



Providing quality medicines for people living with and affected by HIV and AIDS



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## SCMS Supply Lines December 2007

As we commemorate both World AIDS Day and the end of the second year of our project, this year's World AIDS Day theme – leadership – seems highly appropriate. Since the beginning of the HIV/AIDS epidemic, experience has shown that significant advances in the response to HIV have been achieved when there is strong and committed leadership. During its two years of operation, SCMS has made groundbreaking progress in providing quality, affordable medicines to people with HIV/AIDS.

Since SCMS began, we've delivered more than \$63 million of commodities to clients, with delivered value increasing from zero to almost \$26 million in the quarter ending in September 2007. As the chart at the left shows, the value of delivered commodities is increasing rapidly, a trend which we expect to continue next year.

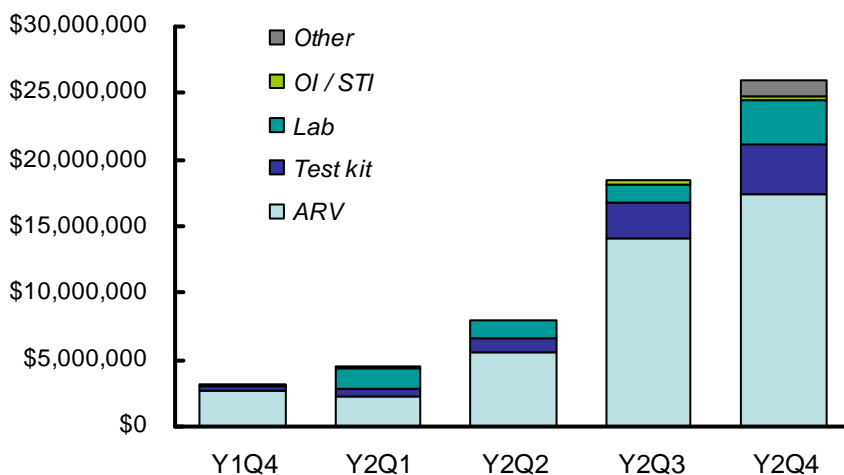
Similarly, the number of shipments we've delivered is constantly increasing, to more than 230 last quarter. Many clients receive monthly or bi-weekly shipments; sending frequent, smaller shipments is one of our key strategies for helping countries to increase throughput of their supply chains as service delivery programs scale up.

We have negotiated prices that are lower than any other international purchaser in almost every case. Ninety percent of the

antiretrovirals (ARVs) we now purchase are generic products. We

have saved nearly \$108 million in the first nine months of this year against Accelerated Access Initiative prices by consolidating orders for many clients. In March 2007, we exceeded the number of patient years that could have been procured with USAID's initial three-year commodity budget at the prices in effect when the contract was awarded, but we've only spent a little over one-fifth of that budget. Some regimens now cost less than \$90 per year. As of September 2007, we had procured more than 750,000 patient years of ARV treatment.

Value of delivered commodities



### SCMS Project Team

Affordable Medicines for Africa | AMFA Foundation | Booz Allen Hamilton | Crown Agents Consultancy, Inc. | The Fuel Logistics Group  
IDA Solutions | JSI Research & Training Institute, Inc. | Management Sciences for Health | The Manoff Group | MAP International  
North-West University | Northrop Grumman | PATH | UPS Supply Chain Solutions | Voxiva | 3i Infotech

SCMS has also demonstrated leadership in strengthening local supply chains. We have field offices up and running in 15 countries, providing technical assistance in systems strengthening along with procurement and distribution of HIV commodities. In addition to our long-term in-country technical assistance (TA), we provide short-term TA in both focus and non-focus countries—some 128 assignments in 21 countries in FY2007. We are on our way to transforming in-country supply chains in a number of countries, with interventions like the new model storage facility we have opened in Guyana, which you will read about in this issue.

Successful scale-up and treatment requires cooperation on an unprecedented scale. SCMS has participated in many global collaborative efforts with recipient programs, host-government institutions, multilateral institutions, nongovernmental organizations, faith-based organizations, foundations and other donor organizations, and the private sector. For example, we serve as the technical secretariat for the Global Fund, World Bank, PEPFAR Coordinated Procurement Steering Committee and provide our data to the World Health Organization AIDS Medicine and Diagnostic Service Global Price Reporting Mechanism. We also collaborate with the Clinton Foundation on pricing trends, global ARV demand forecasts, and in-country quantification and forecasting. We've set up a joint task force with the Ecumenical Pharmaceutical Network to help strengthen local supply chains. And we've helped the Global Fund with a feasibility study for their new voluntary pooled procurement initiative.

