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KEMSA Support Program Quarterly Report

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KEMSA Support Program Quarterly Report

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Kenya Medical Supplies Agency (KEMSA) Support Program

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ACRONYMS

DRH	Department of Reproductive Health
ERP	Enterprise Resource Planning
FP	Family Planning
ICT	Information and Communications Technology
KEMSA	Kenya Medical Supplies Agency
KPI	Key Performance Indicator
LMIS	Logistics Management Information System
LMU	Logistics Management Unit
QA	Quality Assurance
RH	Reproductive Health
SOP	Standard Operating Procedure
SUNY	State University of New York
USG	United States Government

SUMMARY

Deloitte Consulting, LLP is the lead partner implementing the USAID-funded Kenya Medical Supplies Agency (KEMSA) Support Program. Since the program began in May 2011, the project team has worked with KEMSA and in-country partners to strengthen KEMSA's commodity management system for effective service provision to client health facilities throughout the country. Major accomplishments during this quarter include establishing and equipping the KEMSA Support Program office, holding a collaborative work planning retreat with KEMSA to jointly develop the KEMSA Support Program two-year work plan, training of KEMSA Board members and senior management in corporate governance, and conducting a consultative logistics management information system (LMIS) stakeholders workshop. This report covers the progress made since program initiation in May 2011 through September 30, 2011.

1. BACKGROUND

In May 2011, USAID awarded the two-year Kenya Medical Supplies Agency (KEMSA) Support Program to Deloitte Consulting, LLP as the lead implementing partner. The goal of the KEMSA Support Program is to support KEMSA to strengthen its ability to provide client sites throughout the country with the right quantity of quality commodities, and in a timely manner, for effective service provision.

The key result areas for the KEMSA Support Program include strengthening KEMSA's operational mandate; governance architecture and practice; inventory management and tracking systems; warehousing and distribution systems; and internal performance monitoring. It is expected that the successful implementation of this project will allow KEMSA to deliver more effective, efficient and sustainable commodity procurement, warehousing and distribution services to client health facilities throughout the country and create a more unified, integrated and responsive national supply chain system in Kenya.

This report describes in detail the project's accomplishments, successes and challenges faced during the period of May 10 through September 30, 2011, the first five months of implementation. Major accomplishments during this quarter include establishing and equipping the KEMSA Support Program office, holding a collaborative work planning retreat with KEMSA to jointly develop the KEMSA Support Program two-year work plan, training of KEMSA Board members and senior management in corporate governance, and conducting a consultative logistics management information system (LMIS) stakeholders workshop. The report also highlights upcoming activities in the next quarter, including the implementation of the KEMSA Act Board Advocacy Plan; completion of as-is business process documentation in financial processes, warehousing, distribution, and inventory management; and development and initiation of a public relations campaign for KEMSA.

2. HIGHLIGHTS

2.1 EVENTS

KEMSA Support Program Work Planning Workshop

As part of the preparation for the two-year program, the KEMSA Support Program team designed a workshop to develop a collaborative work plan with KEMSA counterparts. The two-day workshop took place from July 21 to 22, 2011 at Elementaita Country Lodge in Gilgil, Kenya. The workshop was a critical opportunity to expand KEMSA stakeholders' knowledge of the project and increase engagement among KEMSA representatives. Workshop participants included representatives from KEMSA senior management and project staff from Deloitte Consulting LLP and its partners. In total, 29 participants attended the workshop: 21 participants from KEMSA and eight project staff. Workshop participants developed a 24-month work plan outlining specific, prioritized activities for the program. The work plan included specific tasks, timelines, and parties responsible for execution of work plan items, as well as indicators for the activities.

In order to best address KEMSA's needs and priorities, yet maintain linkage with the overall project mandate and strategies, the work planning sessions adopted a holistic approach looking across KEMSA's departments. During these sessions, the team uncovered priorities not previously included in the project's planned program tasks. As a result of the workshop, these priorities (that were relevant and in scope) were incorporated into implementation planning efforts. Due to the significant infrastructural requirements

identified by KEMSA, specific planning is underway to agree on all infrastructure required to support KEMSA.

The Work Planning Workshop was a successful exercise in identifying and prioritizing activities required to strengthen KEMSA overall, and will help direct activities, deliverables, and indicators throughout the program. The draft KEMSA Support Program Implementation Plan/Work Plan was submitted to USAID for review and approval. A separate workshop report is available and provides additional details.

