

ESAMI/MSM DBA

HOW CAN HIGH PERFORMING ZAMBIAN PUBLIC SECTOR ORGANISATIONS CONTRIBUTE TO SERVICE DELIVERY

Workshop 3: Value Chain Analysis for the Health Sector in Zambia

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TITLE: How can high performing Zambian public sector organisations contribute to service delivery; Value Chain Analysis of the Zambian health sector.

INTRODUCTION

Development of the health sector value chain in Zambia demands that an in-depth understanding and analysis of key players is undertaken. The purpose of such undertaking is fundamental and can not be overemphasized as it does not only help mapping of individual-stakeholder contributions but in addition analyze comparative strengths towards a better health care delivery chain.

The argument by Burns et al¹ that health care value chains are merely aspirations and not a reality emphasizes the very need for a critical value chain analysis in order to understand the real value that each player adds to the service before the consumer. And this is clearly a challenge of the health sector value chain where different players at different stages may or may not make meaningful contributions. But essentially each player is supposed to add value to the chain in order to improve the quality of the service-product that the consumer receives or purchases.

In Zambia, value chain analysis of the health sector is critical in understanding at various levels, roles of different players, ranging from providers to consumers of services. Although recently Government introduced a User-Fees Removal Policy in both public and mission rural health facilities, this does not preclude the important role that consumers of services play to the improvement of the health care value chain. Further the growing private health sector and its contribution to the overall health care delivery chain in the country, more reason demands a critical analysis of the value chain in Zambia.

Like many sub-Saharan African countries, the role of traditional healers in health care delivery chain in Zambia is important. Arising from the rich cultural setting of the Zambian society today, the role of traditional healers and their contribution to the health care value chain is important.

¹ The Wharton School Study of the Health Care Value Chain

On another hand the pharmaceutical industry in the country, though limited when compared to other developing countries like India, still plays an important role to the health care value chain.

Strategic development of the health care value chain, either through private or public sector input, still requires clear and visionary policy and political leadership. The macro-economic environment created by the development policies and strategies instituted by Government, is critical in promoting investment and growth of the private health sector. An enabling environment will enhance business growth, recapitalization and efficiency in the provision of improved health care.

