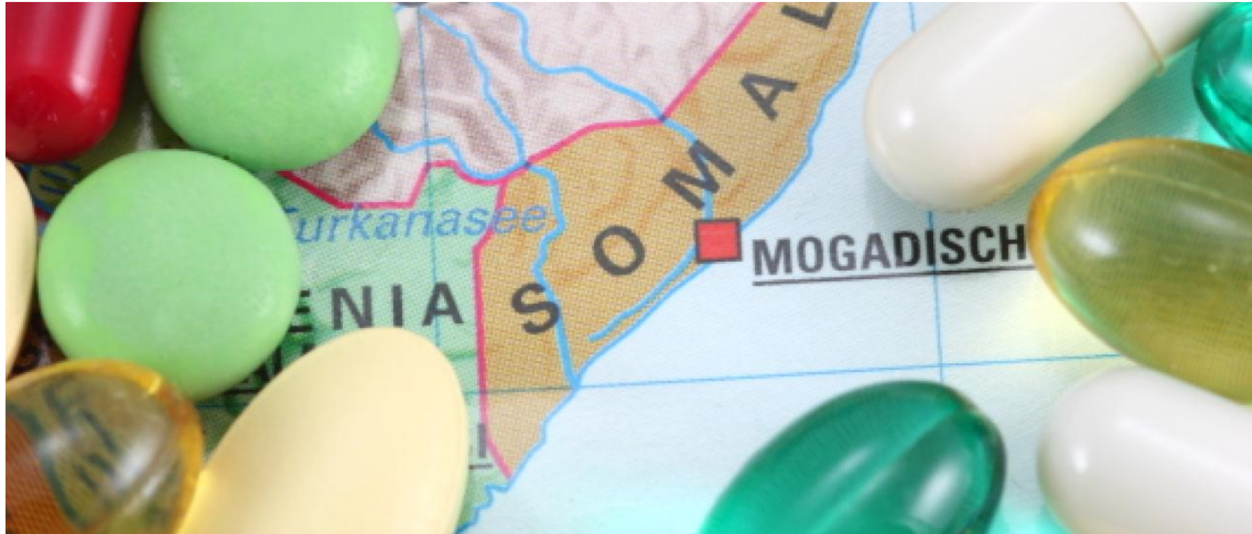
Donating Medicines Through Broken Supply Chains



By Luk Van Wassenhove , INSEAD

Medicine donations from pharmaceutical companies to those in need can land well-intentioned donors in hot water if certain principles are not followed.

There are many challenges for large pharmaceutical manufacturers looking to make medicine donations to developing countries. Despite a strong basis in corporate social responsibility policies, lessons from the past show that the risks to brand image are high, even if donations are driven by the best intentions.[1]

A case in point was Eli Lilly, which donated an antibiotic to Rwandan refugees during the civil war between Hutus and Tutsis. The overestimation of the needs, the fragmented communication, and the fact that the donated antibiotic was not on the Model List of Essential Medicines of the WHO raised questions about the company's practices.

Medicine donations have often been criticised because they are perceived to be pushed by manufacturers who want to get rid of their surplus stocks without caring for beneficiaries' needs. The alternative to dispose of excess

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stock, however, is wasteful when they could fill a needs gap. This puts donors between a rock and a hard place.

Only needs-based donations are appropriate since they help meet a shortage in resources,[2] but there exists a gap between utilising excess stock properly and efficiently allocating it to those in need.

The hard place

A plethora of ways exists by which medicines are donated, for example, pharmaceutical manufacturers can donate medicines with or without patent protection.[3] Consumers and international or local wholesalers may also donate medicines previously bought by them.[4]

Many actors are involved in the supply chain until the donated medicines finally reach the beneficiaries, such as intermediary organisations (international NGOs) acting as brokers by soliciting medicines from donors and distributing them and recipient organisations in direct contact with beneficiaries (local NGOs or health ministries).

However, getting the donated medicines to where they need to be can prove tricky on many levels. First there must be alignment of a common vision and commitment from all actors in the supply chain to follow international and national guidelines for medicine donations; second, supply chain management and harmonised processes among donors, intermediaries and recipients is needed; third, accurate needs assessment and forecasting; fourth, access to funds for distribution and transparency and fifth, clear communication.

