

Policy Brief

A Pharmaceutical Logistics still far from answering health concerns of the country: budgetary weaknesses

Executive Summary

Pharmaceutical Logistics (PL) is the vital process of ensuring medicines and health products are available in the country and at service delivery points, and includes medicines selection, quantification, procurement, quality control, warehousing, distribution, and transportation. As such, it is a critical component of greater and better health care for Mozambican citizens and for ensuring a strong public health infrastructure.

The Government of Mozambique has acknowledged the importance of this sector and as a part of the reform agenda for MISAU, developed a Strategic Plan for Pharmaceutical Logistics (PELF), together with a national Supply Chain Logistics Plan of Action 2013. The PELF aimed to respond to the shortcomings identified within this section and to support the creation of key reforms to the pharmaceutical logistics. It also aimed at improving financial management, procurement, inventory and storage management, distribution and transport, use of medicines and managing the human

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resources. Reports, however show that many challenges have arisen in the implementation of the PELF strategies, with the major challenge being lack of funds to implement the recommendations.

In Mozambique, pharmaceutical logistics (PL) is one of the lowest-funded areas in the health sector, accounting for only 7% of the total projected costs through 2019 (MoH/DNPC, 2013). The uniform allocation of funds over a five-year period as set out in the National Health Sector Strategic Plan (PESS 2014-2019) fails to account for expected increases in population and demand for public health services, ultimately threatening quality and effectiveness of the overall health sector.





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Current funding sources and allocation practices within the PL area are also problematic. It is estimated that 13% of the value of the approximately \$3,929 million needed to procure and manage drugs and commodities during 2014-2019 will be wasted - a high price for inefficient pharmaceutical logistics management (Dutta et al., 2014). Additionally, over 81% of the available funds for medicines is sourced from international development partners (Dutta et al., 2013). This dependence on external funding is disconcerting in light of recent variability of international funding for the health sector (Dutta et al., 2013).

The availability of essential medicines at central level is reported to be satisfactory, however, stock-outs continue to persist at the health facility level (MOH, 2013, 2014). Several Civil Society Organizations, including MSF, N'weti and the Centre for Public Integrity (CIP) have called attention to systematic stock-outs of medicines in health facilities in the southern, central and northern provinces of the country. These persistent stock-outs coupled with an unstable external funding environment make it crucial for the Government of Mozambique (GoM) to increase funding for PL, particularly from domestic resources. Lack of sufficient funding is affecting the implementation of the PELF, thereby affecting the sector's ability to provide efficient and quality health services for Mozambicans.

Key Message

- Pharmaceutical logistics make up only 7% of total projected costs for the health sector through 2019;
- The expansion and demand of the health sector in the forthcoming years will not be accompanied by the necessary increase in resources for the pharmaceutical logistics sector;
- Increased financing in the area of PL is necessary, preferably from internal sources, to allow the implementation of PELF recommendations;
- It is estimated that 13% of the value of the approximately \$3,929 million needed to procure and manage drugs and commodities during 2014-2019 will be wasted.
- The health sector is heavily reliant on external funding, with 81% of funding for medicines coming from external partners;
- There is concerning public evidence of systematic stock-outs of medicines in public pharmacies throughout the country. Research by Nweti (2014-2015) in 37 health facilities in four provinces using the community score card as a survey tool, found that stock-out of essential medicines was one of the barriers to accessing quality health services. Another study carried out by Wagenaar, et al. (2014) in Sofala Province, which assessed 26 facilities showed that only one out of the 26 facilities assessed in 2011, 2012, and 2013 had all of the 15 essential medicines.