OBJECTIVE

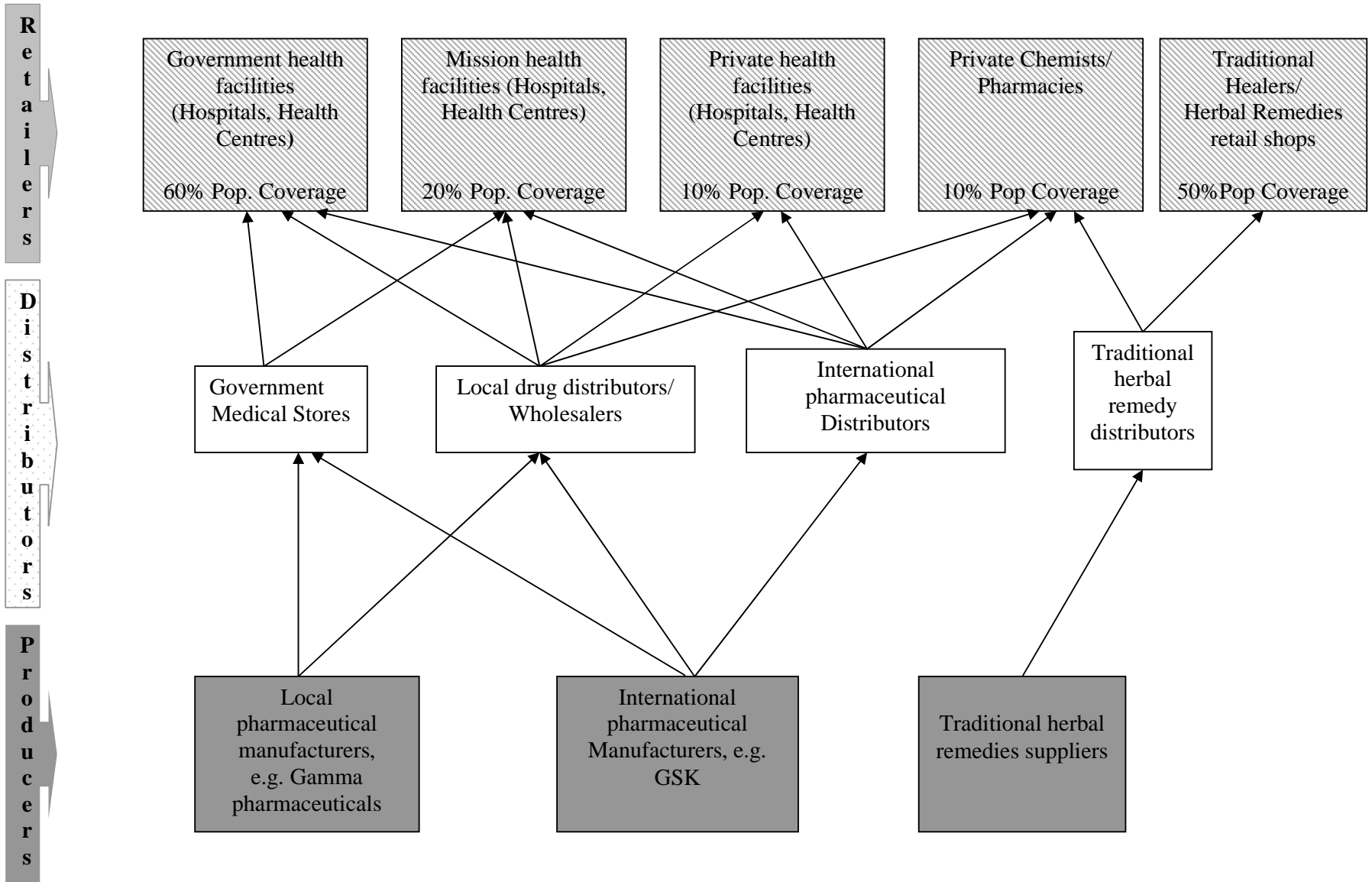
In this paper I undertook a critical value chain analysis of the health sector in Zambia. Determining the role of every player as an individual and as an intertwined contributor to a common purpose - improving the health care value chain.

STRUCTURE

I reviewed literature and widely consulted various players to the health sector value chain in Zambia. Diagram 1, provides an outline of different players as individuals, and as collaborative partnerships within their category and between adjacent players.

Diagram 1

Health Service Value Chain in Zambia



PRODUCERS

Local pharmaceutical manufacturers.

In Zambia the local manufacturing industry is very limited. Currently Gamma Pharmaceutical Industry contributes more than 50% of the locally manufactured medicines. Though Government has recently introduced tax waivers on raw materials used for manufacturing medicines and a selected other medical supplies, this has not helped much to develop and grow this industry. Medicines and other medical supplies manufactured by the Local pharmaceutical industries have mainly been supplied to the local and a selected other countries within the sub-region. It is estimated² that only about 10% of the medicines and other medical supplies from Local Manufacturers are procured by various public health facilities for use in complementary with the supplies from Government Medical Stores. The rest (over 80%) of the medical supplies from Local Manufacturers are procured by Local Drug Distributors/wholesalers and/or Regional (within Africa, e.g. Democratic Republic of Congo) Drug Distributors/Wholesalers.

In terms of value addition in the primary production of pharmaceutical products, many Local Pharmaceutical manufacturers add over 50% of the value the product may have ready for marketing and consumption at retail level.

Although the Local Pharmaceutical Industry in Zambia has remained limited in product range and quality, their contribution remains essential to the provision of quality health care in the country and the region by adding most value to the product from raw materials.

International pharmaceutical manufacturers

Due to a limited local manufacturers' base, the health care delivery chain in Zambia tend to benefit much more from the international drug manufacturers. Research and Development (R&D) in new medicines for emerging diseases such as the HIV/AIDS pandemic and even 'old' diseases such as malaria that have developed therapeutic resistance overtime, is more established in developed/international drug markets than in the underdeveloped countries like Zambia.

² Joint Health Sector Annual Review Report 2006

The Government Medical Stores procures either directly or indirectly (through International Drug Distributors/Wholesalers e.g. Norvatis) over 80% of its medical drugs and other supplies from International Pharmaceutical Companies such as GSK, etc.

