



**Ministry of Health  
Republic of Indonesia**

**Leveraging private sector expertise to  
improve supply chain management  
within the Ministry of Health**

**Dr. H.M. Subuh, Ministry of Health  
Steven Harsono, CHAI**



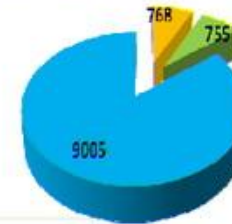
# Purpose

- To provide insights on how the HIV/AIDS program at the Indonesian Ministry of Health leveraged donor funding and private sector expertise to build supply chain management capacity within Ministry of Health.

## Numbers of Hospital and Primary Health Center in Indonesia

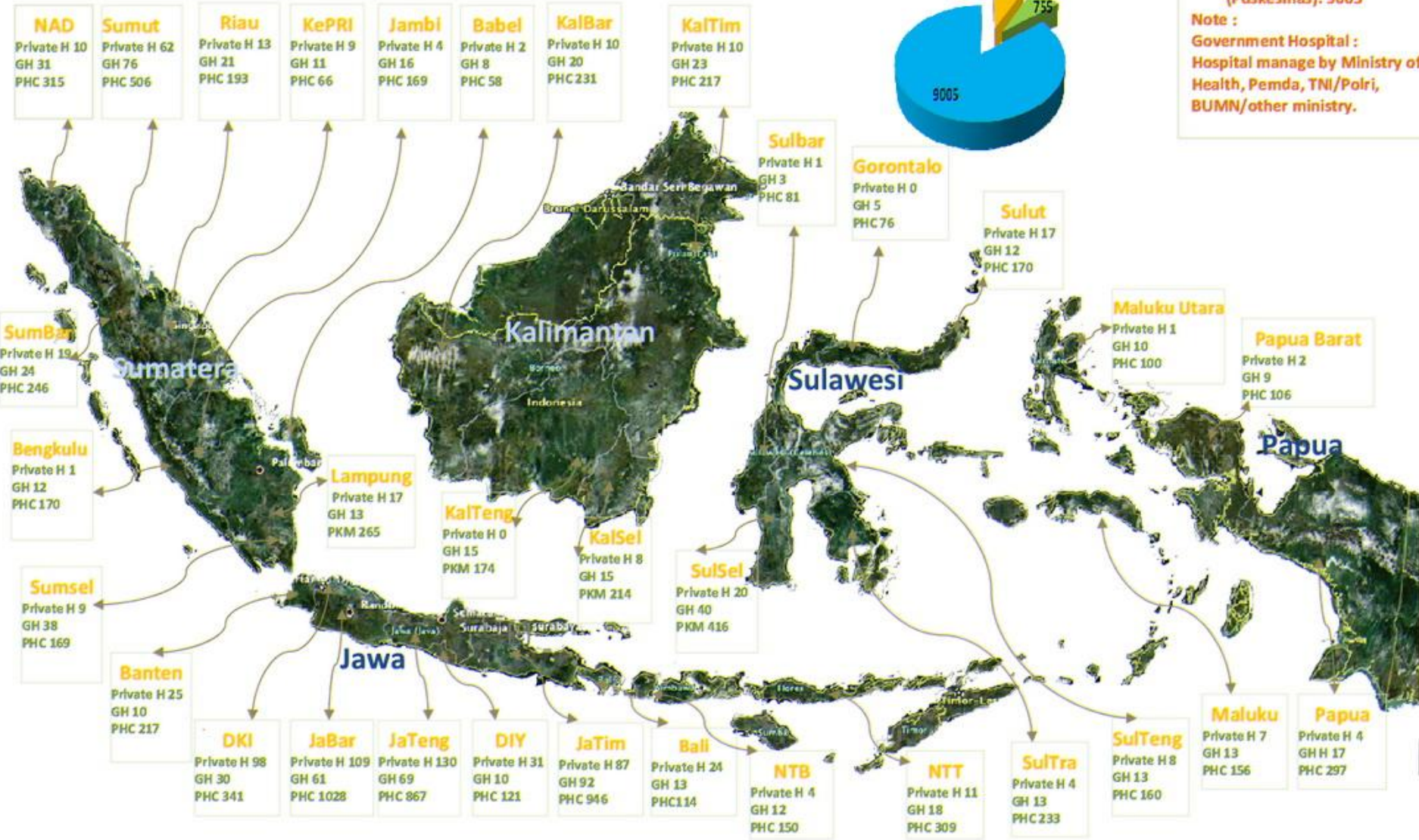
### Number of Hospital and Primary Health Center in Each Province : Data December 2010 (Sumber data Ditjen Bina Kesehatan Masyarakat Kemenkes, 2010)

