

Revolving drug funds: a step towards health security

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The establishment of a revolving drug fund project in Viet Nam is described and the factors responsible for its success are considered. As well as being a tool for cost recovery a revolving drug fund can serve as an entry point for strengthening health care and improving health security at local and district level.

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The provision of access to affordable and acceptable quality drugs is probably the most crucial element in implementing primary health care. The Bamako Initiative sought to meet this requirement and to develop a capacity for delivering satisfactory care. Its early implementation, however, had various failings, and the resulting criticisms led to an evaluation conducted by the London School of Hygiene and Tropical Medicine. In response to these criticisms a project for the creation of revolving drug funds was set up in Viet Nam by the Nippon Foundation with the involvement of the Department of Health and Policy Planning at Tokyo University, and an attempt was made to accommodate some of the suggestions presented in the evaluation.

Background

In the mid-1980s the Doi Moi movement in Viet Nam began to favour market forces over community-based political control of the economy. The role of the people's committees in revenue-gathering and the organization of activities in the communes was gradually undermined, and many community-funded services at this level were adversely affected. Meanwhile, a range of health policy reforms was introduced, including fee-for-service and the legalization of private practice.

Resources derived from local taxation, which had been directly accessible to the people's committees, dried up or were diverted from the commune health centres. Staff ceased to be paid, and the amount of money available for maintenance of equipment and the infrastructure and for the purchase of drugs and medical supplies was drastically reduced. By about 1990 these health

centres were receiving hardly any resources from the political organizations in the communes.

As a result, health services at the commune level declined significantly: drugs became unavailable, staff morale fell and the health centres began to deteriorate. A decline in utilization was exacerbated by the emergence of private drug stores. Commune health workers, being unpaid, resorted to private practice and, together with the drug stores, drew most patients away from the public sector facilities.

Against this background, UNICEF and the Ministry of Health decided to apply the principles of the Bamako Initiative so as to revitalize the health services. This meant providing a seed stock of essential drugs, basic equipment for health centres, and funds for training and support in selected provinces.

The Nippon Foundation provided essential drugs for eight provinces initially and for eight more in a second phase, and made funds available for three years, at the end of which period it was intended that the recycling of proceeds from the sale of drugs would be taking place and that the quality of public services at commune level would be showing improvement. It was expected that this would lead to a return of patients.

Progress

Essential and other drugs have been continuously available in the participating health facilities and communities since the project was launched. There is increased penetration of drugs into remote areas, especially the mountainous ones, which are difficult to reach. The drugs obtainable at commune health centres are affordable and of acceptable quality, having come from district and regional government pharmacies. With a few exceptions, private pharmacies do not ordinarily serve as sources of drug replenishment. The people's committees participate in co-managing and overseeing the revolving drug funds. The involvement of the community is intense but varies from commune to commune because of unclear guidelines and procedures concerning inter-

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action between the committees and the commune health centre teams.

Over 80% of the revolving drug funds have operated without decapitalization of the initial seed stock since they were set up in 1994. However, performance has varied between communes. With regard to cash in hand and stock value the funds appear to perform best in communes where the financial aspect is given particular emphasis by the committees and the health centre staff. The seed stock is distributed through Vinapharm (the Union of Pharmaceutical Enterprises of Viet Nam) and the provincial and district health services, and replenishments are obtained from government pharmacies operated under the auspices of Vinapharm or, exceptionally, from local private pharmacists and drug stores. The distribution system appears to be reasonably effective. The morale of staff has improved significantly, largely because they have basic drugs to work with and are offered incentives which come from revenues accruing through the operation of the revolving drug funds.

According to the people's committees and the commune and district health administration staff, the utilization of services has improved marginally. However, data on the proportions of communities with access to drugs and the effect on household expenditure are scarce, while information on utilization rates exists only in aggregated form in the Ministry of Health's *Health statistics year book*. Consequently, there is still some doubt about equity of access.

There has been an improvement in the rational use of drugs. In a district where the principles of the Bamako Initiative were being applied the average number of items per prescription was 1.9, whereas in a district where these principles were not being observed there were 3.3 items per prescription; the corresponding proportions of prescriptions that included injectables were 19% and 81%. There was almost no difference in the number of prescriptions that included antibiotics.

It was generally agreed at the provincial and district levels that the following additional matters would have to be considered if the utilization of public sector health services was to be further improved:

- health worker competence;
- availability of new equipment at commune health centres;
- clearer guidelines with standardized procedures;
- wider application of standard treatment guidelines;
- strengthening of management capabilities of health teams at commune and district level.