Partners Forum on Health Commodities

The project hosted a USAID partners meeting on health commodities and related services on August 17, 2011. The 36 participants included representatives from USAID, Capacity Kenya, Health Commodities and Services Management, Kenya Pharma, Supply Chain Management System, Population Services International and the Nutrition and HIV Program. The objective of the forum was to enhance understanding and coordination of activities implemented by USAID's partners in supporting all aspects of health commodities management.

Led by USAID, key discussion topics included clarifying each program's main objectives and key areas of operation, exploring current and future opportunities for collaboration, sharing existing challenges in collaboration across partners, tracking and accountability for United States Government (USG) funded commodities, and how to minimize incidences of commodity loss. The outcome of this initial meeting and subsequent partner meetings will be improved communication across the partners and collaboration between partner activities for delivery of services in the country. Moving forward, this type of communication and collaboration will be important in order to leverage lessons learned; implement complementary, non-duplicative activities; and make the most efficient use of available resources when strengthening the national commodity management system through KEMSA.

Corporate Governance Training

The project team, led by the legal and governance work streams, organized a three-day training from August 2 to 4, 2011 for KEMSA's Board and senior managers in corporate governance conducted by the Centre for Corporate Governance, a local organization. In total, there were 29 participants, including the Chairman and Vice Chairman of the KEMSA Board and four Board Directors. This accounts for 73 percent coverage of the KEMSA Board members. KEMSA Directors, Managers, and Advisors from across functions also attended.

The training targeted KEMSA Board members, Directors and senior management and the goal was to strengthen their knowledge and understanding of corporate governance, helping them to understand duties, roles and responsibilities of Board members and the challenges of good corporate leadership in Kenya. Overall, the training is the first step in shifting KEMSA toward more transparent and accountable Board operations, which will strengthen governance across the organization as a whole.

Regional Stakeholder Forums

Between September 7 and September 15, 2011 project's Chief of Party participated with KEMSA counterparts in selected regional stakeholder forums in support of KEMSA. Forums took place in regions across the country, including: Kisumu, Kakamega, Eldoret, Kitui, Nyeri, Nakuru/Nyahuhuru, Isiolo, Mombasa, Garissa/Wajir, and K.I.C.C.

The regional forums served to inform the public and build support around a recently revised draft health policy framework for Kenya, a requirement under the new constitutional dispensation. Serving as a KEMSA advocate, the Chief of Party participated in selected, strategic forums to help articulate KEMSA's role in the national health care policy. The project worked with KEMSA to successfully defend KEMSA's role and ensure national healthcare policy text reflected international practices, as well

as secure KEMSA's role in the current framework. The policy, once agreed upon and after public participation, will inform the new general law on health and the proposed law on KEMSA.

Logistics Management Information System (LMIS) Workshop

The KEMSA Support Program team facilitated a two-day workshop with KEMSA from September 28 to 29, 2011 focused on strengthening KEMSA's LMIS. Seventy (70) participants from all levels of the national supply chain system attended. Participating organizations included KEMSA, the Department of Reproductive Health (DRH), the Division of Malaria Control, the Division of Leprosy, TB, and Lung Disease, provincial and district health officers, the Centers for Disease Control, Management Sciences for Health, Kenya Pharma, the Clinton Health Access Initiative (CHAI), Railit Total Transportation (RTT) Kenya, and Deloitte.

The workshop focused on reviewing the strengths and weaknesses of the current logistic systems, building consensus on the need for an integrated framework for an efficient national LMIS for health products, defining the required scope and framework of a harmonized and standardised national commodity data collection system, identifying priority data elements, and reaching agreement on the implementation for the national commodity data collection system. This workshop forms the initial steps of developing a coordinated approach across KEMSA and its partners to build a robust, efficient and effective LMIS system.

Obtaining strong buy-in from various stakeholders and developing consensus on the top priority data elements as well as a framework for a harmonized and standardised national commodity data collection system will contribute towards improving the services provided through KEMSA. An LMIS blueprint document is in development by an agreed upon committee, which will provide structured leadership and track progress towards the LMIS initiative.

