



USAID Kenya KEMSA Support Program  
Quarterly Progress Report  
October to December 2012

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**KEMSA Support Program**

**FY 2013 Q1 PROGRESS REPORT**

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The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## **Acronyms and Abbreviations**

CEO	Chief Executive Officer
ERP	Enterprise Resource Planning
ICT	Information and Communication Technology
KEMSA	Kenya Medical Supplies Agency
KPI	Key Performance Indicator
LMU	Logistics Management Unit
M&E	Monitoring and Evaluation
PPE	Personal Protective Equipment
POD	Proof of Delivery
PMP	Performance Monitoring Plan
RHF	Regional Health Facility
SOP	Standard Operating Procedure
SSD	Supplementary Service Division
STTA	Short Term Technical Assistance
USG	United States Government
WMS	Warehouse Management System

## **I. KEMSA SUPPORT PROGRAM EXECUTIVE SUMMARY**

The Kenyan Government's Vision 2030 recognizes health as one of the foundations for national transformation. To help achieve the Vision 2030 goal one of the key objectives is to strengthen the Kenya Medical Supplies Agency (KEMSA) to be a strategic procurement and supplies agency for the entire health sector. In support of Vision 2030, the USAID funded KEMSA Support Program, led by Deloitte Consulting LLP, aims to strengthen KEMSA's commodity management system for effective service provision to client health facilities throughout the country. This report covers the progress made from October 1, 2012 through December 31, 2012. Major accomplishments during this quarter included strengthening KEMSA's warehouse structure and operations by creating 660 new pallet storage spaces in the central warehouse and equipping over 200 of KEMSA's warehouse and distribution staff with personal protective equipment including hard hats, shoes and dust coats.

This quarter we completed the integration plan of the Logistic Management Unit (LMU) into the Customer Service Department, developed customer service reporting tools, reviewed customer service standard operation procedures (SOPs) and trained 24 Customer Service Assistants in essential customer service skills. We introduced a one-page scorecard which gives KEMSA's Chief Executive Officer (CEO) and departmental directors a single page overview of KEMSA's performance.

We conducted training on the recently completed finance SOPs for KEMSA's Finance Department personnel focused on building knowledge on use of the SOPs during their implementation. In addition to the training, we initiated procedures to monitor the implementation of the new SOPs.

We helped organize and implement two important events with KEMSA. We supported KEMSA to host an event for the official announcement of the direct funding agreement between KEMSA and USAID. This event marks a critical milestone towards creating a more unified, integrated and responsive national health commodities supply chain in Kenya. In addition, this event demonstrates donors' confidence with KEMSA supply chain systems and processes. We also supported KEMSA's new Board of Directors inauguration event which was graced by the Minister for Medical Services.

### **Qualitative Impact**

This section highlights the qualitative accomplishments made during the first quarter of FY13 by each of the five key result areas that include strengthening KEMSA's operational mandate; governance architecture and practice; inventory management and tracking systems; warehousing and distribution systems; and internal performance monitoring.

**Legal Status and Operational Mandate:** During the first quarter of FY 13, we continued to engage with key stakeholders to advocate for passage of the KEMSA bill. We met with key members of the Parliamentary Health Committee and the legal counsel of the Parliamentary Health Committee to ensure that the KEMSA Bill is prioritized for the second and third reading before expiry of the term of the tenth parliament (January 14, 2013). It is expected that the passage of the KEMSA bill will be completed before January 14, 2013. Passage of the

KEMSA bill will strengthen KEMSA's operational mandate and provide the organization with necessary autonomy.

**Governance Architecture and Practice:** This work stream is focused on KEMSA's organizational development, change management and finance operations. During this quarter we conducted a one-day skills building workshop for customer service personnel as part of the proposed integration of the LMU to the Customer Service Department. A total of 24 Customer Service Assistants attended the workshop. During this workshop discussion was held with the participants regarding the reasons for LMU integration to the Customer Service Department, participants concerns were discussed and addressed by the KEMSA senior management as well as sitting plans for the integrated Customer Service Department. This workshop also focused on strengthening unity between the LMU/Customer Service staff and helped to create a strong, integrated, and motivated team.

We initiated the drafting of KEMSA's change management strategy. The draft change management strategy covers the change processes, systems, tools, job roles and organizational structures that will impact how people in KEMSA perform their roles. Currently an internal review of the draft is ongoing. The strategy when completed will guide the implementation of change management within KEMSA.