■ Private Hospital ■ Government:Hospital ■ Public Health Center



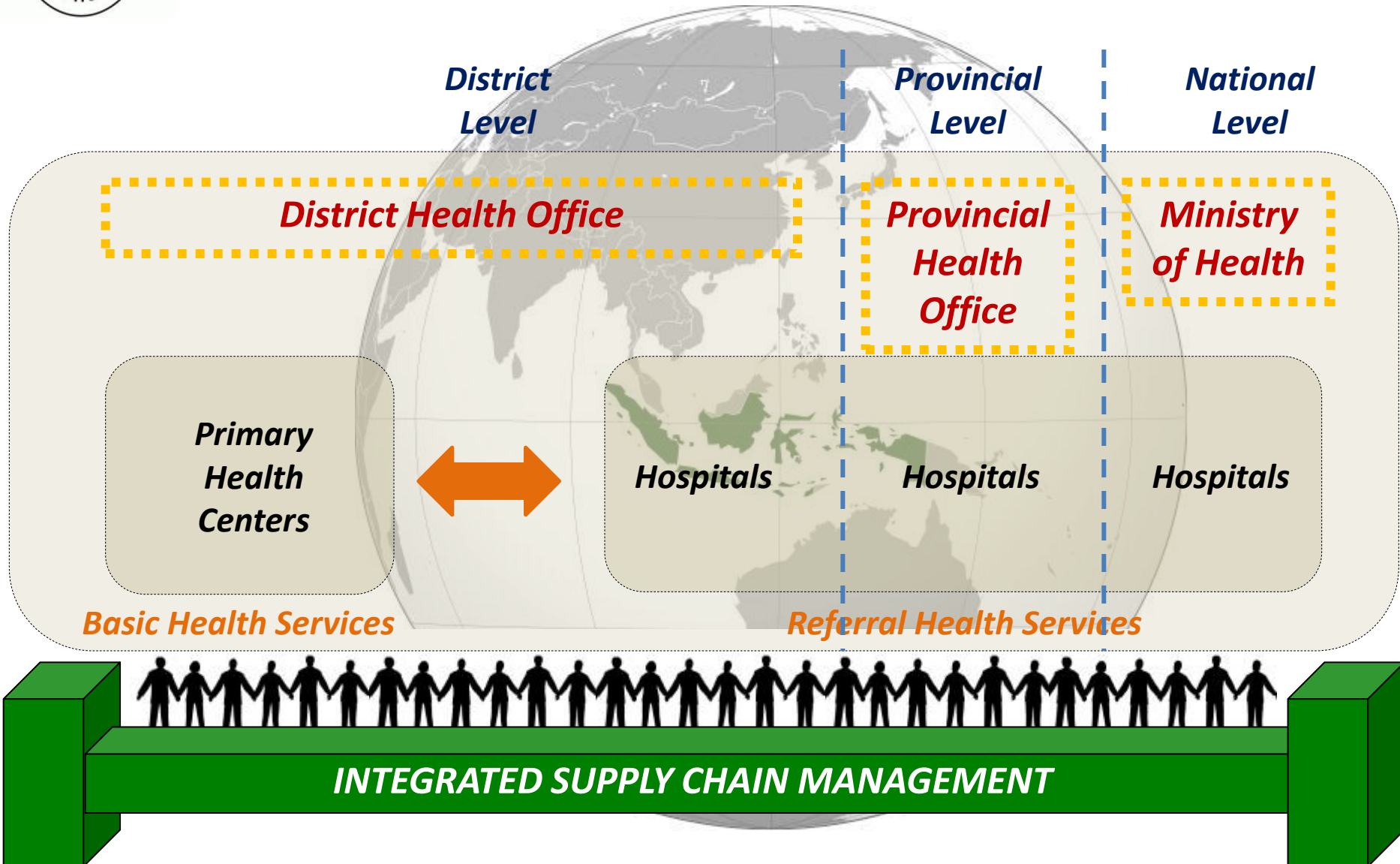
**TOTAL 1523 Hospitals**  
 (1) Private Hospital 768  
 (2) Government Hospital 755  
 (3) Primary Health Center (Puskesmas): 9005

