



Prime Vendor Pharmaceutical Supply System in Tanzania: Prime Vendor Start-up Experiences

S. Hart, Presenter
K. Marealle, and A. Hayman
Crown Agents, UK

Tanzania, like many other countries, has a problem in providing essential medicines and medical supplies to its people, particularly the rural poor. The Mission for Essential Medical Supplies (MEMS), a not-for-profit organization established by the Evangelical Lutheran Churches in Tanzania, is assisting in resolving this problem by providing quality products in a timely manner to church hospitals at the cheapest prices.

To facilitate this process, MEMS decided to contract a company to stock and supply medicines and medical supplies. Crown Agents, an international procurement company, and Diocare, a Tanzanian pharmaceutical manufacturer and supplier, in partnership, were appointed as the prime vendor (PV) following competitive prequalification and evaluation. The concept behind the Crown Agents/Diocare partnering was to blend the strengths of an experienced international supply chain company with those of a local Tanzanian company experienced in storage and supply of pharmaceuticals to the local market.

The contractual requirements were for the PV to stock and supply more than 500 line items, initially to 12 rural hospitals and expanding to 40 as the project progressed. The contracted delivery time was either 10 or 21 days, dependent on the goods. The prices of the goods were fixed for 12 months. The contract was signed in August 2004 and after a 90-day mobilization period commenced in November 2004.

Despite the two companies' considerable experience, the PV had considerable difficulty in the initial implementation of the contract—

- The difficulties and complexity of the task were underestimated.
- The initial order volumes did not excite interest from traders/wholesalers, and supply problems became immediately evident.
- Supplier delivery promises were not met.
- Initial supplies were plagued by quality (packing, labeling, shelf-life, and the like) problems.
- Product selling prices and operating costs were underestimated.
- Stock demand from the hospitals varied substantially from anticipated demand (in many cases far exceeding it).
- Warehouse systems and controls were immediately overstretched.
- The PV partners, to their surprise, found differences in each of their expectations of the contract.

These early difficulties resulted in lower than anticipated and delayed deliveries to the hospitals.

Throughout these difficulties, MEMS worked with the PV to resolve them, providing technical expertise and support at every level as well as encouragement.



These initial difficulties are being overcome by—

- Establishing a close partnership, no-blame relationship between the hospitals, MEMS and the PV
- Seeking to establish true stock demand from the hospitals
- Increasing the PV resources in people, stock, warehousing, and systems
- Establishing new relationships with an extended supplier base and actively managing these relationships.\

Among the lessons learned have been the following—

- All parties need to be open and realistic in their expectations of each other.
- Supplier relationships are critical.
- The task for a new vendor is huge—stocking more than 500 line items, in many pack sizes, for potentially 40 hospitals with different disease burdens, population densities, and throughout different seasons is difficult *and* expensive.
- Reliable computer systems are required to manage all the elements of the operation through stock estimation, purchasing, warehouse control, delivery, and invoicing.

These lessons have been painfully learned and are now being applied, and we believe that they will bring fruition to the concept developed for the prime vendor operation in Tanzania.