

USAID MEDICINES, TECHNOLOGIES, AND PHARMACEUTICAL SERVICES (MTaPS) PROGRAM

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ADVOCACY BRIEF: PHILIPPINES

BUILDING A MORE EFFICIENT PUBLIC HEALTH SUPPLY CHAIN THROUGH FOURTH-PARTY LOGISTICS

The Philippines has made substantial progress in modernizing its public health supply chain in the years since health system decentralization was initiated in 1992. However, challenges have been cited around provision of integrated technical stewardship for decentralized implementation by local government units (LGUs), which hold financial responsibility and supply chain authority under the devolved structure. Notably, the COVID-19 pandemic has strained health systems and LGUs still vary widely in their institutional capacity and maturity.

During 2021 and 2022, the USAID-funded Medicines, Technologies, and Pharmaceutical Services (MTaPS) Program assessed the family planning supply chain in Bicol, Cebu and the National Capital Region (NCR). This assessment included a cost-benefit analysis, operational capability audit, and political economy and stakeholder analysis (see key informant quotations below). This document reflects the key findings, providing a framework for consideration of action steps to strengthen public health supply chains across the Philippines, improving patient outcomes and reducing fiscal spending at all levels of government.

Integration of supply chain management (SCM) functions across national, regional, and LGU levels—a key strategy in the devolution plan developed by the Department of Health (DOH) for 2022-2024, can help improve system efficiency and DOH performance in timely and transparently managing distribution of pharmaceutical products and vaccines.

Partnership with the private sector to support this integration offers a spectrum of increasing value, ranging from outsourcing specific, niche services (e.g., cold chain management and last mile delivery) to **logistics service providers (LSPs)** to contracting out broader SCM services (e.g., data collection, analytics, and monitoring) to **third-party logistics (3PL) providers**. In the Philippines, complaints about unsatisfactory performance of 3PL contractors and subcontractors are common, DOH supervision is uneven, and the Commission on Population & Development (POPCOM) still lacks end-to-end visibility of the family planning supply chain.

Introduction of **fourth-party logistics (4PL)**—end-to-end coordination of all supply chain functions, from demand planning to last mile delivery, by a private-sector provider, based on comprehensive, near-real-time data—offers the best potential to improve visibility of supply chain performance and support informed decision-making, proactive management, and clear ownership of all critical functions. By evolving from an operational to a managerial role—from *rowing the boat to steering it*—the government can strengthen its oversight capacities, improve system efficiency, foster accountability for performance, and take timely, corrective action when needed.

ASSESSMENT FINDINGS

- Despite limited availability of comprehensive cost data, the **cost-benefit analysis** findings suggest that opportunities exist to significantly reduce operating costs.

Experience across a range of industry sectors—confirmed by key informants including LSPs and other private-sector supply chain practitioners—indicates that engagement of a 4PL provider, with focused management oversight from DOH, could also improve service levels in a supply chain that faces ongoing challenges from the country's devolved health system and its complex geography.

'We're more flexible when it comes to looking at every aspect of the operation to slash unnecessary costs... We are serving the people of the Philippines; we are not just doing it for ourselves... we do a part of our share to society...'



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'A lot is lacking in the infrastructure of the DOH, including the manpower to complete the supply chain. There is no IT system, end-to-end, and difficult to monitor the utilization from the ground. There are no master-keeping units and also no visibility.'

- The **operational capability audit** reflected that implementation of a best practice public-private partnership could improve supply chain performance by 28% – 40% across all supply chain functions, with some variation by region. The results showed that there are professional providers that have the expertise to provide 3PL services. These could potentially evolve into 4PL partners, which would require the DOH to strengthen its oversight capabilities.

- The **political economy analysis** showed private-sector enthusiasm about a 4PL partnership. A majority of public-sector respondents saw the benefits of outsourcing, but some shared concerns about current infrastructure deficiencies (e.g., lack of an end-to-end IT system), inadequate DOH capacities (e.g., to forecast spending and oversee providers), potential loss of control, and public-sector staff attrition.

'We believe the public sector is open-minded, willing to partner with the private sector. It just needs somebody... who can guide them or mandate or provide technical guidance or advisory so they can do it.'

Together, the assessments suggest that collaborative partnership with a 4PL provider could help the DOH strengthen its SCM capacities, gain further insight into supply chain processes while taking greater control of performance. As the roles of existing public sector staff evolve from operational to managerial and their skills improve, attrition is not expected to be a significant factor. Further details are included in the full activity report.

Potential benefits of 4PL. Incremental supply chain strengthening and outsourcing initiatives are unlikely to deliver the critical performance improvements that are needed. Contracting a best-in-class 4PL provider, in contrast, could:



Improve public trust. Improvements in supply chain efficiency will translate directly into an improved patient experience, leading to increased public trust, which has been shown to be critical for proactive health-seeking behavior and improved health outcomes.



Enhance health spending efficiency. A 4PL provider's pricing expertise and market knowledge can help reduce cost fluctuations, delays, and product wastage due to expiry and damage. It also improves oversight and maintenance of 3PL fleets and other assets.



Increase ownership, visibility, and transparency. The private sector's market competitiveness and monitoring culture offer substantial benefits for Philippine's public health supply chain, as near-real-time data, cutting-edge IT, and smart logistics foster transparency, accountability, and quick reaction to any underperformance.



Improve administrative flexibility. Transitioning DOH leadership and staff to an oversight role will focus their attention on strategic issues rather than administrative functions.



Sustainably strengthen capacity. Working closely with the 4PL provider will build DOH's and LGUs' expertise in key SCM areas including contract management and performance monitoring for sustainable UHC implementation.

'I don't think it will cost much. So, I think of it as more advantageous on the part of the government. The 4PL is also from the private sector... I think that's what we need.'

Implementation considerations. Broad stakeholder buy-in across all levels of government will be critical to successful implementation of a 4PL strategy in the Philippines. This will require strategic, persistent advocacy, aimed at stakeholders who are reluctant to adapt to the new system; systematic preparation and planning; and a thoughtful, inclusive change management strategy.