ABSTRACT 81

TRACK 7

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The Drug Revolving Fund Scheme: A Catalytic Intervention for Improving Access to Medicines in Nigeria

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Background

- Poor access to quality essential medicines contributes to Nigeria’s high maternal, newborn, and child morbidity and mortality rates.
- In 2018, USAID, through the GHSC-PSM project began supporting the implementation of a Drug Revolving Fund (DRF) scheme in three high-need states in Nigeria – Bauchi, Kebbi, and Sokoto.
- The initiative aimed to improve access to lifesaving maternal and child health (MCH) medicines by addressing poor financing for medicines.
- Following several stakeholder engagements, the DRF was overwhelmingly selected as the intervention to improve availability of medicines.

* Under-5 mortality rate = 102
* Neonatal mortality rate = 34
* Infant mortality rate = 63

* MICS 2021
## DRF System Design - Governance, Supply Chain Operations, and the Financial Model

### Guiding Principles:

- **Access:** Availability, Affordability, Accessibility, Quality product
- **ACTA:** Anti-corruption, Transparency, Accountability
- **Value:** efficiency and value for money

### Legislation / policy framework
- Organizational & institutional structures
- Autonomy for all entities
- Governing structures at all levels
- Community engagement

### Legal Framework & Governance

#### An effective and sustainable DRF

### Financial model

- Pricing, mark-up and its elements
- Cash handling, accounting for sales, accounting for receipts, accounting for payments
- Banking system, bank signatories & reconciliation & books of account
- Fund valuation statement

### Drugs Management System

- Selection, Quantification, Procurement
- Warehousing, Distribution, Inventory Management & LMIS

### Supply Chain Operations

- *Internal Market Operation*
- Drugs Management System

### System Components

- Legislation / policy framework
- Organizational & institutional structures
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- Drugs Management System
  - Selection, Quantification, Procurement
  - Warehousing, Distribution, Inventory Management & LMIS
  - *Internal Market Operation*
DRF is a cost recovery scheme where health products (drugs and medical consumables) are sold at cost-price plus a mark-up.

**Flow of DRF Funds and Commodities**

1. **MEDICINES PROCURED FROM LOCAL QUALITY MANUFACTURERS AND WHOLESALERS**
   - Funds for medicines procurement

2. **DRF INITIAL CAPITAL INVESTMENT (SEED STOCK) BY USAID AND MANAGED BY DRUG MANAGEMENT AGENCY AND DRF COMMITTEE**
   - Capital Base: Commodities + Revenue

3. **CENTRAL MEDICAL STORE / ZONAL MEDICAL STORE**
   - +7.5%
   - Revenue from sales to Health Facilities

4. **HEALTH FACILITY**
   - +9%
   - Revenue from sales

**Mark up Element**
- Losses and Expiry
- M&E
- Sustenance Costs
- Inflation
- Deferrals & Exemptions

User pays total cost and the markup charged through various mechanisms.
There are five phases of DRF implementation

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<thead>
<tr>
<th>Phase</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Diagnose</td>
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<tr>
<td>2</td>
<td>Design</td>
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<td>3</td>
<td>Operationalize</td>
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<td>4</td>
<td>Roll out</td>
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<tr>
<td>5</td>
<td>Sustain</td>
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</table>

1. **Diagnose**
   - The ongoing DRF activities and essential medicine supply chain strengths and challenges

2. **Design**
   - Design or strengthen state-specific plans for effective, sustainable DRF

3. **Operationalize**
   - Develop or strengthen required structures and systems for a functional DRF

4. **Roll out**
   - Roll out DRF operations across facilities (DRF start)

5. **Sustain**
   - Provide light-touch support to ensure DRF sustainability
**Phase 1. Diagnose**

Used Four Sources of Data to Measure the Strength of State Systems

### Sources of insight

<table>
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<tr>
<th>Sources of insight</th>
<th>Description</th>
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| Facility Diagnostic | ▪ Type 1: ~2-hour interview and observation at each of ~20 health facilities per state  
▪ Type II: Readiness assessment |
| State stakeholder Interviews | ▪ 1–2-hour interview with 20+ central-level stakeholders (e.g., CMS/DMA staff, SPHCDA leadership, etc.) per state  
▪ Observation of central-level structures / processes  
▪ Report based on interview and observation |
| Other stakeholder Interviews | ▪ Interviews with other relevant stakeholders including partners and community leaders  
▪ Report based on interviews |
| Document Review | ▪ Review of any documents the state has developed (e.g., text of laws, SOPs, etc.) |

### Sources used to evaluate the strength of what exists in the state

- **Supply chain diagnostic tool**  
  Supply chain diagnostic tools that rate processes as weak, medium, and strong, developed in consultation with supply chain experts

- **DRF expertise**  
  Nigerian and international DRF expert practitioners with experience across governance and operations
By the end of its design workshop, Bauchi had aligned on 4 design choices and identified possible risks and mitigation strategies for each design choice.

