Central Medical Store (CMS), Uganda

Central Medical Stores (CMS) will be one of the supporting units under Uganda National Association of Private Hospitals to specifically serve its members. It will be responsible to ensure the continuous supply of good quality Pharmaceuticals, Medical Supplies and Laboratory Supplies, through timely cost effective procurement. The Central Medical Stores will enter into maximum price contracts with Pharmaceutical Manufactures and
suppliers to provide Medical and Pharmaceutical supplies. These supplies will be distributed adequately and efficiently to private Health Facilities.

Mission
To ensure the continuous supply of quality Pharmaceutical and Related Medical Supplies in the Private-for-Profit (PFP) hospital sector through: efficient processing of requisitions, procurement, storage and distribution in accordance with the National Drug Authority.

Vision
We envision an accredited Central Medical Stores complying with the required standards for the management of pharmaceutical and related medical supplies.

Purpose
To deliver safe, quality and timely pharmaceutical and related medical supplies to support Private-for-Profit (PFP) healthcare delivery in Uganda and improve the rational drug use in the PFP hospital sector.

1 PROJECT PROFILE

1.1 Project Rationale
Uganda’s population is steadily growing coupled with diseases, it’s now expected to 33 million, and at least one-half of it is living below the poverty level. Majority of population has no access to drugs. With the high prevalence’s of Malaria, HIV/AIDS and TB and widening private health sector (PFP), this creates a great demand for Pharmaceutical Products in Uganda and a big investment opportunity exists in this sector to establish a centralized medical store to specifically serve private health clinics and hospitals (PFP – Private-for-Profit). This Central Medical Store will be operated under Uganda National Association of Private Hospitals (UNAPH).

1.2 Project Brief
The proposed project is a well built Medical Store with all of the pharmaceutical product range in stock for sales.

Central Medical Store (CMS), will be Operated under Uganda National Association of Private Hospitals (UNAPH) to distribute and supply Human Medicines, Medical Supplies, Laboratory Chemicals and Dental supplies. It will establish and maintain a system of supply of affordable quality medical drugs to private health facilities, ensure efficient inexpensive procurement of medical supplies to private health facilities, avoid counterfeit drugs, expired drugs and any irregularities in the procurement and supply of drugs to the private health sector. This will result and benefit Private health facilities to be able to access good quality medical drugs inexpensively thereby solving the problem of shortage of drugs to the private health consumers in Uganda. It will also save Ugandans from
consuming counterfeit, sub-standard and expired drugs which has been rampant on the market supplied by some medium and wholesale pharmacies.

This project answers to an urgent need as today there is no proper Central Medical Store serving PFP private-for-profit health clinics, but there are fragmented medium stores in different locations. The aim of the project is to build a Central Medical Store in Uganda to jointly serve interest of PFP health clinics with more storage space and volume within a modern building in order to increase the managing, monitoring and delivering capacities. The new store will be made up of two buildings with a total of approximately 6000 square meters to be able to fit 6 months of stock. Its construction will be managed by a consulting firm.

This Central Pharmacy will help the Private Health Sector (PFP Subsector) to respond to the poor quality and chronic lack of medicines and drugs the country has been facing. Access to essential drugs for the Ugandan population is a key issue, stressed in the National Health Strategy. The new Central medical store will apply the Good Distribution Practices (GDP) and standards as defined by the World Health Organization. International Technical Assistance may be sought to help the new Central medical store to apply these best practices and to develop cost-effective management.

1.3 - Objective
The project aims to improve the medical drugs supply in the private health sector (Private-for-Profit sub-sector) to improve the health status of Ugandans. The objective of the project is not only to build a new efficient medical store: it will also contribute to the development of a rationalized and improved pharmaceutical sector. Therefore, the project will directly support the Ministry of Health in its ongoing process of reforming the whole National Pharmaceutical sector. It will help the Directorate of Pharmacy in the Ministry to fully play its role, focusing in particular on quality assurance for drugs.

1.4 Specific objectives
The specific objectives are:
- To equip the private health sector (Private-for-Profit hospitals and clinics) Uganda National Association of Private Hospitals (UNAPH) with a tool for drug storage and management that complies with national and international good practices.
- For UNAPH to have an economically efficient and sustainable drug system and policy.
- Improve the rational drug use in the private-for-profit (PFP) health clinics in Uganda.
- Requisitioning – to facilitate timely processing of requisitions.
- Procurement – to ensure quality supplies are procured from reputable sources in a cost effective manner.
- Storage – to ensure pharmaceutical and related medical supplies are stored according to Public Health standards and WHO good distribution practices.