Note :  
 Government Hospital :  
 Hospital manage by Ministry of Health, Pemda, TNI/Polri, BUMN/other ministry.





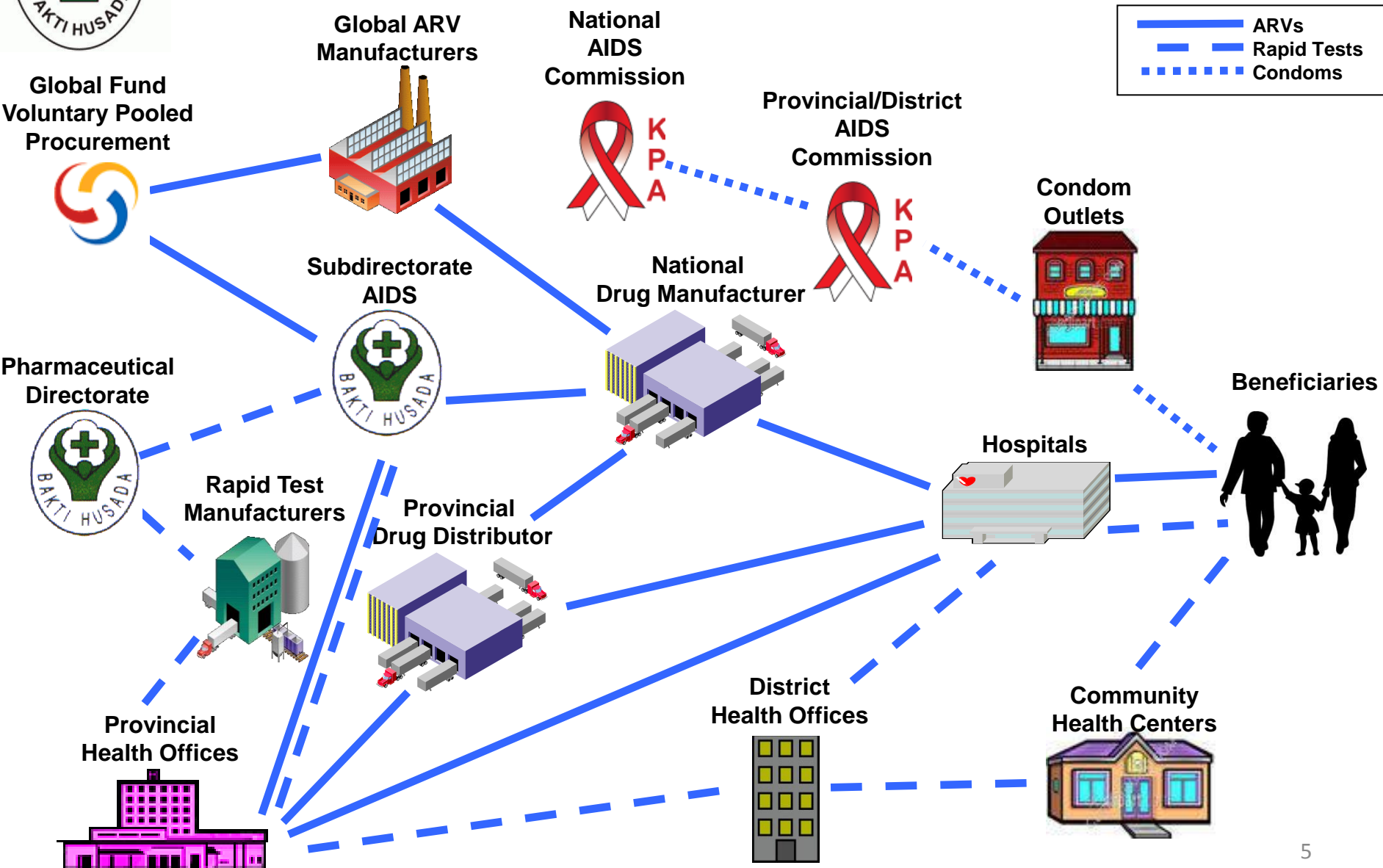
# Integrated Health Services







# HIV Commodities Relational Map





# Service Delivery Challenges

## **POLITICS**

- Transition to decentralization and regional autonomy
- Coordinating who is responsible
- Implementing policies set at the central level in the field

## **PLACE**

- Geographic complexity of over 17,000 islands
- Distance and transport infrastructure challenges
- Difficult to gain visibility into supply and demand information in the field

## **POPULATION**

- Meeting the needs of 240 million people
- Isolated populations concentrated in difficult to reach areas

## **PROGRAMS**

- Lack of priority put on supply chain management
- Qualified human resources in supply chain
- Coordination of domestic and external donor budgets
- Management of international and local suppliers
- Frequent stock outs



# Indonesian Private Sector

- Supply chain management is increasingly maturing as a core component of corporate strategy in Indonesia
- Major global companies such as Unilever, Nestlé, and Coca-Cola have championed supply chain best practices to improve their operations
- Global and local drug manufacturers and distributors have developed strong pharmaceutical supply chains.



# Strategies







# Critical Success Factors in Hiring

- Supported by external stakeholders, MOH integrated private sector principles into hiring process
- Created specific job descriptions and qualifications