With such rapid growth we've also had some growing pains, particularly in the area of lab equipment and supply, which has developed into a much larger focus for SCMS than originally envisioned. In the fourth quarter we delivered \$3.2 million in laboratory commodities alone. Now and in the coming year, we are focusing attention on efficiency and timeliness for all our systems, but particularly for lab products.

We could never have accomplished all this without the help, support and trust of our clients, our staff, and our partners. We thank you for this, and very much look forward to working with you in the coming years to keep the promise of bringing quality treatment to those in need.

—Richard C. Owens, Jr., Project Director

### **Guyana launches warehouse management system**

Guyana has launched a MACS warehouse management system (WMS), a tool that incorporates hand-held and radio frequency technology into a newly organized warehouse for the Materials Management Unit (MMU) of the Ministry of Health in Guyana. During a November 5 ceremony held at the interim MMU warehouse, several government ministers as well as representatives from SCMS, the UK-based MACS Software company, USAID, and the US Centers for Disease Control celebrated the successful implementation of the new system.

Prior to the MACS system, only rudimentary inventory management and support systems were in operation. The



Picking and packing at the MMU before the warehouse system was implemented.

MMU warehouse had utilized an Excel-based system that was prone to inaccuracy and provided limited visibility into inventory levels and product shelf life, resulting in inefficiencies and product expiration.

Benefits of the new MACS system include:

- Efficient warehouse layout
- Traceability and control of incoming products
- Management of lead times and order quantities
- Inventory control and management
- Improved automated reporting (for status tracking, customized pick list generation, bar code scanning support, etc.)
- A clear audit trail for all transactions

Through improved inventory management, the warehouse staff can use the system to facilitate more accurate supply plans and forecasts. According to the Ministry of Health, complaints regarding shortages of drugs and other supplies have already fallen significantly.

Guyana's Minister of Health, Dr. Leslie Ramsammy, observed that before the launch of the MACS system, the MMU warehouse was chaotic "with packing to the ceiling, with nobody knowing what was in there or where stuff was." Today, he said, "we have turned despair into an achievement that every Guyanese can take pride in."

The new system is one component of a long-term partnership between the Ministry of Health and SCMS. Improving warehousing is a key component of the SCMS strategy in Guyana, and in September 2006 SCMS selected the rf-MACS (supporting radio frequency terminal) solution. Implementation of the WMS began in June 2007, with the official launch in October.

"This is an excellent example of partnership and strong coordinated effort between donors and host country," said Peter Hubbard, USAID/Guyana mission director.

The successful implementation of the new system in Guyana may serve as a model for other countries. In fact, several countries where SCMS works are currently exploring the MACS solution to improve warehousing.



The Minister of Health demonstrates the hand held scanners used by the new warehouse system. From the left, Richard Miller, MACS Operations Director; Hydar Ally, Permanent Secretary Ministry of Health; Khamene Seepaul, MMU Warehouse Manager; and Dr. Leslie Ramsammy, Minister of Health.

### **Through quality control, SCMS helps ensure that medicines are safe for patients**

In many developing countries, buying and taking medicines is a leap of faith. Most countries have few or no drug safety systems to prevent low-quality or counterfeit medicines from entering the marketplace. Through a robust, world-class quality control system, SCMS is building the

infrastructure to help ensure that people with HIV/AIDS receive the high-quality medicines they deserve.

Quality control begins with purchasing from trusted manufacturers. SCMS only buys ARVs that are either approved or tentatively approved by the US Food and Drug Administration. We procure these ARVs, now numbering more than 50, as well as other pharmaceutical products, from manufacturers whose facilities comply with Good Manufacturing Practices established by the World Health Organization. When procuring other essential medicines, such as those for opportunistic infections, SCMS only purchases from manufacturers in countries with stringent pharmaceutical regulatory systems.



