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PARLIAMENT OF ZIMBABWE

FIRST SESSION – SIXTH PARLIAMENT

**REPORT OF THE PORTFOLIO COMMITTEE ON HEALTH AND
CHILD WELFARE**

ON

THE NATIONAL PHARMACEUTICAL COMPANY (NATPHARM)

Presented to Parliament on 31st May 2006

S.C 8, 2006

ANNOUNCED

19 July 2005

That the Committee consists of the following;

Mr. B. Chebundo, Mr J. Chandengenda

Mr T. S. Chipanga ,Mr E. Chindori- Chininga,Ms N. Khumalo,Mr

J. Madubeko,Mr P. Madzore,Mr. L. Mupukuta, Mrs .E.

Nyauchi, Mr. M Zwizwai

Mr. B. Chebundo to be Chairperson

Senators Appointed – 23 February 2006

Dr. D. T. Mombeshora

Dr. T. Mutinhiri

Dr.S.U Sakupwanya,

Ms. A.Mkhwebu

ORDERED

In terms of Standing Order No. 153

At the commencement of every session, there shall be as many select committees to be designated according to government portfolios to examine expenditure, administration and policy of government departments and other matters falling under their jurisdictions as the House may by resolution determine and whose members shall be nominated by the Standing Rules and Orders Committee. Such nominations shall take into account the expressed interests, experience or expertise of the members and the political and gender composition of the House.

Terms of reference of Portfolio Committees S.O. 154

“Subject to these Standing Orders a Portfolio Committee shall:

- a) consider and deal with all bills and statutory instruments or other matters which are referred to it by or under a resolution of the House or by the Speaker;
- b) consider or deal with an appropriation or money bill or any aspect of an appropriation or money bill referred to it by these Standing Orders or by or under resolution of this House; and
- c) monitor, investigate, enquire into and make recommendations relating to any aspect of the legislative programme, budget, nationalization, policy formulation or any other matter it may consider relevant of the government department falling within the category of affairs assigned to it, and may for that purpose consult and liaise with such a department.

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1. INTRODUCTION

1.1 The National Pharmaceutical Company (NATPHARM) is a successor to the Government Medical Stores. The Company was established through an Act of Parliament, The Government Medical Stores (Commercialisation) No. 13 of 2000.

1.2 The objectives and functions of NATPHARM are ;

- a) to purchase, sell, deal in and store medicines , medical equipment and other goods and articles for use in hospitals , clinics, pharmacies and other medical establishments; and
- b) to perform any other function set out in it's memorandum of association.

In performing it's functions , NATPHARM is mandated to give priority to serving the needs of the state , to the extent that it is compatible to do so.

Location

Your Committee was given a brief that NATPHARM is a decentralized organization with 6 stores in the country. Besides Harare, it has depots in Bulawayo, Mutare, Gweru, Masvingo and Chinhoyi.

2. COMMITTEE'S ENQUIRY

2.1 Your Committee made enquiries into the operations and activities of NATPHARM. The Committee was mainly concerned with establishing the following;

- a) To establish the current levels of drug supplies- essential ,vital , TB and Anti Retrovirals
- b) To analyze schedules of foreign currency allocations from the Reserve Bank of Zimbabwe towards the procurement of drugs
- c) To understand the process of distribution of drugs from NATPHARM to the, Provincial, District and Rural Health Center institutions.
- d) To inspect the security system in place following the alleged recent theft of drugs at the NATPHARM

3. METHODOLOGY

3.1 The Committee conducted oral interviews officials at NATPHARM head office as well as Hospital Supritendants and Administrators at selected institutions in Mashonaland East and Manicaland Provinces.

3.2 The Committee analyzed written evidence submitted by witnesses

3.3 The Committee conducted site inspections of NATPHARM premises in Harare

Witnesses

Harare Depot

Mr Mwaramba	Acting Managing Director
Mrs Mashingaidze	Regional Manager
Dr Matipira	Security and Logistics Manager
Mr Manangazira	Finance Manager
Mrs Chidzamira	Procurement Manager
Mr Havadi	Internal Audit Manager
Mr Dube	Human Resources Manager

4. Classification and availability of Drugs

4.1 Your Committee was informed that the drugs that NATPHARM handle are classified into 3 main categories-Essential, Vital and Necessary.

Vital - These are the life-saving drugs. Their unavailability results in serious harm.

Essential - Their unavailability means major discomfort or irreversible harm

Necessary - These are lower in priority but are still necessary for comprehensive care

4.2 Your Committee noted that the levels of availability has failed to reach the target of 100% over the past 3 years (2004-2006) as shown on the table below:

	2004	2005	2006 (Jan-April)
Vital	63%	72%	70%
Essential	21%	56%	43%
All Drugs	41%	65%	56%

4.3 Your Committee learnt that these drugs are catalogued into 699 in the NATPHARM catalogue. Out of the 699 items, 139 items are vital,221 are essential. This means that the total availability is 342 items (49% of catalogue), which is not a pleasing indicator given the high morbidity rate caused by the ten killer diseases.

- 4.4 During the Committee's tour of NATPHARM premises, your Committee was informed that most of the drugs that the members were shown were donations from partners like UNICEF, UNFPA, the WHO and the Clinton Foundation. These donated items are not entered in the Company's inventory books. The donations included anti-malarials anti-TB tablets and other accessory sundries like fridges for the Expanded Programme on Immunization, tents, Caesarean packs and Home based Care kits comprising of swabs, gloves, notebooks, buckets, and antiseptics.
- 4.5 Your Committee noted that there has been an increase in the number of donors . Previously , NATPHARM has been relying mainly on European Union (EU) which has been responsible for the capitalization of NATPHARM at its inception.