Drug replenishment

Replenishment through Vinapharm and some private vendors has taken place in 1609 first-phase communes with revolving drug funds. The profit-driven system is effective and appears not to depend on central government, which, however, strongly sup-

ports it. Decisions on procurement and sales are taken at the commune and facility level.

The development of local drug manufacturing, together with the increasing purchasing power of health services and households, appears to be a crucial factor in the success of the project. Per capita drug consumption rose phenomenally between 1986 and 1996 (1, 2). In 1996 there were over 7500 registered pharmacies.

The decentralization of decision-making on the procurement and sale of drugs has provided an important stimulus for strengthening replenishment mechanisms: there is now a factory-based distribution network and private vendors have penetrated into remote areas. The presence of both public and private suppliers creates competition and this benefits the revolving drug funds. Hospitals at the district and provincial levels, however, are still expected to procure their supplies from Vinapharm and to approach other sources only when requirements cannot be obtained from this body. The managers of revolving drug funds based at commune health centres are also encouraged to procure from district outlets. However, some commune revolving funds are procuring considerable quantities of drugs from private vendors.

The experience gained in Viet Nam could well be of value in Myanmar, where a similar project is being implemented. There, however, the procurement and distribution of drugs are subject to a highly centralized decision-making mechanism controlled by government. Furthermore, there is virtually no wholesale/retail private pharmaceutical sector outside the capital city, and the purchasing power of households and health facilities is limited. These factors have, to a large extent, hindered the development of a responsive, self-reliant drug replenishment system.

Lessons

The development of a reliable and acceptable replenishment system in Viet Nam has hinged on:

- commitment of government to achieving both cost recovery and increased access to affordable and acceptable generic drugs of good quality;
- elimination of conflicts in national drug policy;
- improvement and revitalization of the pharmaceutical sector through encouragement of private investment;
- privatization of the central drug manufacturing and supply system;
- strengthening the regulatory and control functions of the Ministry of Health;
- implementation of the revolving drug fund project in 18 of the country's 53 provinces.

In many of the sub-Saharan countries in Africa where the principles of the Bamako Initiative have been applied, governments and other donors have, for the most part, been lukewarm in their commit-

ment or even antagonistic. This has been particularly true with respect to the development of indigenous drug replenishment mechanisms and of the management capability of health ministries at community and district level.

In general the development of the pharmaceutical sector has not been given high priority because of the costs involved and the weak management and logistic capacities of health ministries and the private sector. Dependence on external funds for supporting the drug bills of health ministries has been unavoidable because various donor-funded projects stipulate that drug procurement must be from manufacturers in the donor countries. The replenishment of the revolving drug funds has therefore had to rely on inefficient and bureaucratic centralized medical and drug stores run by health ministries, or on the provision of drugs by UNICEF or nongovernmental organizations through parallel supply systems that cannot be sustained in the long term. Most efforts aimed at improving centralized health ministry systems have failed because of mismanagement, chronic underfunding and understaffing, and badly maintained warehousing and transport facilities.

Nevertheless, in Benin, Guinea and elsewhere, applying the principles of the Initiative and using revolving drug funds for cost recovery have been beneficial. There is a growing recognition that sustainable improvement in cost recovery and the quality of care takes time and that long-term support is necessary for the development of local management capacity. Moreover, implementation of the Initiative has shown that incremental learning is essential for refining selected strategies on the basis of feedback. It has also highlighted the importance of strengthening community-based control and co-management, including participatory problem-solving and the use of new approaches to training and supervision.

In Viet Nam the purchasing power of households and, particularly, of local health centres and hospitals, bolstered by a responsive price-setting mechanism, created a demand that had to be met by Vinapharm and the private sector. Reinforcement came from the centre in the form of support for decentralization in respect of decision-making on the ordering, procuring and sale of essential and other medicines at the level of the revolving drug funds and the health facilities. The returns were substantial enough for Vinapharm and the larger private vendors to undertake replenishment, as drugs were purchased directly for cash rather than through the troublesome government purchase order system.

The Vietnamese experience shows that revolving drug funds tend to thrive in an environment where the local economy is vibrant and growing, and that they can be sustained where communities are involved in their own economic development as a practical issue instead of as a political or ideological expression of national policy. Some equity-related

criticisms (3–5) should be redirected at donors and other agencies that have contributed to the creation of poor economic situations (6). The community's perception that affordable and acceptable essential drugs of good quality are continuously available has stimulated its purchasing power and that of the health facilities, an important factor in sustainability: volumes increase, more and more vendors respond to the demand, and the replenishment system develops, strengthens, extends and becomes more responsive and reliable.