SCMS conducts quality testing and sampling at North-West University in South Africa

After purchase, rigorous sampling and testing procedures ensure that the medicines we procure are safe and effective. Each time SCMS purchases a drug for the first time from a supplier, we submit a sample of the medicines for testing, and we test subsequent purchases from time to time to ensure continued quality. Any problem along the supply chain—such as a damaged carton or unusual smell—is also cause for a quality check.

All samples for testing go to laboratories at North-West University in South Africa, an institution serving the pharmaceutical, cosmetic, and veterinary product industry, as well as the World Health Organization and the US President’s Emergency Plan for AIDS Relief (PEPFAR). To date, SCMS has tested more than 30 HIV/AIDS medications.

The issues that arise are as varied as the medicines we test:

- Pharmacists alerted us that some bottles marked as containing 60 tablets actually contained 59. After confirming the miscounts, our quality control team alerted the manufacturers who discovered a malfunctioning counting sensor and corrected the problem.
- During testing at North-West University, a medicine appeared not to dissolve quickly enough to be used reliably by patients. Our staff held the product in quarantine until we determined that the method used for evaluation was inappropriate. With the proper test, the medication passed and was released for distribution.
- A manufacturer replaced leaky bottles discovered by SCMS staff.

SCMS’s system of continuous sampling and testing of medicines makes clear to suppliers that we will not accept sub-standard products and helps us prevent the introduction of counterfeit drugs into our supply chain. Most importantly, this process helps ensure the efficacy and safety of the medicines we procure for people living with HIV/AIDS.

New opportunities raise new risks, however. In anticipation of marked increases in orders for other commodities, the SCMS quality control team is developing procedures for sampling and testing of HIV test kits and laboratory supplies.

## Momentum builds for scale-up of HIV testing programs

In May 2007, the World Health Organization took a more assertive approach to supporting HIV testing by suggesting that health workers in heavily impacted countries test *all* patients. Indeed, many countries are scaling up HIV testing programs, and SCMS is supporting their efforts.

SCMS has purchased more than 15 million rapid test kits (RTKs) at a value of \$18 million for our clients worldwide in addition to providing training on forecasting and demand planning for these kits and other HIV/AIDS commodities. To date, Ethiopia, Nigeria and Zambia are top recipients of test kits procured by SCMS, and other countries are increasing their purchases as their governments scale up testing programs.

In Tanzania, SCMS procures RTKs to support the country's nationwide campaign to test up to 4.1 million people for HIV. SCMS delivered 290,000 individual tests in time for the launch of the campaign in July 2007, and is following up with flexible and frequent "pulsed" deliveries as additional supplies are needed.

Zimbabwe is also scaling up HIV testing. In August 2007, SCMS delivered its first shipment of test kits as existing stocks were running low. Pulling from stock in the regional distribution center (RDC) in South Africa, we filled the order in just three weeks.

Scaling up HIV testing programs helps identify those who need HIV/AIDS treatment and provides more accurate data about how many people are infected. However, procuring, storing and distributing RTKs bring unique challenges that call for careful planning. Test kits have relatively short shelf lives, requiring frequent deliveries of smaller quantities to avoid expiration. Scaled-up testing will also lead to an increase in the number of medicines and lab supplies needed in the foreseeable future to support ongoing treatment and testing programs.

Already, test kit manufacturers are reaching production capacity as a result of the increased demand for test kits. Supplies are not always immediately available, and buyers should expect a lead time of up to 14 weeks for large orders.

Long-range forecasts for test kits, like those created by Guyana, Mozambique, Namibia and Zambia, will help producers plan production and keep pace with demand. In the meantime, SCMS is doing its best to work with countries to plan ahead in order to maintain stock of commonly used RTKs in the RDCs located in Ghana, Kenya and South Africa. As with all commodities, countries that plan ahead will be at a marked advantage in scaling up testing programs over those countries placing emergency or unplanned orders.



Rapid Test Kits, like the one shown here, greatly accelerate the time frame for obtaining test results.

## Regional distribution centers bring goods closer to the people who need them

Traditionally, the procurement of rapid test kits (RTKs) and antiretroviral (ARV) drugs to support the diagnosis and treatment of those infected with HIV has been characterized by spot purchases from individual vendors and large shipments direct from vendors. Spot purchases often resulted in higher prices and longer lead times. Large direct shipments would often amount to an entire year's worth of each product being purchased at one time, which, when combined with sometimes erratic and poor forecasting, resulted in stock-outs or over-stocking and wastage of these essential items due to expiration.