Financing Pharmaceutical Logistics for the period 2014-2019

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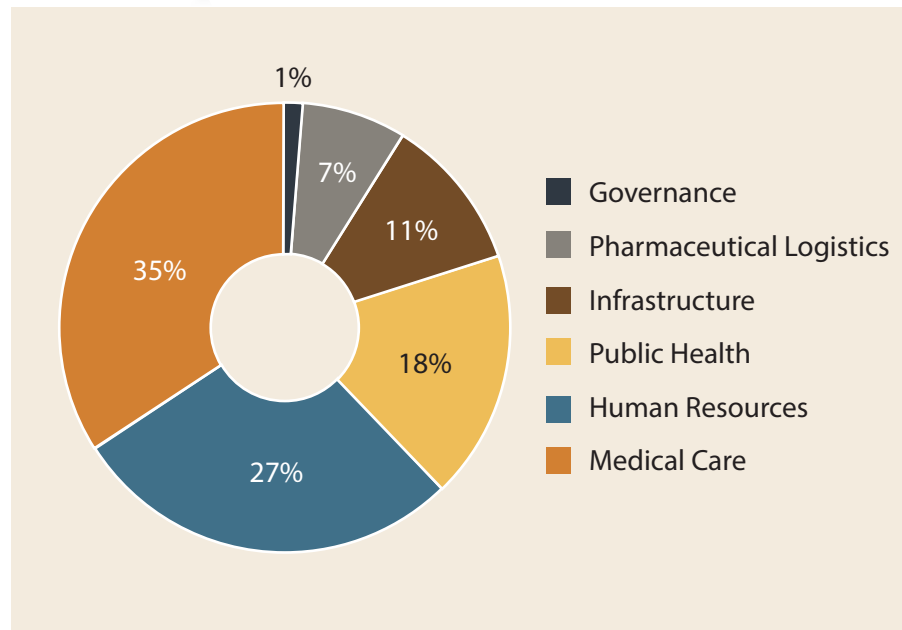
7%

For the duration of the Health Sector Strategic Plan (PESS 2014-2019) the projected cost to fund the PL sector is approximately 7% of the total resource envelope, making PL one of the least favored areas in terms of resource allocation within the health sector. In comparison, 35% of the health sector budget will go towards health care and 27% towards human resources (MoH/D-NCP, 2013). Based on these projections, budgetary allocation levels are unlikely to vary over the next five years.

The current resource envelope for the area of medicines therefore fails to anticipate any future expansion and projected growth in demand for health services. The availability of medicines and, ultimately, the provision of quality services may therefore be at risk.

CHART 1

Weight of Pharmaceutical Logistics in the Health Sector budget 2014-2019



Source: Adapted from PESS 2014-2019



Over the next five years, the country may build additional hospitals and train greater numbers of health professionals to strengthen the health sector. However, these efforts will only have an impact if they are accompanied by increased availability of quality essential medicines. In light of growing demand for health services, we anticipate serious constraints on the PL sector should the 7% fixed-rate persist through 2019.

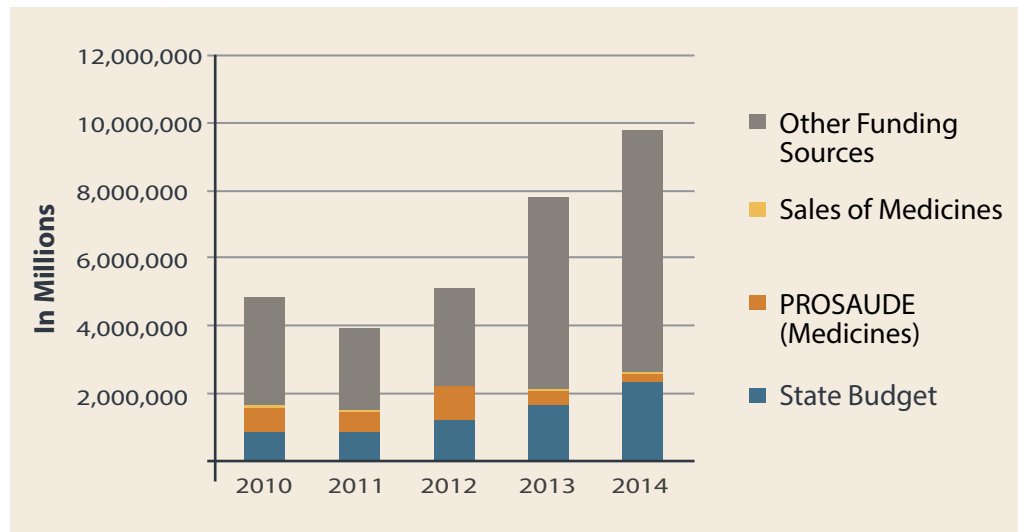
Sources of funding for Pharmaceutical Logistics for 2010-2015