Reproductive Health Commodity Meeting

On September 8, 2011 representatives from the KEMSA Support Program met with representatives from the DRH, KEMSA, USAID and Management Sciences for Health to discuss improvements in reproductive health/family planning (RH/FP) commodity management. This was the first meeting in a series of working sessions aimed at bringing together key players providing support linked to the management of RH/FP commodities. Each partner clarified and discussed their current role in RH/FP commodity management and how to improve availability and distribution of RH/FP commodities.

Ultimately, a more streamlined system of managing RH/FP commodities will be implemented, instead of being managed through different implementing partners. However, in order to do so, challenges must be addressed related to the availability and distribution of these commodities. Existing challenges include facility stock-outs, poor knowledge of delivery schedules, inconsistent quantities delivered, lack of order accountability at the district level, and low familiarity with RH/FP commodities among pharmacists at the district level.

In order to support this effort toward improved RH/FP commodity management, the project will work with KEMSA to examine its current and future roles in RH/FP commodities. This will include reviewing internal processes within KEMSA that can affect availability and distribution of RH/FP commodities, the quality and consistency of RH/FP information currently being provided to or generated through KEMSA and challenges of RH/FP commodity management at the central level. This will result in an improved relationship between KEMSA and the DRH, better coordination of financing for RH/FP commodities, improved distribution and demand planning, and improvements to KEMSA and the national LMIS.

3. KEY PRIORITY AREAS

3.1 LEGAL STATUS AND OPERATIONAL MANDATE

In support of strengthening KEMSA's operational mandate, project staff, technical advisors, and KEMSA counterparts reviewed and provided comments on KEMSA's Draft Act. Overall, the Act was found to be generally sound; however, certain aspects were recommended for targeted strengthening, in order to comply with leading international practices on institutional structure and the governance of public sector enterprises.

The reviewed draft report proposed recommendations surrounding the State Corporations Act; Board composition, roles and responsibilities of the Board and its members; the creation of additional Board committees to address operating challenges, auditing, and reporting; and provided suggested additions to the Act, among other items. The reviewed draft of the KEMSA Act report has been submitted to Ministry of Medical Services to inform the development of a cabinet paper for discussion within the Kenya Government Cabinet and to advise on the policy of the legal framework on KEMSA.

Additionally, the project team collaborated with KEMSA counterparts to develop an Advocacy Plan/Roadmap to garner support and consensus for passage of the Draft Act among KEMSA's key stakeholders. In order to accomplish the review and roadmap, the team confirmed priorities with project team members, stakeholders and KEMSA counterparts, including the Legal Director at KEMSA. The team also initiated linkages with the State University of New York (SUNY) Kenya Parliamentary Strengthening Program and the Parliamentary Initiative Network to better understand the workload and timelines in Parliament and help identify the most effective strategy to bring the KEMSA Act to Parliament. The proposed Act will provide a sound legal framework, enabling KEMSA to fulfil its mandate of improving the health of Kenyans through the efficient procurement, warehousing and distribution of health commodities to public health facilities throughout Kenya.

3.2 GOVERNANCE ARCHITECTURE AND PRACTICE

The project conducted several key activities this quarter under the governance architecture and practice work stream, which covers the areas of organizational development, governance, finance operations, internal controls and procurement. The Governance Roadmap was established and the KEMSA Board completed its first substantive corporate governance training (highlighted in Section 2).

Senior leadership at KEMSA established a Change Management Team and made progress in discussing and analyzing change management issues with support and guidance from the project team. The organizational development activities and the change management approach supported by the project will leverage the recently updated strategic plan KEMSA developed. Significant work is still required in order to refine and finalize a Change Management Plan and a Communications Plan that support KEMSA's achievement of its strategic objectives.

In the area of internal controls, the project team drafted a revised Internal Audit Charter to strengthen the quality of management and internal control systems within KEMSA and promote standardization of solicitation and sharing of independent audit opinions. The draft Internal Audit Charter is currently under the review of the KEMSA Board. The Charter defines KEMSA's policy on internal audit procedures, the associated scope and authority for each function of the internal audit, and how the functions relate to the Board members through the Audit Committee and senior management. To guide how the Internal Audit Committee will perform their activities of assessing the risk management, control, and governance

systems in KEMSA, the project team also reviewed the Internal Audit Operations Manual (policies and procedures) and recommended updates to the manual to comply with the industry standards.