<table>
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<tr>
<th>Design choice</th>
<th>Risks</th>
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| Distribution to health facilities | Increase in transportation costs  
Decrease in staff productivity |
| Markup to cover operational costs | Too little means some costs are not covered and too high makes the medicines unaffordable |
| Single layer supply chain (CMS to HFs) | Difficulty accessing the central store and vice versa  
Stock-outs of some product lines at the central store |
| Payment models HFs pay central store upfront (“cash and carry”) | Delayed reimbursement by health insurance agency |
Phase III. Operationalization
Major Technical Assistance Nodal Points

Each state has four major interactions during this phase

A. Quantification exercise
Weeklong multistakeholder activity to quantify the stock (MNCH and essential medicines) required in each state

B. Capacity Building
Development of SOPs, followed by comprehensive capability-building rollout covering State Governance Committees, Central Medical Stores and health facilities. Modules include DRF Operations, Governance, Supply Chain Operations and Financial Management

C. CMS & Facility upgrade verification
Verification of the readiness of all eligible facilities and Central Medical Stores

D. Seed stock release
Seed stock to be released to Central Medical Stores and relevant Health Facilities
### Readiness for DRF
#### Roll-out in the Three States

<table>
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<tr>
<th>Activity</th>
<th>Bauchi</th>
<th>Sokoto</th>
<th>Kebbi</th>
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<tbody>
<tr>
<td>1. Facility assessment &amp; selection</td>
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<tr>
<td>2. Inauguration of governance structures</td>
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<tr>
<td>• State Level (including functional DMA)</td>
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<td></td>
<td></td>
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<tr>
<td>• Facility Level</td>
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<td></td>
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<tr>
<td>3. Development/Amendment of DMA law</td>
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<td>4. Upgrade of health facilities and CMS</td>
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<td>5. Opening of DRF Accounts</td>
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<tr>
<td>6. Development of SOPs</td>
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<tr>
<td>7. Capitalization with seed stock</td>
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<tr>
<td>8. Monitoring and Evaluation</td>
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Each state will complete 8 major activities to ensure that adequate systems are in place for the DRF.
Phase IV. DRF Roll-out

- **DRF training**
  - Alignment with the government’s primary health care revitalization strategy

- **Site activation**
  - Seed stock capitalization
  - Tools deployment
  - Onsite mentoring

### Supportive systems strengthening interventions (sustainability)
- Procurement technical assistance
- Warehouse operations
- Support for state-led distribution
- Linkage to QA manufacturers and suppliers
- Supervision
- Monitoring and evaluation

<table>
<thead>
<tr>
<th>Category trained</th>
<th># of health facilities trained</th>
<th># personnel trained</th>
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<tbody>
<tr>
<td>Total Trained Bauchi</td>
<td>323 PHC (100%) 25 SHF (100%)</td>
<td>3,400</td>
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<tr>
<td>Total Trained Sokoto</td>
<td>99 PHC (40%) 24 SHF (100%)</td>
<td>1,474</td>
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<tr>
<td>Total trained Overall</td>
<td></td>
<td>4,874 (F – 1,444) (M – 3,430)</td>
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Phase V: Sustain
DRF Operations Supervision, Data Flow and Reporting Timelines

Health Facility
Data Collection and Validation
1st – 8th

LGA Essential Drug Officer
Electronic data entry
8th – 12th

Board – HMB/SPHCDA
Agency level data aggregation and summary
12th – 16th

In-State Team
State level data aggregation and report preparation
16th – 20th

State DRF Steering Committee
Quarterly DRF Steering Committee Meeting for key governance and policy decision making

State DRF Committee
Monthly DRF review meeting for report finalization and decision making
25th – 28th
Loss & Expiry vs Physical Expiry Value

Loss & Expiry (Mark-Up Value for the Month) - ₦438,031.19

Physical Expiry Value - ₦1,083,576.44

0.00 - 400,000.00 - 800,000.00 - 1,200,000.00
Conclusions

- Overall, the availability of medicines improved significantly; it is higher in DRF facilities compared with facilities not implementing the DRF.

- Through a comprehensive system strengthening approach, the DRF scheme is increasing transparency and accountability in the management of medicines at all levels within each of the states.

- With careful execution of the five stages of the DRF, the Nigerian government can sustain the initiative.

- If sustained, the improved availability of lifesaving commodities will reduce preventable maternal, newborn, and child deaths in Nigeria.
You can find more information on the Drug Revolving Fund (DRF) scheme implementation on our website:

https://www.ghsupplychain.org/drug-revolving-funds-drf-playbook
The USAID Global Health Supply Chain Program-Procurement and Supply Management (GHSC-PSM) project is funded under USAID Contract No. AID-OAA-I-15-0004. GHSC-PSM connects technical solutions and proven commercial processes to promote efficient and cost-effective health supply chains worldwide. Our goal is to ensure uninterrupted supplies of health commodities to save lives and create a healthier future for all. The project purchases and delivers health commodities, offers comprehensive technical assistance to strengthen national supply chain systems, and provides global supply chain leadership.
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