We delivered a training to KEMSA's Finance Department on the use and implementation of the recently updated finance SOPs and manuals. A total of 23 KEMSA finance staff participated. The training was designed based on the main content areas of the SOPs and incorporated a session on change management in order to strengthen the management of the changes that resulted from the SOP updates. During the training a few changes were proposed by the participants and these were used to update the finance manuals. KEMSA's Finance and Administration Director will present the manuals to the KEMSA Board of Directors for board discussion and approval.

We facilitated the annual review of KEMSA's strategic and business plans. During the two-day review meeting a total of 24 participants attended including KEMSA's senior management team. The key objectives of the workshop were to develop a quantifiable and measurable set of key performance indicators (KPIs) that are representative of the critical success factors of KEMSA and can be included in the strategic plan; to consolidate the set of existing KPIs in KEMSA's plans that can be used during the development of a comprehensive monitoring and evaluation (M&E) framework; and to review KEMSA's strategic plan performance. The output of the workshop included a set of KPIs that are specific, measurable, attainable, relevant and timely; a detailed implementation plan; an operational plan; and an updated strategic plan.

**Inventory Management and Tracking System:** We conducted training on best practices and essential skills for customer service staff. A total of 24 KEMSA Customer Service Assistants and LMU staff participated. The main sessions covered communication skills, e-mail etiquette, qualities of effective Customer Service Assistants and complaints management. The training strengthened the readiness of the Customer Service Department to function as an integrated unit pending the integration of the LMU into customer service.

We completed the review of Customer Service SOPs. During the SOP review, gaps were

identified in KEMSA's information management for both the current and future customers in their database. The need to develop a Customer Relationship Management module in the Enterprise Resource Planning (ERP) system was also reconfirmed. The ERP module will enable KEMSA to improve management of relationships with the health facilities and other stakeholders through improved tracking of customer feedback and other aspects. When completed and adopted the SOPs will help KEMSA to streamline and strengthen its customer service obligations to its clients.

We refined several reporting tools such as the Field Customer Service Officer Weekly Summary Report, and the District and County Summary Reports, which were developed in the previous quarter. When completed the reporting tools will standardize processes for monitoring and address complaints received and communicated to all customer service staff and stakeholders.

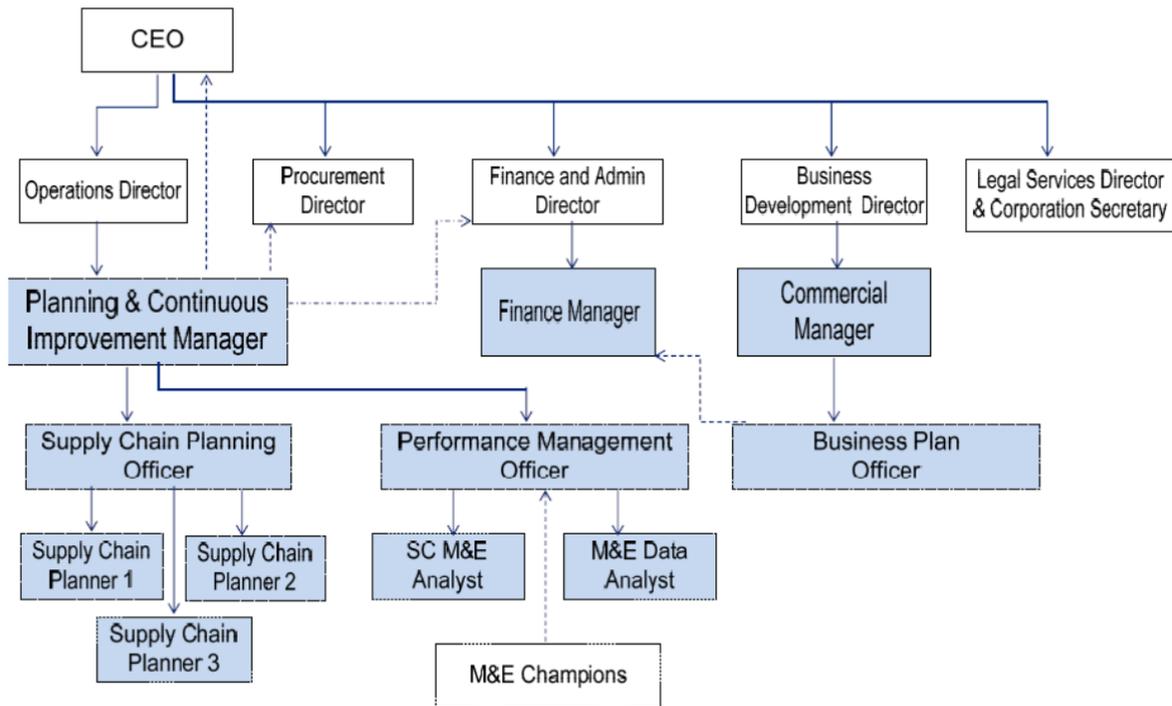
We analyzed the essential medicines and medical supplies issues against facility drawing rights for the previous financial year. This analysis revealed that the commodity issuance amount was lower than the allocated drawing rights for the facilities. This is as a result of the low order fill rate. Using this data we ran projections of the commodity volumes required for the allocated drawing rights for each of the health facility. The projected volumes will require analysis against the commodity consumption of each of the facilities to guide the future procurement. The projected volumes were used to guide future distribution network development.