This quarter, the finance operations segment of the project team began to review and analyse steps required to operationalize the Finance Module of the Enterprise Resource Planning (ERP) system at KEMSA. The review of the status revealed that the system is still not operational. KEMSA continues to rely on Microsoft Excel for accounting and reporting purposes, despite Excel's limitations specifically in accuracy and data integrity. Although KEMSA posts all current transactions into the ERP, the logic and reporting capabilities of the system have not been institutionalized. Further, the Fixed Assets Module is not fully responsive to user requests and requirements. Discussions have been initiated with the ERP developers to operationalise the finance module of the ERP system.

In addition, the documentation of finance processes flows within KEMSA was initiated this quarter. This activity will help identify areas of inefficiency and ineffectiveness, as well as guide the subsequent alignment of updated policies and procedures.

3.3 INVENTORY MANAGEMENT AND TRACKING SYSTEMS

The inventory management and tracking work stream includes activities focused on customer service, demand forecasting, supply quantification and procurement planning processes. Activities this quarter focused on the customer service department and specifically on the design of a new LMIS for data collection from facilities. A draft of the as-is state of customer order processes is currently underway although the majority of the required process mapping will take place next quarter.

In addition to the supply chain events noted in Section 2, the project team also conducted and participated in weekly KEMSA operations meetings. The project team provided constructive feedback to KEMSA managers and the Operations Director to strengthen the meetings including introducing agendas and a recommended focus on proactive planning. A planning tracking tool was also incorporated into the regular operations meetings at the suggestion of the project team.

3.4 WAREHOUSING AND DISTRIBUTION SYSTEMS

The warehousing and distribution work stream covers the areas of warehousing, dispatch, and distribution operations, including transportation planning. Activities this quarter focused on documenting current state process flows in warehouse and distribution management as well as facility mapping. The project team visited and observed warehouses and the respective operation teams at Commercial Street, Embakasi, Kisumu and Kakamega. Cleaning of the facility mapping data is also underway. This activity will include a comparison between KEMSA ERP facility data and ministry master lists.

In addition, the project's supply chain team collaborated with KEMSA counterparts to conduct and participate in the activities listed below.

- Reviewed ERP issues with end users and assisted with defining an approach to resolving the lack of depot automation at remote depots. The stocks at depots are not visible in the KEMSA ERP system. This operational gap results in increased reliance of KEMSA on time-consuming manual reports that are required to achieve full stock visibility. Currently this is under review by Information and Communications Technology (ICT) management at KEMSA with a complete ERP gap analysis scheduled for next quarter. In addition, current ERP issues definitions were reviewed with the end users in KEMSA's warehousing and distribution departments.
- Initiated working sessions with the ICT Manager regarding ERP methodology and ICT change control requirements.

- Reviewed KEMSA key performance indicators (KPIs) and definitions. Draft definitions were discussed. The identified KPIs will evolve as process optimization continues to move forward.
- Assisted in the dissemination of the Warehouse Occupational Health and Safety Risk Assessment Report, which highlights several critical gaps and resulting safety initiatives that KEMSA will plan and implement.
- Reviewed and analyzed KEMSA delivery note/invoice process; defining a solution will be an ongoing activity in next quarter.
- Initiated an internal impact assessment of push to pull move on KEMSA operations. This assessment will enable KEMSA to implement initiatives required for the additional facilities that will be transitioned to the pull mechanism in January 2012 and will assist in distribution of the USAID-funded commodities after transitioning of distribution to KEMSA.

3.5 PERFORMANCE MONITORING PLAN

This quarter the project team held ongoing working sessions with KEMSA counterparts to initiate the compilation and analysis of current methods for capturing data and information across departments. Discussions focused on KEMSA's recently updated strategic plan and the associated objectives and indicators. A core list of indicators was developed across KEMSA's departments through working sessions. During the next quarter, this list will be refined and a structure within KEMSA established to lead ongoing monitoring and dissemination of the indicators. The ultimate goal of these activities is to develop and strengthen KEMSA's Performance Monitoring Plan, which can be incorporated into KEMSA operations.

