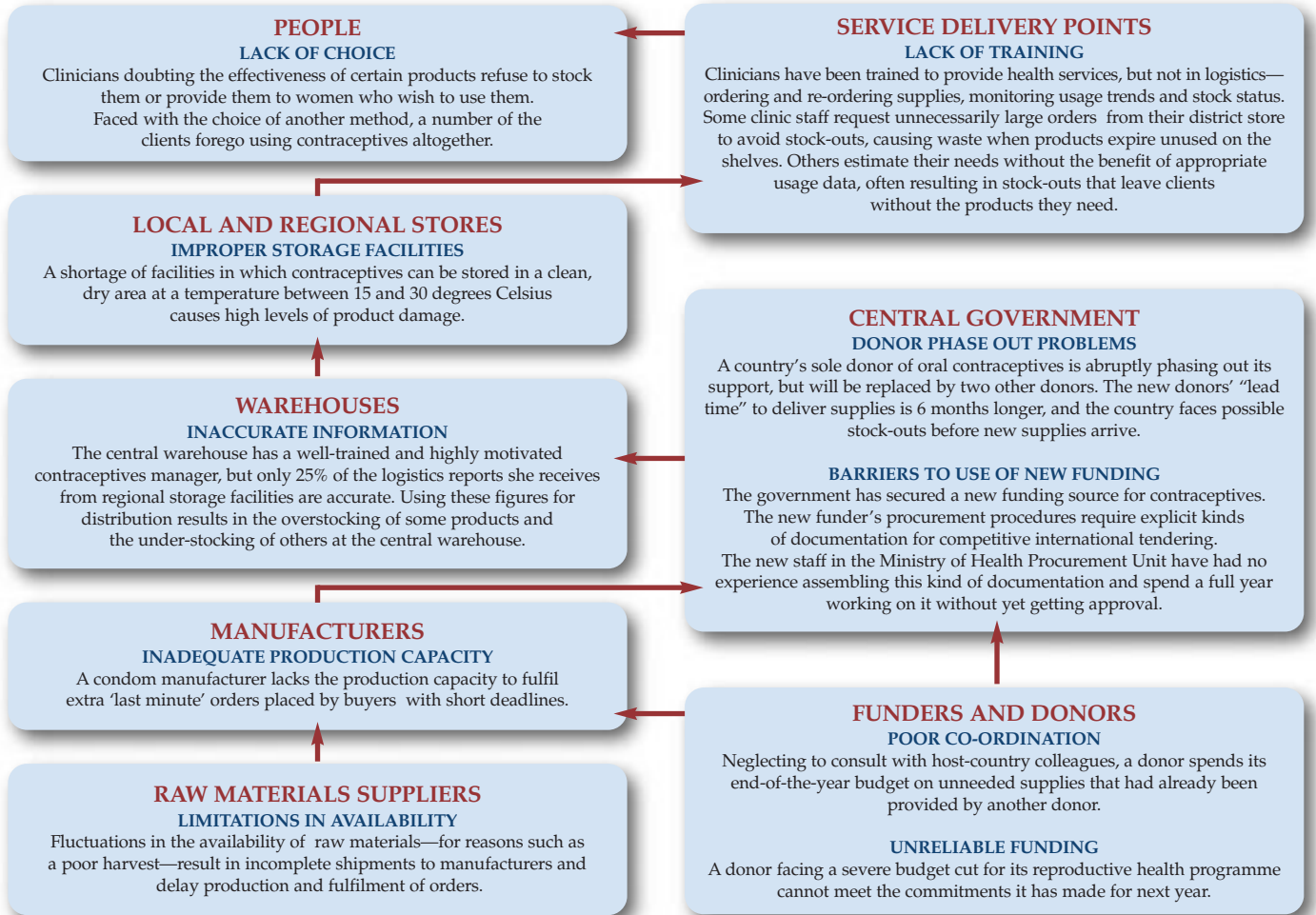
An efficient supply chain improves product availability—two years after implementing a new management system for contraceptives, the Jordanian Ministry of Health found that stock outs in health centres had been lowered by 75 percent, improving the experience of individuals attending the clinics. A well-functioning supply chain also cuts programme costs—a study in Bangladesh in the late 1990s showed that modifying the country's distribution structure could reduce logistics operations costs by 66 percent and transportation costs by 29 percent, all without affecting the level of contraceptive supply. Such an example of getting greater performance for less money is particularly important to consider as the future of donor funding becomes increasingly undependable.



Obstacles at any level of the supply chain can result in products being unavailable to those who need them. The examples of supply chain disruptions included in the following chart are all actual examples encountered. They are drawn

from different countries, but they are all real, and they all cause inefficiency, waste, stock-outs, and poor service to people in need. And they can all be prevented with sufficient attention to the operations of the supply chain.

Examples of Supply Chain Disruptions



The consequences of supply interruptions can be lessened by policies that support an efficient supply chain. In relation to supply chain management, the Supply Initiative offers the following recommendations:

1. Donors, policy makers, programme managers, and advocates should ensure that flexible supply chains for reproductive health supplies are in place to deliver products from manufacturers to recipient programmes, and then throughout recipient countries to customers. Supply chains require adequate human and financial resources to function properly, along with policy-level visibility and support.
2. As stakeholders in the success of the supply chain, in-country policymakers, donors and programme managers should make every effort to collaborate to share data, maximise comparative advantages, and focus on customer service.
3. Donors and programme managers should support and make use of the RHInterchange to improve access to information, information management and co-ordination and thus direct their resources more effectively.
4. To guarantee the best use of donated products, donors should ensure that a well-designed supply chain is in place when investing their resources in the purchase of reproductive health supplies. In countries where financing, procurement and distribution systems do not function well, donors should help mobilise the resources needed to make improvements.
5. Policy makers and senior programme managers should set high standards that support the fullest access to products, consistent with the ICPD Programme of Action and the Millennium Development Goals, and demand greater accountability from supply chain managers in achieving these standards.
6. Advocates should understand the complexity of the supply chain, promoting technical and financial support for the many areas where disruption and inefficiency can potentially occur.