We developed a schedule to assess holding inventories status of commodities to determine obsolete commodities. This schedule will assist KEMSA to identify short-dated stock and provides KEMSA with an early warning signal to prompt management discussions. We also introduced a one-page scorecard which gives KEMSA's CEO and directors a single page overview of KEMSA's performance. The scorecard tracks inventory and operational performance and provides an early warning mechanism for inventories and supply chain operational plans which may require corrective actions. The scorecard will help improve and track KEMSA's performance.

We updated the Technical Planning Unit design with feedback from the CEO, and also obtained input and buy-in from the Operations and Procurement Departments. Based on feedback obtained, we prepared a design that took into consideration the need for tracking performance measurements and continuous improvement in supply chain operations and procurement practices. When implemented, the Technical Planning Unit will have a dual role of managing supply chain planning and coordinating KEMSA's continuous improvements based on performance management feedback within the operations and procurement areas. Figure 1 illustrates the proposed organogram of the Technical Planning Unit. The Technical Planning Unit will provide KEMSA with the visibility that it presently lacks through a dedicated team which will focus on commodity and overall supply chain planning and eliminate the reactionary measures that currently exist in the supply chain. We also developed accompanying job descriptions for all positions within the proposed planning unit. The Planning Unit design and job descriptions will be presented to the KEMSA Board for discussion and approval.

In addition, we defined a training framework for the proposed Technical Planning Unit. The defined training requirement includes basic KEMSA procedures, supply chain planning techniques, and strategies for collaboration with other units within KEMSA. This framework will be used to train Technical Planning Unit staff after their recruitment.

**Figure 1: Technical Planning Unit Design**



**Warehousing and Distribution Systems:** This quarter, we improved warehousing infrastructure including an upgrade of aisles and racking in the main warehouse to ensure that the height of the warehouse is fully utilized. A total of 660 new pallet storage spaces were created in the central warehouse by adding an additional bin layer to the top of the identified aisles to create more storage space. The bottom bin level steel beam was moved to the top level to achieve cost effective creation of new bins. This increased the total pallet space available in the Embakasi warehouse from 9,556 to 10,216 (7% increase).

We procured prioritized personal protective equipment (PPE) (protective clothing, helmets, goggles, and shoes) for KEMSA’s warehouse personnel. It is expected that effective use of PPE will prevent job-related occupational safety and health risks. In addition, we provided storage lockers for the PPE for the Embakasi warehouse changing rooms. This will enable warehouse personnel storage space for their personal clothing, PPE and personal items during the changeover. To enhance compliance on use of PPE, we provided training to over 200 KEMSA staff on effective use of the protective gear. This training provided staff with knowledge on the importance of and how to use PPE for their job-related occupational safety and health risks reduction.

We reviewed the commodity flow of the current supply chain network state and gathered information and data for modeling of the current and future state distribution networks. We

reviewed available forecasting and quantification documentation such as the HIV strategy and quantification documentation together with the USAID Deliver project *Forecasting Demand from 2020–2024 Report* to conceptualize expected future distribution requirements.