In terms of value adding, most pharmaceutical products from International manufactures add over 90% of the product value at the end of the processing and packaging chain. These products are then made available for both Local and international markets.

In Zambia a considerable estimate of Local Drug Distributors/Wholesalers also procure their medicines and other medical supplies from these International pharmaceutical industries.

Therefore the contribution of international pharmaceutical industries to addressing emerging diseases including those that develop resistance to known treatment can not be over emphasized.

Traditional herbal remedies

Quest to seeking remedies that would address societal needs for general well being including the cultural definition of health, the wisdom and knowledge of traditional remedies that are believed to have remedial effect on many maladies, is important. Although knowledge of these herbal remedies that could have considerable healing properties, have been passed-on from generation to generation in Zambia, typical of many African societies, this effort has suffered inadequate R&D that would add value and hence broaden the consumer-base. Due to inadequate R&D on herbal remedies, registration of these products for wider-use has been very limited, and subsequently limiting understanding of the real value added by these remedies to the health care value chain. However it is estimated that over 70% of the Traditional herbal remedies are accessed either directly from the producers or indirectly through the herbal remedy wholesalers³.

The actual value added to herbal remedies by primary producers is way below 10%. Beside digging the roots or extracting backs of trees traditionally known to have healing properties, there is minimal value in the primary processing of these products. Packaging and marketing is often times not formally done.

³ MoH/Guidelines for research in Traditional Medicines in Zambia 2008.

DISTRIBUTORS

Government Medical Stores

The Zambian Ministry of Health operates a central Medical storage and distribution facility called Medical Stores Limited (MSL). MSL is a non-profit making entity. Currently under a Management Contract with Crown Agents, MSL manages proper storage, and distribution of medicines and other medical supplies to both public and mission health facilities.

The value added to the medicines and other pharmaceutical products at this stage of the supply chain is nearly zero, as MSL merely stores (maintains correct storage conditions) and distributes already packaged drug kits to public health facilities.

Medicals stores ensure that medicines and other medical supplies are delivered on time to the needy facilities (district and provincial pharmacies) and in good condition that would ensure therapeutic efficacy at the point of service consumption. MSL distributes 100% of the medicines and other pharmaceutical products procured by the Ministry of Health to all public and mission health facilities. Two distribution systems are applied: *pull* and *push*. Under the *push-system*, medicines and other medical supplies are distributed to the public health facilities based on top-down programme instructions. The *pull* distribution system utilises orders/requests made by the public and mission health facilities, based on their indicative consumption estimates. Both systems have pros and cons, though a current development in the public distribution system of medicines and other medical supplies emphasizes consumption-based distribution in order to avoid expiring of the medicines.

Local drug distributors/wholesalers

Several wholesalers/distributors exist on the local market. They often repackage the medicines and sale in bulk to nearly all the retailer facilities: Government, Mission, private health facilities. About 10% of the medical drugs and other supplies used in public and mission health facilities are procured from Local Drug Distributors.

However in terms of value adding, very little is done to enhance quality to the medicines and other products at this secondary-level of the supply chain in Zambia. Most pharmaceutical products come into packets that are ready for retail marketing.

The major challenge in Zambia is to establish the real contribution that these distributors add to the health care delivery chain. An argument can be advanced that, because they operate on full business basis, the contribution of these distributors to the health care chain in Zambia, is selectively along the line-of rail (urban and peri-urban areas). In other words their role to improving the health care service chain in rural and hard-to-reach parts of the country is very limited.

Another point to note is that although literacy levels in a Zambian community setting are very low (lower in rural communities when compared to urban), there has not been effort by these local distributors to make labelling of medicines more user-friendly. Most medicines have remained in packages that are mostly written in English, and even worse at times when written in some foreign language such as Ki-Swahili for those medicines sourced from East Africa under the COMESA Free Trade facility. Perhaps this also explains why Local pharmaceutical distributors are limited only to urban and peri-urban areas.

International pharmaceutical distributors

Over 60% of the medicines and medical supplies used in both private and public health facilities in Zambia, are imported from international manufacturers through international distributors such as Novartis, Missionpharma, etc.