The financing of PL, including medical supplies in the health sector for the provision of health care as well as operational costs of logistics, come from a mix of State Budget and from international development partners (external resources). Fixed fee payments made by families also contribute to this financing envelope, although in a very small proportion, as shown in Chart 2.

CHART 2

Sources of funding for Pharmaceutical Logistics for 2010-2015



Source: REOs (2010-2014), DAF-MISAU

Funding from international development partners (external resources) is channeled in two ways: (1) through the Common Fund to support the health sector (PROSAÚDE) which brings together most of the bilateral support to supply medicines; or (2) through donations in kind, including those of the American Government (PEPFAR MCH/FP and PMI), the Global Fund against HIV/AIDS, Tuberculosis and Malaria (GFATM), the World Bank, the Clinton Health Access Initiative (CHAI) and the United Nations system.

In 2010 and 2011, the total funding from the PROSAÚDE Common Fund and Global Fund was twice the amount allocated by the State Budget for medicines in the National Health Service. This scenario improved between 2012 and 2014, when the State Budget allocation exceeded that of PROSAÚDE and Global Fund together. However, reliance on external funding remains high, and in-kind donations (medicines, reagents, medical and surgical equipment, contraceptives) have accounted for nearly 50% of the material resources sustaining the country's health service. Without the support of the development partners, the health system in Mozambique would fail to function.

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of the material resources sustaining the country's health service.

The state budget and the sale of medicines cover less than one-third (1/3) of the total financing of the health sector, making the country vulnerable to sudden changes in external funding (see Figure 2). This poses a critical question: how does an area as vital as medicines fail to receive the necessary attention of the GoM through appropriate and responsible financing? Leaving health financing in the hands of international development partners weakens Mozambique's sense of sovereignty and transfers a responsibility that should be assumed, either in full or in the greater part, by the GoM. Additionally, in a context where external

funding is becoming increasingly unpredictable, the health sector risks being controlled by the dynamics of international funders. Chart 2 clearly shows the substantial reduction of support from international development partners in the area of medicines, occurring alongside a drastic reduction of the volume of PROSAÚDE funds from 748 506

million Meticaís in 2010 to 184 908 million Meticaís in 2014. It is essential that the GoM consider a repositioning to ensure a proactive response to this downward trend in external funding. Deploying greater domestic resources will help to ensure the sustained health and wellbeing of Mozambicans.

The enormous cost of drugs wastage

Management of PL in Mozambique is plagued by frequent stock-outs of essential medicines and of medical goods at health facilities, medical waste (expired medicines and deviations) and inefficiencies (use and irrational treatment), as well as the distribution of goods with dubious or expired validity dates. In this context, the costs associated with waste are enormous. According to the budgetary projections for the PESS 2014-2019, it is estimated that 13% of the value of the approximately \$3,929 million needed to procure and manage drugs and commodities during 2014-2019 will be wasted. (Dutta et al., 2014).

An area as vital as PL cannot afford such high amounts of wastage; the costs associated with wastage are extremely high and unaffordable in an already financially deficient health sector. By 2019, approximately 13% of the budget allocated will be swallowed up by drug wastage.