SCMS has established regional distribution centers (RDCs) in Ghana, Kenya and South Africa as an important step in creating a regional infrastructure for medicines and medical supplies, lowering prices for those commodities and speeding deliveries to HIV/AIDS programs in Africa. Maintaining a running stock of commodities at the RDCs has allowed SCMS to order in bulk for multiple countries and send shipments from locations that are much closer to the programs providing treatment to people with HIV/AIDS.

Regular deliveries from RDCs to major clients, ranging from monthly to quarterly, can reduce import and clearance problems and ensure continuity of supply. For example, the South Africa RDC regularly collaborates with the SCMS team and recipient organizations in Mozambique to consolidate the shipment of multiple ARVs from multiple vendors into a single delivery. This speeds the customs pre-clearance process and enables SCMS to effectively make regular resupply shipments of ARVs to support the country's growing antiretroviral therapy programs.

In this most recent quarter ending in September, more than 90 percent by value of all SCMS ARV shipments to countries in Africa flowed through the RDCs. With improved forecasting and supply planning, SCMS can stock medicines, test kits and other commodities in RDCs, shortening the delivery time for items that have been forecast to two to eight weeks, versus the three to six months it may take to get an order directly from a supplier.

In addition to providing regular, planned deliveries, RDCs can also play a role in filling emergency orders when stocks run low. Some examples include:

- At the end of 2006, Zambia faced a shortage of an essential ARV drug. SCMS had enough bottles of the ARV in inventory at the Ghana RDC to treat patients for two months and was therefore able to meet the client's short-term need.
- In May 2007, Mozambique's Ministry of Health (MOH) approached SCMS regarding a severe shortfall of an ARV due to delays on a direct order from the supplier. Thanks to strategically held stock in the Kenya RDC, SCMS was able to supply the MOH with two months worth of the ARVs.
- In August 2007, SCMS delivered its first shipment of HIV rapid test kits to Zimbabwe as existing stocks were running low in the country. Pulling stock from the South Africa RDC, SCMS filled the order in just three weeks.



According to Anirudh Deshpande, General Manager-International Business at Aurobindo Pharma, “the regional distribution center concept is one of the key factors in ensuring efficient supply chains for the distribution of drugs across all of the PEPFAR beneficiary countries.” Other organizations have shown interest in the RDC concept. Recently UNITAID and the Global Drug Facility of the Stop TB partnership visited the three RDCs to gain a greater understanding of SCMS’s approach.

## The SCMS E-Catalog Expands with Client-friendly Features

For HIV/AIDS treatment programs in developing countries, identifying the most affordable, high-quality medicines and supplies available for a particular country can be a dizzying task. Ordering just one item can require searching through online and paper catalogs, calling manufacturers for prices and availability, and sorting through government regulations to determine if the product is approved for import.

For SCMS clients, their job just got easier thanks to recent improvements to the e-catalog on the SCMS website (<http://scms.pfscm.org/scms/ecatalog>).

Clients can now search the online catalog, generate a customized page showing products they are interested in purchasing, and then download a spreadsheet of product information with estimated prices.

Each product listed in the e-catalog links to an item detail page providing key product information such as dosage, storage conditions, alternatives, and weight. Clients can now access a help feature to better understand the terms and definitions for the products described on the item detail page. Specifically for antiretrovirals (ARVs), the e-catalog provides an online tool to identify registration and waiver status of products for each country. Clients can select a country from a pull-down list and generate a page showing which products are available from manufacturers for import in that country.

The e-catalog is organized according to product categories, including ARVs, HIV test kits, essential drugs to treat opportunistic infections and sexually transmitted diseases, and laboratory equipment and supplies. SCMS works diligently to anticipate all the products required for HIV/AIDS testing and treatment programs. We encourage all clients to contact us if a needed product is not listed so that we can determine whether we can supply it.

Even non-SCMS clients benefit from the e-catalog. We have negotiated some of the lowest prices available for ARVs and other products, and our contracts require that our suppliers offer the same terms and conditions available to others. By making those prices available online, SCMS helps others to attain the same low prices from their suppliers.

