

**COST RECOVERY STRATEGIES BY COMMUNITY  
PHARMACIES IN KENYA: *Institutional and Financial  
Management Issues***

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**Abstract**

Community pharmacies (CPs) have evolved to close the recognised gap in the provision of basic health care, including essential drugs in the rural areas. In spite of their increasing significance, however, poor cost recovery threatens their survival. Against this background, the study captured several randomly sampled active and inactive CPs in four provinces to address this concern and recommend appropriate strategies to reverse the situation. The findings revealed a reasonable cost recovery potential with an average mark-up of 30-80% and, net profit of more than 15%. The pricing and procurement procedures were flexible and responsive to the needs of the communities. Rather surprising, the CPs have managed to keep the exemptions and waivers at minimum. The key constraints to effective cost recovery were poor remuneration, weak monitoring, and supervision, funds misappropriation, inadequate training in financial management, weak cost containment measures, poor management practices, inadequate technical support and high defaults on debt payments.

In the overall assessment, these developments point to inadequate capacities. The District Health Department is spread too thinly and can thus provide only weak technical and logistical support. The low educational levels and limited training opportunities available to the executive CP committees compound this problem. The study recommends capacity enhancement on sustainable cost recovery strategies. Through training, capacity building workshops, and sensitisation programmes, for instance, the units can be empowered with the requisite skills in financial management including cost recovery, using an integrated and participatory approach. Similarly, Districts capacities in monitoring and supervision also need to be strengthened. This strategy would ultimately enhance the capacities of the CPs to generate additional revenue that could be used to boost the remuneration package. Where feasible, the CPs could allocate 10. Twenty percent (20%) of the revenue to staff remuneration. Alternatively, they could use part of user fees meant for Primary Health Care (PHC). The above notwithstanding, it is imperative to effect disincentives against the accumulation of huge surpluses in the bank accounts and sloppy management. Likewise, the local administration should not be directly involved in the operation of the units.