- Targeted advertising in private sector channels
- Rigorous selection process
- Competitive salaries supported by donors
- Performance review system with professional standards
- Supply chain professionals embedded into the organization
- Emphasized social value and contribution
- MOH determined how to adapt private sector best practices



# Hiring Challenges

- Sustainability
  - Transition of skills to Ministry of Health
  - Current program is dependent on donor funding
- Trust and Acceptance
  - Cultural shift to form public-private partnerships
- Career Path
  - Ongoing professional development



# Outsourcing to the Private Sector

- Adopt best practices in third-party logistics outsourcing
  - Set up a clear contractual agreement
  - Form a strong institutional partnership
  - Implement and monitor service level agreement



# Outsourcing Challenges

- Change in mindset and behavior to third-party logistics contract management
- Strict government regulations in procurement and drug distribution policies



# Results in HIV/AIDS Program

## PROBLEM

- Several HIV/AIDS treatment sites across the archipelago report **frequent ARV stock outs**
- A **shortage of human resources** at the national, provincial, and site level to support a multi-million dollar supply chain
- Challenging conditions place a burden on the MOH to constantly respond to **supply chain emergencies**



## APPROACH

- 1. Build capacity:**  
Established team with private sector expertise to address specific supply chain challenges
- 2. Develop outsourcing partnerships:**  
Outsourced and decentralized ARV storage and distribution



