



Financing

inSupply Health and Reproductive Health Supplies Coalition (RHSC) have released a report in 2023 examining strategic supply chain adaptations that were undertaken by stakeholders in sub-Saharan Africa (SSA) in response to the severe supply chain disruptions caused by the COVID-19 pandemic. The report, *Adaptations used to ensure contraceptive access during the COVID-19 pandemic*, was issued through RHSC's Compass initiative, which supports greater resilience in supply chains and marketplaces following the COVID-19 pandemic.

The 2023 report documents adaptation strategies that were planned and/or applied in six categories: policy and advocacy, financing, supply sources, digital interventions, adjusted inventory management policies and procedures, and modified transport options and warehousing solutions. The insights from this report are intended to be used to increase the resilience of supply chains now and in preparation for future crises. This brief documents the findings for one of the six adaptation categories presented in the report.

“In the early stages of the pandemic, government and donor budgets earmarked for FP were significantly slashed, up to 50% in some cases, in favor of responding to the pandemic”.

— CHAI, Kenya

Some supply chain adaptations that aimed to reduce the risk of supply disruptions had significant budget and financing consequences. The decision to increase inventory levels, for example, required an increased investment in inventory and storage capacity. Adaptations in this category involve global, in-country, and partner financing to support RH supplies access.

Adaptation: Manufacturers and social marketing organizations (SMOs) absorb additional short-term costs

Global cargo constraints as well as other supply constraints combined to drive up freight and manufacturing component costs; the impacts of these increased costs were felt by buyers and suppliers at all levels of the supply chain. In the short term, some manufacturers elected not to renegotiate prices with their customers and to instead absorb cost increases. In parallel, they sought to establish long-term contracts with other product and service providers to minimize cost volatility.

Adaptation: Manufacturers and SMOs increase operating capital

Shipping challenges throughout the supply chain resulted in production and supply bottlenecks for manufacturers and in inadequate levels of inventories of finished goods for SMOs. These organizations, which included global manufacturers and SMOs, such as PSI and DKT, sought to minimize the impact of shipping delays by ordering larger quantities of raw materials and other required manufacturing components. The global manufacturers and SMOs increased their operating capital to cover the additional investment as a temporary solution, with the expectation that supply constraints and demand volatility would stabilize over time.

Adaptation: Leverage partnerships for funding and increase investment in RH products

Programming and training for service providers faced potential disruption, in part due to budgets being reallocated toward the pandemic response. Ministries of Health (MOHs) in Ethiopia, Kenya, and Nigeria collaborated with partners to access additional resources through bilateral and multilateral partners

to address RH supply gaps. Organizations, such as the Bill and Melinda Gates Foundation, supported MOHs in West Africa to access new funding opportunities such as incentive initiatives that linked national budget allocations to additional funds and provided matching donation schemes.



Key Takeaways

MOHs, manufacturers, and SMOs faced financial constraints related to product supply. Absorbing increased operating costs and increasing organizations' inventory investments were effective short-term solutions to reduce the risk of disrupted supply and to fulfill customer purchase orders. Partner networks were an important channel to access additional resources in the face of unexpected constraints or bottlenecks.

The use and alignment of co-financing incentives and strategies were effective in safeguarding resources for RH supplies in emergency situations, as demonstrated through regional collaboration and coordination in West Africa by West African Health Organization and the matching funds model developed by the United Nations Population Fund (UNFPA). These served to incentivize domestic financial contributions and to diversify funding for RH commodities within the public sector. Co-financing can mitigate the impacts of diversion of resources away from RH programming during emergencies, and it can serve as an effective long-term strategy to support governments to increase their overall budgets for RH commodities.

