

## 7<sup>th</sup> Global Health Supply Chain Summit (GHSCS) 2014

INFORMATION
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<p><b>Title of Presentation</b></p> <p>The Road to Outsourcing a Central Medical Store in Guyana</p>
DESCRIPTION OF WORK
<p><b>Context</b></p> <p>In 2006, when SCMS began operations in Guyana, HIV/AIDS was the leading cause of death among citizens between the ages of 25 and 44. The Government of Guyana (GoG) was dedicated to ensuring that those needing HIV/AIDS treatment received appropriate care and medicines in a timely manner, but the concept of fully-functional supply chains was entirely new. Guyana's information systems were underdeveloped at the central-level and non-existent at the lower-level. Quantification was not understood nor a high priority, limiting capacity to implement consistent approaches to supply planning. Guyana also faced infrastructure challenges at its multiple public warehouses where inventory control, storage and distribution practices were weak.</p> <p>To address these issues, the GoG engaged SCMS, through USAID, who was given a broad mandate to transfer knowledge and experience and strengthen supply chain functions at all facilities managing HIV/AIDS commodities. Over the last eight years SCMS implemented a two-pronged approach to achieving its mandate:</p> <ol style="list-style-type: none"><li>1. In the short-term, quickly established and manage a dedicated warehouse with the long-term objective of transferring operations to the Ministry of Health (MOH) Materials Management Unit (MMU) to build a safe, reliable and effective supply chain for HIV/AIDS commodities.</li><li>2. In the long-term, provided technical assistance and mentoring to the MMU to increase their supply chain management capacity for HIV/AIDS commodities and other essential</li></ol>

medicines, with a view to enable the MMU to assume an integrated operation when possible. To this end, SCMS also led an evaluation of various management models with the greatest likelihood for success, resulting in a Presidential Cabinet decision to outsource warehousing operations to a third party provider.

### **Methodology**

To identify the right management model for Guyana, with approval from the Guyana Minister of Health, SCMS worked over the course of three months to:

1. Examine the current system, including its structure, processes and performance, and the policy and regulatory environment within which current management operates.
2. Draw upon experiences of other local, national, regional and international institutions to develop a set of options for future management of the Guyana public sector supply chain, including potential cost savings/revenue associated with each option.
3. Develop a recommended management model that would provide the GoG with the best chance to preserve its long-term commitment to the Public Package of Guaranteed Health Services (PPGHS) for its citizens.

SCMS's approach, at the direction of the MOH, was to engage a broad range of experts, stakeholders, and potential partners. To analyze the current system, SCMS interviewed past and current representatives of the GoG, including the MOH. To understand the risks and potential benefits of alternative management approaches, we interviewed implementers of various models and to understand the market feasibility of alternative models we interviewed representatives from the private sector both in and out of Guyana.

### **Results**

The review of relevant historical documentation, case studies and performance data described in the Methodology, as well as an organizational/human resource review of the current MOH public health sector supply chain management system, resulted in the following findings:

***Autonomy.*** A supply chain that meets the government's requirements for uninterrupted provision of quality essential medicines to citizens requires that experienced supply chain experts be given the ability to make sound decisions and be held accountable for their decisions. In Guyana, the current public sector supply chain management regime is stunted by an unsystematic policy and regulatory environment that results in diffused accountabilities, lack of access to information necessary for supply chain decision-making and lack of authority necessary to execute management decisions in a timely way. Guyana is not alone. Evidence shows that in many countries, supply chains that are supported by government owned and operated central medical stores have experienced similar difficulties ranging from shortage of human and financial resources to insufficient accountability for good performance. This analysis found that any new management regime must be afforded some autonomy from the current government-managed system. The degree of autonomy must be

sufficient to allow the management team to make and execute timely supply chain management decisions in accordance with GoG performance requirements.

**Management vs. Control:** While the management of day-to-day supply chain operations is best left to supply chain experts, countries have demonstrated that governmental institutions can retain control of their public health supply chains in terms of what is delivered, where, and when, through good vendor management practices and performance-based contracts. By holding the experts accountable, GoG can still maintain control and thus ensure that the standard of uninterrupted provision of quality essential medicines is met.

Three possible models were developed that fit the criteria described above:

**Figure 11. Guyana Public Health Supply Chain Management Model Options**

Model	Features & Benefits/Risks
<b>1. Quasi-public “parastatal” organization</b>	<ul style="list-style-type: none"> <li>- Appointed board of directors</li> <li>- Enabling policy/legislation must ensure transparency and public sector oversight without placing unnecessary strictures on supply chain decision-making</li> </ul>
<b>2. Outsource - Contract Services</b>	<ul style="list-style-type: none"> <li>- Services accessed via third-party provider</li> <li>- Tender outlines performance requirements</li> <li>- Government Logistics Management Unit ensures contractor compliance with performance indicators and facilitates collaboration with relevant GoG institutions including the Attorney General, the Ministry of Local Government and Regional Development, the Health Sector Development Unit, and national procurement oversight body</li> <li>- Success related to government vendor/contract management capacity</li> </ul>
<b>3. Privatization</b>	<ul style="list-style-type: none"> <li>- Divestiture of public sector from supply chain operations</li> <li>- Effectuated via sale or lease of assets</li> <li>- Government role exclusive to policy setting and enforcement</li> <li>- Enforcement mechanisms required to ensure public sector requirements are met</li> </ul>

**Conclusion**

The Minister of Health made the case for a new model to Guyana’s Presidential Cabinet following SCMS’s recommendation which was based on the results of this study. In September 2013, the Presidential Cabinet approved this recommendation to outsource management of the MOH’s warehousing and distribution operations for essential medicines. By appointing an external

contractor, the GoG can ensure that management has the autonomy to make sound supply chain decisions and quickly respond to issues as they arise. Additionally, the GoG can maintain control of the supply chain by demanding good vendor management practice through performance-based contracts with the external contractor to ensure that the necessary standard of uninterrupted provision of essential medicines is met and patient treatment remains uninterrupted.

**Statement of relevance**

The transformation currently underway in Guyana is exemplary of a donor project working hand-in-hand with government to overcome supply chain management bottlenecks and achieve better health outcomes. Particularly in Guyana, a government that was initially opposed to any form of outsourcing for the warehouse management of its health supply chain used the results of this study to inform their decision-making and eventually change their outlook.

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