These International pharmaceutical companies add nearly 40% of the value of medicines at this secondary level of the supply chain. The added value is mainly in packaging of medicines for easy of use at consumption level, and product labelling in order to provide information necessary for the end-user.

Ministry of Health procures nearly all the medicines through internationally competitive tendering process, allowing these international distributors participate (if and only when awarded contract) in the supply and delivery of these medicines to MSL. The value added by these International distributors lies in them being able to supply medicines in the correct condition and user-tailored packaging. For example such contracts may entail bulk supplying of what the Ministry of Health in Zambia calls health centre kits and community health worker kits.

These kits are nothing but an agreed list of essential medicines and other supplies measured into single packages that would facilitate distribution to both mission and public health facilities. Under health reforms, the kit system in the distribution of medicines and other supplies has been developed in response to the prevailing disease

pattern and the need for better patient/client care in the local health facilities. Therefore the actual value that these international drug distributors play in the Zambian health care value chain can not be overemphasized.

Traditional herbal remedies distributors

Recently there has been a noticeable improvement in the packaging of herbal remedies, though as earlier mentioned this effort is still hampered by the lack of R&D on the therapeutic potency and efficacy of these products. The lack of this essential product information has led to a limited commercial-market. However in a traditional community setting of life in Zambia, most rural populations still use these herbal remedies that are believed to have healing properties of various health conditions.

Traditional herbal remedies distributors have in the recent past, improved product labelling and even packaging of some of these products that have been supplied to the open retail markets in urban areas. However much remains to be done because very little (below 5%) value is actually added to these products in readiness for retail marketing.

Due to a limited commercial market, distribution of these herbal remedies has remained limited to some local retailers, but largely used by traditional healers. It is not quite known how much of these herbal remedies are supplied to private chemists/retailers when compared to herbal remedy retailers/shops and Traditional healers that utilises over 90% of these traditional remedies. However without this pertinent product information and a clear consumer-base, it is difficult to estimate the actual contribution of these herbal remedies to the health care delivery chain in the country.

RETAILERS

Government health facilities constitute over 60% of the public health care delivery system⁴ in the country. Largely financed by the Government, the Ministry of Health is charged with a mandate to provide equity of access to quality health care as close to the family as possible. In order to achieve this mandate the Government embarked on

⁴ National Health Policies and Strategies 1998 - MoH

health sector reforms in 1991, as part of the overall Public Service Reform Program aimed at improving service delivery to the Zambian people.

Delivery of health care in the public sector is at three levels: first, second and third.

The *first* health care level which is coordinated by a District Health Management Team (DHMT), constitutes all public health centres and first-level hospital(s) in a district. This level provides primary health care (PHC) meant to tackle a disproportionate share of diseases estimated at 60% of the national burden.

The *second* level of care constitutes provincial/general hospitals meant to offer specialist care to those clients whose conditions may require this level of service.

At *third* level, specialist hospitals like the University Teaching Hospital (UTH), Arthur Davison Children Hospital, provide patient care for advanced medical conditions that are referred from second level facilities.

In other words, the public health sector offers a continuum of care to patients from simple to advanced/complicated medical conditions.

In order to offer quality health care, MSL supplies essential medicines and other medical supplies to the public health sector. In an event where certain medicines may not be available through MSL, individual public health facilities procure these medicines from other suppliers/distributors using 4% of their monthly grant funding. But this is really an exception.

However there is actually no value added at this stage to the product, beside the facilities themselves just dispensing the supplied medicines. In public and mission health facilities, dispensing of medicines is done by professional pharmacists (practice regulated by Law) that are able to translate and explain product information at the dispensaries.

Mission health facilities, under Churches Health Association of Zambia (CHAZ), operate mainly under the government framework of health care delivery. Partially financed by Government under a Memorandum of Understanding (MoU), CHAZ health facilities provide both first and second levels health care to the Zambian people. Like Government owned public health facilities, health facilities under CHAZ obtain medicines and other medical supplies through MSL. However complimentary funding and medicines to these facilities have also been sourced from their Church

Mission headquarters. At times this complimentary support also covers specialist medical expertise.