- Distribution – to facilitate safe, efficient and timely delivery of pharmaceutical and related medical supplies from within and outside the country.

2. SECTOR AND ISSUES

2.1 The Private Health Sector in Uganda

The majority of diseases in Uganda are initially treated in Private Hospitals and private Clinics. For most diseases the public hospitals are limited and sparsely distributed. Prevention and treatment cannot be easily scaled up without considering how best to make use of Private Hospitals and private health clinics. The dominance of Private Health Provision in the Health System in Uganda makes it vital to consider practical solutions and programs to implement appropriate strategies.

In terms of healthcare provision, the health system is characterized by growth in the private health sector which accounts for more than 50% of the general health service provision in Uganda. A non-profit - NFP (faith-based) private sector which share the private health industry with the Private-for-Profit (PFP) hospitals and clinics.

![Uganda’s health sector and facilities provisions](image)


Governments in developing countries are challenged to meet the health needs of their populations because of financial constraints, limited human resources, and weak health infrastructure. The private sector operates outside of government and can be broken into two subsets as in figure below.
The private sector can help expand access to and quality of health services through its resources, expertise, and infrastructure. Ownership distinguishes the public sector and the private sector. The public sector is controlled by national, provincial, municipal, state, or local governments.

The non-profit (NFP) sector is privately owned, but defines its mission in terms of social goals rather than profitability. Entities that work in this sector are commonly known as non-profit or nongovernmental organizations (NGOs and faith-based Hospitals).

The private-for-profit (PFP) sector comprises organizations and companies owned by individuals or shareholders whose principal objective is to earn a profit. This sector is sometimes referred to as the commercial sector. The private sector, whether non-profit or for-profit, consists of diverse organizations and individuals that usually work independently and may or may not have common interests. Harnessing the private sector to improve health therefore requires combined efforts.

2.2 The Drugs Sector
Drug expenditures are constantly rising and represent almost 100 million dollars per year for the public and private sectors taken as a whole. All the drugs supplied in the framework of private healthcare provision are purchased from fragmented medium and wholesale pharmaceutical store which makes it hard to guarantee quality drugs and control of counterfeit drugs despite the nda monitoring.

2.3 The Drug Supply System
The majority of the medicines and equipment for government health units are obtained from National Medical Stores (NMS), an autonomous government agency charged with the procurement, storage and distribution of essential drugs and supplies to the public sector. The main source of funding for drugs is Government subventions sent to the districts for primary health care activities. The missionary hospitals source their drugs and health supplies from Joint Medical Stores (JMS). Only when drugs and equipment are out of stock from NMS, can public health facilities source them from elsewhere including JMS.

Currently there are 5 large-scale pharmaceutical manufacturers and 5 small-scale pharmaceutical manufacturers. There are 2939 public sector health facilities from which drugs may be dispensed, 215 private pharmacies and 2600 drug shops. Of
the private pharmacies, nearly 80% are in the three major towns of Kampala, Jinja and Mbarara.

Sometimes insufficient financing or management problems can lead the government to avoid taking on the responsibility for providing hospitals and health facilities with essential medicines, hence small and medium private pharmacies continue to dominate by exploiting these opportunities. Under such circumstances patients are left to buy virtually all their own medicines from the private sector. The greatest concern with a fully private supply model is that, because the government does not have insight into the management or control over policy and pricing of supplies, this model does not ensure quality of drugs, equity of access for the poor, medically needy, and other disadvantaged groups. Therefore, with CMS's centralized private supply model, some of these problems and gaps will be mitigated.

2.4 Government Policy
There is an increased effort to strengthen the Public-Private Partnership in Health and the policy process is going on. There is now increased interaction between the government and the private sectors and it is becoming clear that the policy enables private health sector players, private health associations, trade associations, private hospitals and health institutions, in the private sector, to play roles in which they have clear comparative advantage over others.

The construction of the Central Medical Stores to serve private health clinics and hospitals is exactly in line the national / government policy; to improve healthcare quality and access to healthcare, observation of drug policy, extend healthcare coverage and Health for all.

3. Importance for the Country
Drugs are an important issue in terms of both private health sector, a major challenge in the context of Uganda where there is a lot of counterfeit drugs, poor quality and inadequate supply of medical. They constitute an important lever for rationalizing and reducing expenditure while, at the same time, improving healthcare quality.