4. PROGRESS TO DATE

Objective	Activity	Expected Deliverable(s)	Progress to date
1. Review KEMSA's legal status (KEMSA Act) and make recommendations to strengthen its operational mandate	Review of draft KEMSA Act with KEMSA staff, counterparts, and project staff	Report of the review of Draft KEMSA Act, including key recommendations and additions	<ul style="list-style-type: none"> • Reviewed and provided report on KEMSA Act • Submitted report to Ministry of Medical Services through KEMSA legal office to inform the development of a cabinet paper for discussion within the Kenya Government Cabinet and to advice on the policy of the legal framework on KEMSA
	Develop Roadmap/Advocacy Plan to build support and consensus for passage of KEMSA Act	Roadmap and Advocacy Plan	<ul style="list-style-type: none"> • Developed Roadmap and Advocacy Plan with KEMSA counterparts
2. Strengthen KEMSA's governance architecture and practice, especially to	Complete initial Corporate Governance training for the KEMSA Board	Corporate Governance Training Report	<ul style="list-style-type: none"> • Trained 8 of the 11 members of the board and 21 senior managers on Corporate governance

Objective	Activity	Expected Deliverable(s)	Progress to date
improve financial and procurement transparency and accountability	Update Board and Committee charters in line with the KEMSA Act	Revised and amended copy of Board and Committee charters	<ul style="list-style-type: none"> Benchmarked board charter to be in line with international standards
	Prepared for launch of strategic plan	Produce Change Management Plan and Communication Plan to facilitate and communicate KEMSA improvements	<ul style="list-style-type: none"> Finalized dates for change management training in December 2011
	Document department-wide financial business processes	Finalized business process flows, to contribute to revised ERP system	<ul style="list-style-type: none"> Initiated the mapping of KEMSA's finances processes
	Revise and update the existing KEMSA standard operating procedures (SOPs)	Updated SOPs to encourage consistency and efficiency	<ul style="list-style-type: none"> Reviewed the existing SOPs and summarised the inherent gaps Mapping of the finance business processes to align these with the SOPs is ongoing
	Align the ERP finance module with the business processes and the SOPs	Full automation of the Finance Department's operations in the ERP	<ul style="list-style-type: none"> Reviewed ERP for gaps and improvement requirements after the initial implementation process Alignment of ERP with the finance business processes and the SOPs is ongoing
	Review and update Internal Audit Charter	Revised Internal Audit Charter	<ul style="list-style-type: none"> Reviewed and updated the Internal Audit Charter Submitted the updated charter for review by KEMSA board members and senior management
	Review and update Internal Audit Manual and tools	Revised Internal Audit Manual and tools	<ul style="list-style-type: none"> Reviewed Internal Audit Manual Benchmarking of the internal audit manual to be in line with industry standard is ongoing
3. Strengthen KEMSA's inventory management and tracking systems to ensure full transparency and accountability for all stock it receives and distributes throughout	Conduct supply chain planning working sessions and workshop for information flow with KEMSA departments and stakeholders	Functional, integrated, and collaborative planning processes that encourage information flow between departments	<ul style="list-style-type: none"> Conducted LMIS workshop for stakeholders to ensure ownership and buy in from key KEMSA stakeholders

Objective	Activity	Expected Deliverable(s)	Progress to date
the country	Document business process flows and ERP gap analysis in customer order management	Finalized customer order business process flows, to contribute to revised ERP system	<ul style="list-style-type: none"> Conducted as-is mapping of business processes Reviewed current ERP issues with users Reviewed existing KPIs and defined new KPIs
	Document business processes in quality assurance (QA)	Finalized QA business process flows, to contribute to revised ERP system	<ul style="list-style-type: none"> Reviewed current business process flows in QA laboratory functions
4. Strengthen KEMSA's warehousing and distribution systems to address its own identified needs	Document business process flows and ERP gap analysis in warehouse management	Finalized warehouse management business process flows, to contribute to revised ERP system	<ul style="list-style-type: none"> Mapped business process flows in the warehouse As- is draft report being finalised Conducted ERP gap analysis indicating gap between current ERP and best practice
	Complete facility mapping of all current health facilities	Rationalized warehouse/depot locations (based on facility mapping, cost, location, demand)	<ul style="list-style-type: none"> Conducted working sessions with KEMSA and partners to explore and discuss different options for the health facility mapping
5. Support for KEMSA to develop, implement and monitor a performance management plan	Develop list of core indicators across KEMSA's departments	KEMSA's Performance Monitoring Plan to track progress against Strategic Plan objectives	<ul style="list-style-type: none"> Draft KPIs reviewed with KEMSA across departments, will be discussed and finalized with KEMSA key stakeholders in the upcoming quarter