Oversight and co-management by the people's committees has contributed to a reasonable performance of the revolving drug funds in the communes. As many communes had not been able to obtain drugs for a considerable time, continuous access to affordable drugs of acceptable quality stimulated intense interest in the operation and maintenance of the revolving drug funds. Because the committees running them were authorized to use the revenue from drug sales to replenish stocks and offer incentives it was possible to avoid excessive losses caused by inflation and currency fluctuation, such as can occur when large sums are deposited in banks. This greatly reduced the likelihood of rapid decapitalization.

In many communes, participation by the communities has generally been quite intense because of the transfer to them of control over the various aspects of the operation and management of the revolving drug funds, including the setting of prices. Probably the most critical area has been that of control over the use of locally generated resources, especially the revenue derived from the operation of the revolving drug funds. Wherever the issue of local control has been neglected or not carefully supported through clear guidelines and training of the community, participation has been poor and the revolving drug funds have become either decapitalized, exclusively profit-oriented, or sustainable only through repeated injections of capital.

Although the management of the project was very centralized initially, responsibility for supervision of the revolving drug funds at the commune health centres was delegated to the district health administrations. In this way support was given to the work of the people's committees. The process of integrating revolving drug funds at the commune level into the overall operations of the district health authorities has ensured that the revolving drug funds are not just vertical schemes with their own management and training frameworks. These authorities appear to have recognized that revolving drug funds have become the mainstay of the revitalized commune health centres. Considerable efforts are being made by the Ministry of Health to link the revolving drug funds and the curative services to other public health services provided at these centres.

A survey of revolving drug funds in areas covered by the project and in other areas has indicated the extent to which the results were attributable to clearly articulated policies and sound

management rather than to a fortunate combination of circumstances (7).

Experience in Viet Nam suggests the following essential ingredients for a relatively successful programme of revolving drug funds:

- a wholly or partly privatized pharmaceutical sector;
- decentralization of decision-making on ordering, purchasing and sale of drugs at commune and facility levels;
- a responsive, reliable and affordable replenishment system;
- close participation at commune level of adequately trained community organizations in co-management of revolving drug funds and health services;
- a strengthened district health administration that can integrate the revolving drug funds into its overall supervision and monitoring activities.

Revolving drug funds should be considered not only as tools for cost recovery but also as entry points for strengthening the health care system and improving health security at the commune and district levels. This is attainable through the promotion of partnership between community organizations and health service staff in the delivery of responsive, appropriate, integrated and acceptable health care of good quality, including rational drug use. ■

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Résumé

Fonds autorenewables pour les médicaments : un premier pas vers

L'accès à des médicaments d'un coût abordable et d'une qualité acceptable est probablement la composante la plus fondamentale des soins de santé primaires. L'initiative de Bamako s'est efforcée de répondre à ce besoin et de créer les moyens d'assurer des prestations de santé satisfaisantes. Or, cette initiative, du fait de sa mise en oeuvre rapide, a présenté un certain nombre de faiblesses et suscité diverses critiques. Pour y répondre, la Nippon Foundation, avec le concours du Département de la Santé et de la Planification des Politiques de l'Université de Tokyo, a mis en place au Viet Nam des fonds autorenewables pour les médicaments.

Les progrès suivants ont été enregistrés :

1) Depuis le lancement du projet, les communes et les centres de santé concernés ont été régulièrement approvisionnés en médicaments essentiels et en autres produits. On a observé une pénétration accrue de médicaments dans les régions isolées, notamment les régions montagneuses difficiles d'accès. Les médicaments disponibles dans les centres de santé communautaires sont d'un coût abordable et d'une qualité acceptable, et proviennent de pharmacies de région ou de district ou de certaines pharmacies privées. Les comités populaires participent à la surveillance et à la cogestion de ces fonds.

2) Bien que les résultats aient varié d'une commune à l'autre, plus de 80% de ces fonds ont — depuis leur création en 1994 — fonctionné sans entamer les capitaux d'amorçage. Pour ce qui concerne les liquidités disponibles et la valeur des stocks, il semble que ces fonds fonctionnent au mieux dans les communes où les comités et le personnel des centres de santé ont mis l'accent sur l'aspect financier.

3) L'utilisation des médicaments est devenue plus

l'initiative de Bamako étaient suivis, le nombre moyen de produits par ordonnance était de 1,9 contre 3,3 lorsque le district n'observait pas ces principes; les pourcentages des ordonnances incluant des préparations injectables étaient respectivement de 19% et de 81%, et ne variaient guère pour les antibiotiques.