3.1 Contribution to Development
- It will improve distribution of medical drugs to the private health facilities.
- It will help control supply of counterfeit and expired medical drugs to the private health sector.
- It will promote good distribution and good pharmacy practices and quality assurance systems.
- It will provide a supervision mechanism for distribution of medical drugs to the private hospital sector.
- It will provide employment to Uganda
- It will enable Ugandans medical drugs at affordable prices.
3.2 Contribution to Uganda’s Health System
- Will strengthen the health system (Investment in Infrastructure);
- Will strengthen the capacities of private sector as players in the health service delivery.
- It will contribute to the national health system’s structural transformation. The project is in line with those strategic areas.

4. Sub Sector Information
The Pharmaceutical Industry has experienced major growth in recent years. As per an estimate the Pharmaceutical industry is growing at 18 % annually. The Uganda’s harsh climate and disease prevalence provides more favorable business opportunities in the pharmaceutical business in Uganda.

4.1 Legal Issues Regarding Industry
The medical store will be registered under National Drugs Authority, Pharmaceutical society of Uganda, Ministry of Health and other relevant.

4.2 Major Players
The pharmaceutical industry is growing in Uganda day by day. Out of the national and multinational companies operating in Uganda the major players in this sector are:

<table>
<thead>
<tr>
<th>Major Players</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of the Company</td>
</tr>
<tr>
<td>National Medical stores (NMS).</td>
</tr>
<tr>
<td>Joint Medical Stores (JMS)</td>
</tr>
<tr>
<td>Medium Wholesale Pharmacies</td>
</tr>
</tbody>
</table>

5. SWOT Analysis

Strengths
- A centralized medical store oriented to the needs and values PFP private hospitals and private health clinics.
- Appropriate business model oriented to the needs and values of private hospitals and clinics.
- It will be a one-stop center offering all varieties of medical supplies unlike the fragmented pharmaceutical wholesalers.
- It will have direct collaboration with the Ministry of Health, the government and agencies or authorities.
- It will be able to distribute free medical supplies and health information packages to private health facilities.
- Central medical stores will be owned by Uganda National Association of Private Hospitals (UNAPH) hence serving its members.
- Reliability of our pharmaceutical products and affordable prices due to the reaping of the economies of scale.
- It will improve distribution of medical drugs to the private health facilities.
- It will help control supply of counterfeit and expired medical drugs to the private health sector.
- It will promote good distribution and good pharmacy practices and quality assurance systems.
- It will provide a supervision mechanism for distribution of medical drugs to the private hospital sector.
- It will enable Ugandans medical drugs at affordable prices.

**Weakness**
- Currently CMS lacks franchise with the pharmaceutical drug manufacturers.
- We are new in the pharmaceutical industry market.
- Lack of experience of running a medical store.
- Lack of visibility and brand loyalty for our business.
- Government intervention and regulations into medicines is possible.

**Opportunities**
- CMS will be linked to a private hospital association.
- There is a growing population in Uganda at a rate of 3.3%.
- We shall offer credit line facilities to our customers.
- Need to control supply of counterfeit drugs and expired drugs.
- It will contribute to the national health system’s structural transformation.
- The widening and increased role of the private health sector in Uganda’s health services delivery.
- Opportunity to reap and enjoy the economies of scale of this medical store.

**Threats**
- Political interference and misinterpretation of project by government officials and politicians
- The entry into the pharmaceutical industry market.
- Lack of franchise contracts and agreements with pharmaceutical manufacturers.
- Competition from the already existing pharmaceutical wholesale companies.
- Competition from Joint Medical Stores (JMS) and National Medical Stores (NMS)

6. **MARKET AND INDUSTRY ANALYSIS**

*Industry Analysis*

The industry will be Private Hospitals, Private clinics, NGOs, school, community-focused drug shops, pharmacies, company corporate medical services and sometime government public health facilities.
They will now be able to procure drugs from one centralized store unlike the fragmented different pharmacies in Kampala. Some will be able to buy drugs on credit arrangements.

CMS will be owned by Uganda National Association of Private Hospitals (UNAPH) and hence serving its members using them as its market base. It will also offer credit line facilities to its customers. It will be a one-stop center offering all varieties of medical supplies unlike the scattered pharmaceutical companies. It will have collaboration with the government and its agencies in terms of free supplies and medical information packages to private health facilities.