Private health facilities, for-profit, contribute nearly 10% of the health care delivery in the country. However the distribution of these facilities is mainly along the line of rail or urban areas. These facilities operate on a full-time business basis, and hence growth of this sector follows the ability of the population to pay for the service offered. Private health facilities also face a challenge of continuum of care. Due to limited growth, the practice lacks a clear continuum of care that would ensure client/patient management regardless of the disease progression.

Limited growth of this sector could be partially attributed to poor horizontal and vertical networks. Coordination amongst private facilities offering the same scope of care is ill-conceived, if at all existent. Recently under a Government led investment initiative called 'Triangle of Hope', the private-for-profit sector has been challenged to strengthen functional networks both horizontal and vertical, that would facilitate growth and ultimately improvement in the quality of care provided. This would improve the contribution of the private health sector to the service delivery chain in the country.

Though the contribution of private health facilities to pharmaceutical product value chain in the country is negligible, there is need to strengthen synergies that would facilitate growth and provision of quality care as close to the clients as possible. Hopefully such synergies would directly improve product quality by adding value these pharmaceutical supplies. In addition, such partnerships at tertiary level of the product supply chain would add value by improving acquisition/procurement of efficacious medicines and other medical supplies, adherence to national treatment protocols, and recapitalisation with modern diagnostic equipment.

Private pharmacies, locally known as Chemists, operate under similar business principles to private health facilities. In essence they are private health facilities, offering mainly pharmaceutical products such as medical drugs, both off-counter and prescribed. The challenge to this retail level is coordination amongst players. Though this category may not need huge investment in terms of medical diagnostic equipment, there is a necessity for strengthening both horizontal and vertical networks

that would facilitate regulation. Private pharmacies procure their merchandise from both local and international pharmaceutical distributors/manufacturers, and hence it is important that they are regulated to ensure that they do not off-load substandard medicines to the market. Therefore the contribution of the private pharmacies, if registered and regulated properly, could add a lot of value to the health care delivery chain in Zambia.

However currently private pharmacies or chemist as they are locally called, add very little value in terms quality of most of these pharmaceutical products.

In Zambia pricing of medicines in private pharmacies or retailers is open and only regulated by the market. This means that the consumer has to bear the final cost of these medicines regardless of the primary or secondary source. It's worthy noting that because of the free market economy in the country, most retailers including those in the private pharmaceutical sector, charge very exorbitant prices to the consumer, whom unfortunately has to pay/bear all the inefficiencies along the supply chain inevitably.

Traditional healers and herbal remedies shops have strived to expand their market-base through conventional packaging and provision of additional information on the value of their products. It is worthy noting that although traditional healers, locally known as *Shing'angas*, may not be well established in the growing conventional (western medicine) market; they do service a huge traditional clientele. And what is very intriguing is that their services are not for free, often a payment modality is agreed prior to administering treatment.

The challenge to this practice is to determine the real value that traditional healers and retailers of herbal remedies contribute to the product quality. Unfortunately for those herbal remedies that find themselves in the commercial market, traditional herbal retailers have tended to exploit consumers, taking advantage of the unregulated market and this is despite that they add very negligible (if any) value to these products along the supply chain. For example, though some traditional healers have made claims in the recent past to have discovered treatment for HIV/AIDS, these herbal remedies have not been qualified through conventional clinical trials that would ascertain efficacy and most importantly safety to the client.

CONCLUSION

Strategic analysis of the pharmaceutical products value chain in Zambia clearly shows that very little value is added to these conventional medicines at secondary (distribution) and tertiary (retailer) levels. Yet in terms of product pricing, these two levels tend to add most (over 50%) of the profit margin. Most of the value for conventional pharmaceutical products is added at primary (producer) level.

The same practice apply to the traditional herbal remedies, where although very little product value is actually add from primary (producer) to tertiary (retailer) level, commercialised products are still very highly priced for a common consumer on the Zambian market. The overall challenge to the pharmaceutical products value chain in Zambia lays mainly in the limited growth of the manufacturing sector, poor regulation of the imported generic medicines, and the free market economy itself for a limited local pharmaceutical product market that heavily depends on imports from foreign/oversees manufacturers.

Nevertheless I have demonstrated in this paper that each player is critical at every level to ensure quality provision of health to the Zambian people.