

SEAM Tanzania

ADDOS: The Role of Incentives

M. Ndomondo-Sigonda,¹ O. Kowero,¹ E. Alphonse,¹ Y. Hebron,¹ M. Kinyawa,² E. Mauga,² R. Mbwasi,³ M. Smith,⁴ R. Shirima,³ N. Heltzer,³ and M. Clark³

¹Tanzania Food and Drugs Authority ²School of Pharmacy, Muhimbili University College of Health Sciences ³Management Sciences for Health ⁴Summa Foundation

To encourage DLDB owners and others to open ADDOs and maintain required standards, an array of incentives designed to stimulate business growth have been developed by the Pharmacy Board (which preceded the Tanzania Food and Drugs Authority) and SEAM Tanzania with help from DLDB owners and other stakeholders. The attractiveness of incentives is expected to stimulate transformation of existing DLDB into the more commercially successful ADDOs and in turn lead other DLDB owners to improve their shops in order to compete. The range of incentives includes the following—

Prescription Drugs

- The approved list includes drugs used in primary health care and a small number of lifesaving drugs.
- It is illegal for any other retail drug outlet, except pharmacies, to sell prescription drugs; therefore, selling prescription drugs gives ADDOs a significant economic advantage over DLDB.

Marketing Campaign

- A well-designed marketing and communications strategy will help motivate shop owners and dispensers as well as local government and community leaders to participate in the ADDO program.
- An effective marketing campaign will help convince consumers to purchase their drugs from ADDO shops.

Skills Training

- Owners will receive training in business skills and pharmacy practice as well as legal requirements.
- Dispensers will receive training in pharmacy principles and practice, and will complete a pharmacy internship.

Microfinance Program

- A loan fund has been established by the Summa Foundation, to be administered by the Mennonite Economic Development Association (MEDA).
- MEDA will administer loans to ADDOs for two years only.
- MEDA will create a long-term, sustainable source of credit for drug shops by building relationships with microfinance institutions (MFIs) to cover both rural and urban areas.
- At the end of the two-year period, MEDA will transfer the ADDO owners' accounts to MFIs.

Simplification of Tax and Licensing Fee Liabilities

- DLDB owners expressed frustration over difficulties with various taxes and business licensing fees.
- SEAM Tanzania conducted an assessment of the problems described, and made recommendations to address them.

Links to Health-Financing Initiatives: Community Health Funds (CHF) and the National Health Insurance Fund (NHIF)

- CHFs are attractive potential clients for ADDOs, because they have large cash balances, despite their limited membership.
- CHF district committees will be allowed to purchase drugs and supplies from ADDO outlets rather than only from the government supply organization.
- NHIF requires alternate essential drug suppliers to meet its membership needs and could provide ADDOs with additional clients, but only if improved reimbursement mechanisms are implemented.



A shop owner receives his loan certificate from the Summa Foundation.

Why is microfinance important?

- A lack of access to loans is a major obstacle to business development.
- All shops require loans for working capital to improve their inventory.
- Some larger shops will need financing to renovate their premises to comply with ADDO standards.
- Loans will increase the viability of shops and help them obtain and retain accreditation.
- Microfinance organizations can offer shop owners training in business skills, which many expressed interest in receiving to enhance their participation in the ADDO program.