The first one of the above issues is a well-known pain point of all cross-sector partnerships between for-profit and non-profit organisations whereas the other issues concern the management and functioning of the supply chains of medicine donations. Here are four design principles for partnerships that include medicine donations in their scope.

Principle 1: Articulating a clear vision and aligning incentives

In an ideal world, medicine donations would have no place because they create a dependency on donors. We haven’t reached this point yet since medicine donations serve various scenarios: programmes with focus on the elimination of a single disease,[5] programmes intended to strengthen the healthcare system of a country,[6] and programmes to support victims of

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natural disasters or wars.[7] Partners need to agree on medicine donations from pharmaceutical manufacturers as one of the tools that the partnership will use to accomplish a shared vision. A succinctly written vision can also help the buy-in at all levels in the partner organisations.

Once the vision has been defined, the next step is communicating it to other stakeholders such as multilateral agencies for public health, local pharmaceutical manufacturers, and recipients. Identification and alignment of stakeholders is easier in a partnership with a clear vision, especially in non-emergencies, where more options exist for improving access to medicines.

Principle 2: Mapping the existing supply chains in emergencies and non-emergencies

Medicine donations have inherently complex supply chains. Each actor in this supply chain has its own processes and systems. There is a need for all to manage the supply chain as a whole, instead of sub-optimising its parts.

To do so, partners first need to understand their internal supply chains and then need to harmonise their cross-partner operations in emergencies and non-emergencies. Our research shows that there is little documentation and quantitative data, especially in Europe, about medicine donations from pharmaceutical manufacturers and about operating models of intermediary NGOs. If partners would chart their own supply chains before collaborating, it would significantly help assess the pool of available resources, the scale of current operations and the potential of future ones.

Principle 3: Managing a harmonised supply chain

It is not clear yet how to design a single “platform” through which manufacturers could supply medicines to meet the needs of beneficiaries, communicated to them by intermediary and recipient organisations. Partners would need to decide upon decision-making processes for their shared operations. Clear decision-making within the supply chain will improve accountability of donors, intermediaries, and recipients among themselves and towards the beneficiaries and the public opinion.

Principle 4: Enhancing transparency of end-to-end flows

Supply chains of medicine donations are broken because cash, product, and information flows receive little attention, if they receive any attention at all.

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Cash flows in these supply chains are often neglected. However, examples of donations through the WHO, e.g. the African Programme for Onchocerciasis Control (292 million doses in 1988-2005) and the Children Without Worms (600 million doses through 2020), are considered successful because they focused on both sourcing medicines from manufacturers and financing their distribution all the way to the beneficiaries.

Visibility on medicines moving along the supply chain is crucial for evaluating the contribution of each partner. Knowledge of the medicine flows from donors to intermediaries, to recipients, and eventually to beneficiaries, and of the impact on beneficiaries' lives contributes to the sustainability of the partnership.

Ensuring transparency of information flows is another huge challenge considering current practices of pharmaceutical companies and NGOs such as the use of multiple units for measuring donations and non-standard evaluation methods. In order to address this issue, we suggest to partners to pursue the standardisation of measurement and evaluation methods in all their operations after discussion with their stakeholders.

The majority of medicine donations lack a holistic approach. Only well-managed and well-designed supply chains for focused medicine donations can ensure putting the "right medicine in the right amount at the right place in the right time for the right beneficiary".

[1] Crooks, G. 1998 "Drug donation: Protecting industry philanthropy". Pharmaceutical Company Executive, 18 (8): 66.

[2] WHO, 2011 "Guidelines for drug donations: Revised 2010". February 20th, 2012.

[3] ATMF, 2012 Access to Medicines Foundation. 2012. "Access to Medicines Index", Heart to Heart, 2012 "Partners: Teva". September 11th, 2013.

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[4] Alliance Boots, 2011, . “CorporateSocialResponsibilityReport2010-11: Charitable Giving”. Durbin Plc, 2010 “Donation to AmeriCares”.

[5] CWW. 2012. "GSK and CWW partnership announcement".

[6] Hudson Institute. 2013. “Documents: The Pharmaceutical Industry’s Contributions to the UN Millennium Development Goals”.

[7] Sanofi-Espoir. 2012.

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