## IMPACT

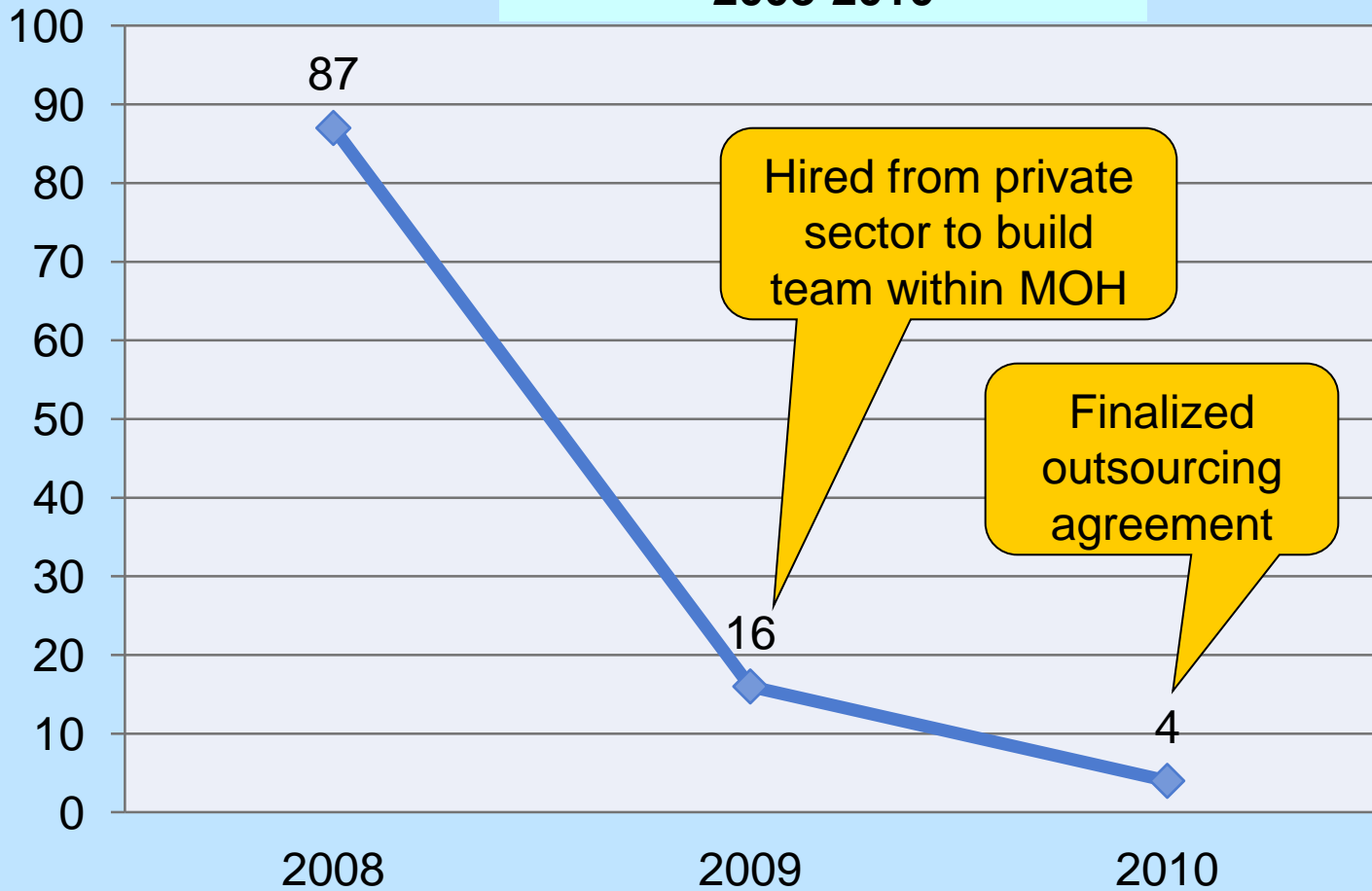
- The MOH **redefined its approach** to supply chain management
- The MOH successfully kept stock outs at ARV treatment sites **below 5%**
- Clear key performance indicators lead to **increased service levels and reduced lead times**
- Simplified supply chain operations allowing more focus on core of MOH



# Impact on Stock Outs

## Site Level Stock Outs of ARVs

2008-2010







# Remaining Challenges

- How to adopt in other health programs?
- How to adopt downstream in the supply chain?
- How to make a permanent part of the health system?



***TERIMA KASIH***

***THANK YOU***