5. PLANS FOR NEXT QUARTER

5.1 LEGAL STATUS AND OPERATIONAL MANDATE

- Based on feedback received from the Ministry of Medical Services and the resulting cabinet paper, complete discussions with the Kenya Government Cabinet and advise on associated KEMSA policy and legal framework.
- Continue refining the Draft KEMSA Act for presentation to the KEMSA Board for submission to Cabinet, Attorney General's Office, and Parliament.
- Initiate implementation of the KEMSA Act Advocacy Plan/Roadmap

- Meet with key members of Parliament, Cabinet officials, Attorney General’s Office, Constitutional Implementation Commission and other stakeholders to advocate and gain support for the Draft
- Organize key stakeholder forums (policy makers and Parliamentarians) to advocate for passage
- Develop educational and informational communication materials regarding the Act

5.2 GOVERNANCE ARCHITECTURE AND PRACTICE

- Work with KEMSA Board and other project team members to assist KEMSA in improving its corporate governance framework to better conform with international standards
- Conduct change management trainings associated with the work stream to align with overall KEMSA change management strategy
- Increase operationalization of the ERP Finance Module. KEMSA to move from Microsoft Excel and other manual processes, such as the maintenance of manual cash books and a manual fixed assets register
- Finalize the documentation of the flow of finance processes within KEMSA
- Finalize the review and alignment of financial policies and procedures with the targeted state
- Follow up with KEMSA Board in order to obtain approval and adoption of the revised and updated Internal Audit Charter
- Develop Board Advocacy Plan for KEMSA Act, Board Organizational Development Evaluation, and Board Work Plan
- Draft Change Management Plan and associated Communications Plan
- Recruit and train local project personnel who can focus on organizational development
- Complete review of proposals for local public relations (PR) and communications firm and finalize contract in order to initiate PR campaign strategy and implementation
- Organize and conduct Board training in financial management skills

5.3 INVENTORY MANAGEMENT AND TRACKING SYSTEMS

- Develop current-state business process flows and complete an ERP/systems gap analysis spanning the areas of demand forecasting, supply quantification, customer order management, procurement planning, and quality assurance
- Perform quality reviews of the Logistics Management Unit (LMU) structure and commodity planning processes
- Conduct supply chain planning working sessions and workshop for information flow with KEMSA departments and stakeholders
- Review skills analysis for LMU, in support of broader redesign of the LMU
- Facilitate knowledge sharing/transfer and coaching sessions related to inventory management and tracking systems, based on business requirements and priorities (on the job training)

5.4 WAREHOUSING AND DISTRIBUTION SYSTEMS

- Develop business process flows and ERP/systems gap analysis in warehouse management and associated as-is Validation Report
- Initiate assessment and definition of training needs and action plan for warehousing, and facilitate knowledge sharing, coaching sessions, and on-the-job-training as necessary
- Complete review of existing routes and development of master route and map the main warehouses
- Review existing transportation contracts, contract mechanisms, and policies to recommend approaches to strengthen contracts in line with best practices and international standards
- Conduct KEMSA distribution planning and action plan review for increased pull distribution and rapid test kit readiness, as planned for January 2012

5.5 PERFORMANCE MONITORING PLAN

- Finalize development and baseline measurement of core KEMSA indicators
- Finalize PMP for implementation by KEMSA
- Collaborate with KEMSA to support their design of their monitoring and evaluation framework
- Reach consensus on dissemination strategies and format for ongoing reporting of KEMSA KPIs

6. CONCLUSIONS

Since the program began in May 2011, the project team established and equipped the KEMSA Support Program office, recruited key positions, held a collaborative work planning retreat with KEMSA, organized a training of KEMSA Board members and senior management in corporate governance, and conducted a consultative LMIS stakeholders workshop. Upcoming activities in the next quarter, include the implementation of the KEMSA Act Board Advocacy Plan; completion of as-is business process documentation in financial processes, warehousing, distribution, and inventory management; and development and initiation of a public relations campaign for KEMSA.