4) Dans un premier temps, 1609 communes dotées de fonds autorenewables pour les médicaments ont été réapprovisionnées par l'intermédiaire de Vinapharm (l'union des entreprises pharmaceutiques du Viet Nam) et de quelques vendeurs privés. Ce système axé sur le profit est efficace et ne semble pas être tributaire des autorités centrales qui néanmoins le soutiennent activement. Les décisions concernant les achats et les ventes sont prises aux niveaux de la commune et du centre de santé. La décentralisation du processus décisionnel a largement favorisé le renforcement des mécanismes de réapprovisionnement.

L'expérience vietnamienne montre que les fonds autorenewables pour les médicaments ont tendance à se développer lorsque l'économie locale est en plein essor, et que ces fonds ont un avenir lorsque les communautés sont associées — concrètement et non pour des motifs idéologiques dictés par la politique nationale — à leur propre développement économique.

Il faut considérer ces fonds comme un moyen non seulement de recouvrer des coûts mais aussi de renforcer le système de soins de santé et d'améliorer la sécurité sanitaire aux niveaux de la commune et du district. C'est en encourageant le partenariat entre organisations et personnels de santé communautaires qu'il sera possible d'assurer des prestations de santé adaptées, intégrées et de bonne qualité, y compris une utilisation rationnelle des médicaments.

Resumen

Los fondos rotatorios para medicamentos: un paso hacia la seguridad sanitaria

Facilitar acceso a medicamentos de calidad, asequibles y aceptables es probablemente el elemento primordial en la aplicación de la atención primaria de salud. La Iniciativa de Bamako se propuso atender esa exigencia y desarrollar la capacidad necesaria para prestar una atención de salud satisfactoria. Sin embargo, en su aplicación inicial se produjeron diversos fallos, con las consiguientes críticas. En repuesta a ellas, la Fundación Nippon, con participación del Departamento de Salud y Planificación de Políticas de la Universidad de Tokio, emprendió en Viet Nam un proyecto para crear fondos rotatorios para medicamentos.

Se han observado los siguientes progresos.

1) Desde el lanzamiento del proyecto, en las instalaciones sanitarias y las comunidades participantes se ha dispuesto de forma continua de medicamentos esenciales y de otro tipo. Aumenta la penetración de los medicamentos en las zonas remotas, especialmente en las montañosas, de acceso difícil. Los medicamentos que pueden obtenerse en los centros de salud municipales son asequibles y de calidad aceptable, y proceden de las farmacias del distrito, del gobierno regional y de algunas farmacias privadas. Los comités populares participan en la vigilancia y la cogestión de los fondos rotatorios para medicamentos.

2) Aunque los resultados varían entre municipios, más del 80% de los fondos rotatorios para medicamentos han venido operando desde su establecimiento en 1994 sin descapitalizar la inversión financiera inicial. En cuanto al efectivo en caja y al valor de las existencias, los fondos parecen funcionar mejor en los municipios donde los comités y el personal de los centros de salud prestan una atención especial al aspecto financiero.

3) Ha mejorado el uso racional de los medicamentos. En un distrito donde se aplicaban los principios de la Iniciativa de Bamako, el número promedio de

específicos por prescripción era de 1,9, mientras que en un distrito donde no se observaban esos principios era de 3,3; la proporción de prescripciones que incluían medicamentos inyectables era del 19% y del 81%, respectivamente. No había casi ninguna diferencia en el número de prescripciones que contenían antibióticos.

4) En 1609 municipios de la primera fase con fondos rotatorios para medicamentos, el reabastecimiento se ha realizado a través de Vinapharm (unión de empresas farmacéuticas de Viet Nam) y de algunos proveedores privados. Ese sistema, de fines lucrativos, es eficaz y no parece depender del gobierno central, que, sin embargo, lo apoya resueltamente. Las decisiones relativas a la adquisición y la venta de medicamentos se toman a nivel municipal y de servicio. La descentralización de esas decisiones ha infundido un importante estímulo para reforzar los mecanismos de reabastecimiento.

La experiencia vietnamita muestra que los fondos rotatorios para medicamentos tienden a prosperar en los entornos donde la economía local tiene vitalidad y está creciendo, y que pueden sostenerse donde las comunidades participan en su propio desarrollo económico como asunto de índole práctica y no como una expresión política o ideológica de la política nacional.

Los fondos rotatorios para medicamentos no deben considerarse sólo instrumentos para recuperar los costos, sino también puntos de entrada para reforzar los sistemas asistenciales y mejorar la seguridad sanitaria en los niveles municipal y de distrito. Ello puede lograrse promoviendo el establecimiento de lazos de asociación entre las organizaciones comunitarias y el personal de los servicios de salud para prestar una atención sanitaria sensible, apropiada, integrada, aceptable y de buena calidad, que incluya el uso racional de los medicamentos.

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