6.1 Market Analysis
The market is very big because some of the recent reports and surveys on the Uganda Health sector suggest that almost 50% of the health service delivery is provide by private health facilities yet the PFP subsector have no centralized source of medical drugs. The market is growing because they are a lot of small and medium private clinics and modern private hospitals being opened up in Uganda. The market is consistent and sometimes depends on the emergencies in the country.

6.2 MARKETING PLAN
We shall promote the products i.e. Human medical drugs by encouraging members of Uganda National Association of Private Hospitals (UNAPH) to buy from their own established centralized medical store which will ensure quality and non-counterfeit drugs. Since it will be a centralized procurement, storage and distribution system of medical drugs for the private hospital sector, the economies of scale will enable central medical store (CMS) to sell drugs at affordable prices better than the already existing small and medium pharmaceutical wholesalers. We shall also have 4 zonal/regional liaison offices to collect orders and coordinate our customers. We shall carry out advertisement campaigns within the professional limits and boundaries of promoting pharmaceuticals products and projects. We shall carry out public relations campaigns using different media i.e Newspapers, Television, fm radios, flyers, junk mails, conferences and workshops, and brochures. We shall also organize launching events of the central medical store (CMS).

6.3 Products and Services
Basically we shall be selling Human Medicines and Medical supplies. I.e. human pharmaceuticals drugs, Laboratory supplies, medical equipments and related supplies.

7.1 Organization and Management of CMS
To ensure efficient management of the CMS, an organizational structure below, is proposed for the CMS.
7.2 Operating method

The PFF Private Hospitals and Private Health Clinics are the project beneficiary, while the Uganda National Association of Private Hospitals (UNAPH), will be the project owner or co-owner or partner.

Two partners will implement 2 specific components under this project:

- A consulting firm will manage the entire construction component, including financial management.
- Another firm will be entrusted with the implementation of the component for applied research on rational drug use which aims to define more suitable and less costly protocols.

The Uganda National Association of Private Hospitals (UNAPH), will benefit from support from a consulting firm for the implementation and supervision of the institutional component for the aspects of Technical assistance for the start-up and operating of the CMS and the Institutional strengthening of the UNAPH Pharmaceutical Drugs Task Committee, The Pharmaceutical Drugs Task Committee will be the association’s technical committee which will be in charge of leading these activities.

Supervision will be conducted via periodic monthly missions that the consulting firm will lead with UNAPH during the entire project duration, i.e. even after the technical assistance is withdrawn from the CMS.
8. Cost and Financing Plan

<table>
<thead>
<tr>
<th>Components</th>
<th>US Dollar</th>
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<tbody>
<tr>
<td>Component 1 Construction, equipment of CMS</td>
<td>9,800,000</td>
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<tr>
<td>Land Acquisition and Purchase</td>
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<tr>
<td>Construction of Central Medical Store (CMS)</td>
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<tr>
<td>Equipment of CMS and Start-up Support</td>
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<tr>
<td>Technical assistance to CMS</td>
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<tr>
<td>Component 2. Institutional support to UNAPH</td>
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<tr>
<td>Rational Drug Use</td>
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<tr>
<td>Drug Quality Assurance System</td>
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<tr>
<td>Assistance to Owner and Project Management</td>
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<td>Audit</td>
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<td>Management and Related Logistics</td>
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<td>Unforeseen Items</td>
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<tr>
<td>Total project cost</td>
<td>14,000,000</td>
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</tbody>
</table>

8.2 Project Finance
Financing the establishment of CMS including technical assistance and support for the project will be through financial loans, equity financing, grants or partnership with a development partner, organization or private company. Responsibilities for funding of the various aspects of the project will be discussed during the planning process.

9. PROJECT IMPACT ASSESSMENT

9.1 Expected project outcomes

9.2 - Environmental effects
The new warehouse that will be built will considerably improve the physical management of drugs control counterfeit and outdated drugs. Positive impacts are expected in terms of the current situation where warehouses are scattered and lack monitoring.

9.3 - Social effects
The project has a considerable social impact as it is expected to help improve
healthcare quality by rationalizing drug supplies to health units and creating or strengthening the drug quality assurance system.

9.4 - Institutional effects
The project has a sizeable component for institutional support and capacity building with considerable structural transformation and effects for the Private Health Sector.

9.5 – Sustainability of project effects
By restructuring the drug sector in the private sector, drug management should be rationalised and there should eventually be changes in drug prescriptions and consumption as a result of improved health economics.

9.6 - Environmental and social risks
The environmental risks have been properly taken into account in the Environmental and Social Management Plan provided for by the project.