5. Anti Retrovirals

- 5.1 Your Committee enquired on the supplies of AntiRetrovirals that were in stock. The Acting Chief Executive Officer, Mr. Mwaramba informed your Committee that ARVs were supplied from the Global Fund, NAC and the Clinton Foundation. The Clinton Foundation donated Pediatric suspensions of ARVs for 1000 children. The Committee welcomed this as prior to this the country had no ARV syrups for children. Your Committee also learnt that the National AIDS Council made available ARVs worth US \$250 000. Despite these inflows, your Committee was informed that ARVs in stock were less than a month's supply.
- 5.2 Your Committee was not impressed by the low stocks of the ARVs. The situation is a potential disaster for the 26 000 patients who have started ART. Your Committee's worry is that if the Government fails to maintain the current patients on ART, then the Universal access to treatment will not be achieved. The only hope at the moment to scale up efforts is to await release of funds from Round Five of the Global Fund, which was approved. Your Committee was assured that the programme to commence in January 2007 will target 25 000 patients in all the districts.

6. Distribution of Drugs

- 6.1 Your Committee was informed that ideally, NATPHARM is supposed to distribute drugs to all health institutions right up to the Rural Health Center. However, over the past year, the company has been facing fuel shortages. Your Committee probed further why the NATPHARM Head Office should deliver drugs to the Districts when there are Five Provincial stores which should deliver to the district hospitals and other centers. Your Committee was informed that at times when Provinces submit their requests, NATPHARM might not be having the supplies in stock, but when they come it immediately makes the deliveries directly. In addition, Your Committee was informed that at times NATPHARM does not make deliveries to health Centers at the request of these institutions . It was said that the recipients were afraid of break- ins once a

NATPHARM vehicle has made a delivery. Your Committee was not satisfied with the response

6.2 . During the Committee's recent visits to Manicaland, there were no TB Drugs at Bonda Mission Hospital. The Committee was informed that the shortages affected the whole district. When the Committee visited NATPHARM earlier on, it was privileged to see huge stocks of TB drugs that were donated by UNICEF.

6.3 The new accounting system being implemented by the Government is also affecting the drug supplies by NATPHARM. Previously, institutions would use requisitions in order to place orders or make purchases, but now, NATPHARM requires Purchase Orders. Some of the institutions in the districts are not yet computerized and connected to be able to make any transactions, implying that they can not order from NATPHARM.

6.4 During the field visits, your Committee found out that because of the erratic supplies from NATPHARM, most institutions are resorting to procuring drugs and other supplies from the open market using money from the Health Services Fund. Your Committee was not happy with the situation because if institutions procure from the open market, then the costs will be passed on to the patients who will end up paying more for the drugs than if they were to buy drugs obtained from NATPHARM.

7. NATPHARM'S FINANCIAL STATUS

7.1 Your Committee noted that NATPHARM is in a very bad financial situation. The company has not been able to capitalize due to a number of issues. The institution is owed over \$200 billion by the health institutions countrywide. The Committee verified this during its visits . Nyadire and Marondera Hospitals acknowledged they owe NATPHARM and indicated they are not in a position to pay at the moment. The Company is also failing to get profit because at times it procures supplies from the open market at competitive rates, then sells those supplies to institutions at government subsidized rates. There has also been a declining budget for health supplies over the last two years.

7.2 The shortage of foreign currency has not spared the Pharmaceutical Company. The Company's foreign currency allocations have been declining , especially over the past three years. The table below shows the allocations and the deficits:

PERIOD	ALLOCATION US\$	PLEDGED US\$	DEFICIT US\$
JUL-Sept 2004	3 905 064	7 500 000	3 594 936
Oct-Sept 2004	2 898 774	7 500 000	4 601 226
Jan-Mar 2005	825 249	7 500 000	6 674 651
April-Jun 2005	2 080 345	7 500 000	5 419 655
July-Sept 2005	60 637	7 500 000	7 439 363
Oct-Dec 2005	200 000	7 500 000	7 300 000
Jan-Mar 2006	106 000	7 500 000	7 394 000

Your Committee was very concerned that the situation is getting worse and is a threat to the country's health delivery system. The fluctuating exchange rates was also noted as a cause for concern. Planning for all purposes becomes difficult under such circumstances.

8 SECURITY AT NATPHARM PREMISES.

8.1 Your Committee was very concerned about the security system in the storage bays at NATPHARM. The Committee was surprised that there was some major theft of drugs, despite that there is a security company that man the property. The Committee was informed that the value of drugs was Z \$351 million. On the contrary there are reports that the actual value is \$ 7 billion. Your Committee was informed that the theft was part of a syndicate involving security guards and some doctors who have since been arrested. Upon being informed that NATPHARM is in the process of trying to claim compensation from the Security Company, Your Committee was surprised that NATPHARM is claiming the monetary value of drugs in this hyper-inflationary environment. The reason being that if NATPHARM is given the money, it might not be able to procure the exact quantity of the stolen drugs. It is prudent that the Company should seek compensation in replacement of the actual drugs.

9 RECOMMENDATIONS

- 9.1 NATPHARM should be given priority for foreign currency allocation from the Reserve Bank of Zimbabwe and at a stable rate**
- 9.2 The Ministry of Health and Child Welfare should increase funding for NATPHARM so that it is able to supply the requirements of Health institutions**
- 9.3 The Government should revive Bilateral Trade Agreements so that the country can get some assistance**
- 9.4 The Ministry of Health and Child Welfare should speed up processing of applications and signing of Memoranda of Understanding for potential partnerships**
- 9.5 NATPHARM should improve it's debt collection mechanisms in order to improve it's cash flow problems**
- 9.6 NATPHARM should improve it's security systems and should quickly intal the Closed Circuit TV monitoring system**