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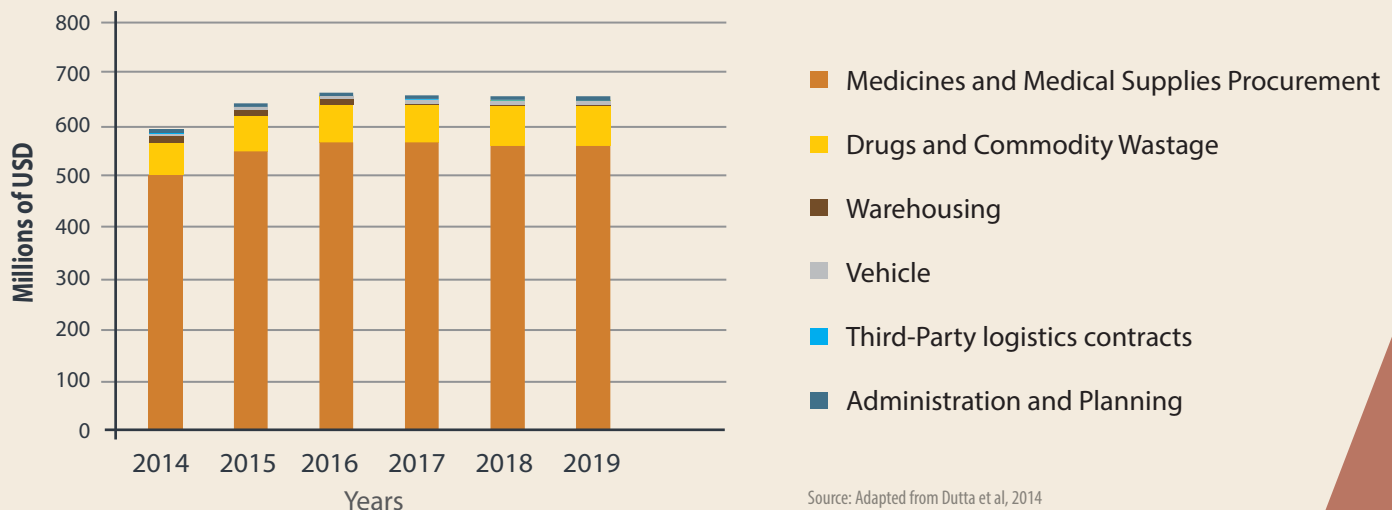
13%

of the value of the approximately \$3,929 million needed to procure and manage drugs and commodities during 2014-2019 will be wasted"

This scenario must therefore be reversed. A recent modeling exercise showed that a reduction to 5% wastage levels would save the health sector around 332 million dollars (Dutta et al., 2014). This reduction would allow for a better use of resources allocated to PL, resulting in the timely availability of medicines at an affordable cost to health service users. The Strategic Plan for Pharmaceutical Logistics (PELF) must be adequately financed and implemented in order to avoid corrosive effects on the resources allocated to PL.

CHART 3

Budget Allocation to the various areas of Pharmaceutical Logistics 2014-2019



Source: Adapted from Dutta et al, 2014

Final considerations

The underfunding of pharmaceutical logistics and the consequent challenges are well known, yet action to counter them are slow. Media discourses from top managers and stakeholders in the health sector indicate that the country is far from acting to address this situation. In particular, the implementation of the PELF recommendations requires funding to ensure that essential medicines and supplies are available to respond to patients' needs.

As such, firm and immediate action by the Government of Mozambique is needed to increase the current levels of funding for pharmaceutical logistics to meet the current and future needs of the country in the area of medicines. The health and lives of thousands of Mozambican citizens and the productive capacity of the country depend on this swift and decisive action.

When much of the country's population travels great distances to reach the nearest health facility, it is essential that the person in search of health care does not arrive at an understocked facility. Ensuring adequate supply in essential medicines is critical to implementing health services in alignment with MISAU's motto: "Our biggest value is life."

We therefore stand for a pharmaceutical and logistics sector that is better financed, less dependent on external funding, and capable of providing timely and affordable essential medicines of quality for all users of our public health services.

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