Key Risks
- Competition from existing pharmaceutical suppliers i.e. Joint Medical Store (JMS), National Medical Stores (NMS) and small and medium pharmaceutical wholesalers.
- Political interference during the implementation of the project.
- Government bureaucracy during the processing of authorizing documentation of the project.
- Government bureaucrats may deliberately delay recommendations for the project for fear of reducing their departmental powers and operation funds.
- Corruption within the staff on the project.
- Theft of drugs from the stores through manipulated invoices and related trick.
- Difficulty in negotiation of franchises from already awarded franchise.
- Paying loans in time/on schedule.

Risk Management Strategy
- We shall engage insurance companies to cover some of the insurable risks
- We shall also try to convince our funders and lenders, financiers to focus on the viability of the project idea and avoid possible political interference from some officials.
- Selection and deployment of staff will highly be censured to reduce corrupt elements in the personnel.
- Inside surveillance cameras and gadgets will be installed in the warehouse to avoid theft of drugs.
- Security guards will also be deployed.
- We shall also clearly state our project objectives to Ministry of Health to avoid hidden delays by government officials.

10 - SUPERVISION-EVALUATION MECHANISM

10.1 - Supervision-evaluation mechanism
The UNAPH – CMS project steering committee will meet on a regular basis in order to supervise the project. UNAPH project manager will draft monthly reports.

Concerning the Construction and equipment component, a consultancy firm will regularly supervise the progress of the works and will control the quality of the entire construction works. Periodical reports will be transferred to Uganda national association of private hospitals (UNAPH) and other partners.

In terms of the institutional support activities, the fact that a specialised consulting firm will be commissioned, one of whose responsibilities will be to supervise all project activities and, in particular, to make sure that the CMS operates well, will ensure that the UNAPH-CMS staff will take ownership of the new management methods. This consulting firm will also provide periodic monthly supervision reports.

10.2 Proposed Business Legal Status
The Central Medical Store CMS will operate as subsidiary company of Uganda National Association of Private Hospitals (UNAPH). For getting information on Uganda National Association of Private Hospitals (UNAPH), please visit the Website: www.unaph.com. Despite the fact that the project is owned by a trade association, Uganda National Association of Private Hospitals (UNAPH), CMS will be operated on a profit and loss basis – enterprise to enable it to be sustainable to serve its intended market and avoid any interferences and misinterpretations.

11. LAND & BUILDING REQUIREMENT

CMS Land Requirement
Approximately 10,000 sq meters will be required for this medical store. It is recommended that the area should be acquired on a permanent basis. Purchase of land cost for the proposed areas is incorporated in the project cost budget. The proposed Size of the medical store will be around 6000 sq. meters. A
purchase of Land (5-10 Acres) within a radius of 5 Km from the Central Business District of Kampala will be made. This is because the situation / location of this store is a very important element as its going to be operated on a business-oriented kind of establishment and therefore convenience for the customers has to be put into consideration.

12. CMS Website:
A website will be run to publicize and enhance electronic orders and also provide pharmaceutical information to the medical consuming public and also to help improve knowledge, access, and availability of medicines. CMS Website will be a procurement and reference resource providing a one-stop-shop for professionals and decision makers within Uganda’s pharmaceutical industry. It will provide a comprehensive breakdown of pharmaceutical manufacturers, Pharmaceutical drugs, up-to-date information, news, policy papers and detailed information on current industry projects and trends.

13 – Impact indicators

Indicator 1. Stability or fall in health expenditure to be measured in year 4.

Indicator 2. Permanent drug availability

Indicator 3. A Strategic plan and an action plan are defined and implemented.

14. INFORMATION ON BIDDING OPPORTUNITIES

These details are provided for information purposes only and in no way give an indication of the owner’s final decision.

<table>
<thead>
<tr>
<th>Purpose of the bid invitation:</th>
<th>Type of bid invitation</th>
<th>Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMS design</td>
<td>Bid invitation</td>
<td>1st half 2012</td>
</tr>
<tr>
<td>CMS construction</td>
<td>Bid invitation</td>
<td>3rd quarter 2012</td>
</tr>
<tr>
<td>Procurement of equipment for the CMS</td>
<td>Bid invitations</td>
<td>4th quarter 2012</td>
</tr>
<tr>
<td>Recruitment of a consulting firm for technical assistance to the UNAPH</td>
<td>Bid invitation</td>
<td>1st quarter 2013</td>
</tr>
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