We defined the requirements for transportation planning and explored initial design alternatives for a spreadsheet-based solution for load planning with a goal of working towards future automation of this activity. We also initiated review of the quality assurance SOPs. During the review, additional SOPs were identified that included product code creation and archival process, commodity traceability and non-conformance management. The SOPs are currently undergoing KEMSA's internal final review. When adopted these will enhance quality assurance processes within KEMSA.

**Performance Monitoring Plan:** We submitted the draft of KEMSA's Performance Management Plan (PMP) to the CEO and the KEMSA Directors for review. After review from the senior management team, the PMP will be adopted to guide performance management in KEMSA. In addition, key performance management actions will be included in the current business plan. This will contribute greatly towards creating a sustainable culture of performance management within the organization. The draft PMP recommends a Performance Management Unit (PMU) to drive and mainstream performance management and continuous process improvement activities. The proposed structure is included in Figure 1.

We began transitioning M&E activities to supply chain operations M&E Champions. These M&E Champions have started to take the lead on Actionable Information Use activities. The M&E Champions from customer service, warehouse, and distribution have started presenting M&E results during routine operations staff meetings. Information from these presentations is helping KEMSA to identify action items that include operational improvements and additional metric needs. For example, during a recent customer service presentation it was noted that the team does not enter orders in the ERP upon receiving the orders from customers. When orders are not available in the ERP, warehouse and distribution have no visibility into upcoming requirements. Questions were raised about the backlog of order entry and the resources required for data entry. The process identified the need for a new reporting metric to measure the number of order lines entered per staff member per day, allowing leadership to monitor performance of Customer Service Assistants.

We created a Performance Management Reporting Calendar to track the submission of key data files. The calendar tracks what has been submitted and when, and is shared with KEMSA staff routinely as a transparent measurement of data collection and reporting performance. Submissions are color-coded and shared with KEMSA, motivating staff to plan their submissions well ahead of due dates to avoid appearing on the delayed reporting list. This will help to overcome challenges related to on-time data reporting,

Also related to sustainability, transparency, and the creation of a performance management culture within KEMSA, we printed and posted metrics posters in high traffic areas of both the Commercial Street and Embakasi warehouses. Warehouse floor staff showed interest in understanding the metrics. As discussed with one M&E Champion, they are now aware that the metrics are being measured and they know their significant contribution in attaining operational targets. KEMSA staff frequently ask questions to the M&E Champions to better

understand the metrics and how their activities impact the results. This action points to a milestone in KEMSA's willingness to allow visibility into its performance as well as progress towards opening performance management to a much broader group of KEMSA staff.

## **Quantitative Impact**

As illustrated in Performance Data Table I, during this quarter we made significant quantitative impact in KEMSA in several key areas. Key amongst these includes:

- During this quarter all bank reconciliations were completed on-time or early in 100% of the time. The finance SOPs requires that all bank reconciliations occur before day 5 of the following month and are signed off by the Finance and Administrative Director. Previously there were delays in bank reconciliations making it difficult it for timely follow up of the identified financial statement discrepancies.
- The amount of time it takes to move products through the quarantine process to be available for picking continues to perform near the target rate of 3.5 days. High performance in this KPI ensures that products delivered by suppliers are available to the warehouse for picking for distribution to the health facilities in a timely manner.
- The number of order lines picked per picker per hour is around the target rate of 4.5 per hour. This is an increase from the baseline rate of 3.92 picks per hour. Additionally, this KPI is now being calculated using an automated report from the ERP.
- On-time Proof of Delivery (POD) returns showed considerable improvement. Due to routine monitoring of this KPI, KEMSA communicated poor performance to transporters who responded by improving on-time submission of PODs to 71% for hospitals and 38% for regional health facilities (RHF). Timely submission of PODs streamlines the payment of service providers, serves as an early-warning system for customer service issues, and signals a completion of the supply chain cycle from order to delivery to the customer.
- Also due to the focus on transporter performance monitoring, considerable achievements have been seen in Transporter On-Time Delivery (90% on-time for hospitals and 72% for RHF). The execution of the new third party transporter contracts, which brought in strict service level agreements, in addition to monitoring, has helped improve transport metrics.
- One of the largest service provider performance issues prior to the new transporter tender, Truck Availability, continues to exceed expectations with a 92% availability rate during the period.
- Transit times again hover around Year Two target levels of two days for hospitals and four for RHF.

## **Project Administration**

We have experienced challenges in receiving approval for an increased level of effort for several key technical advisors. Working closely with our Chief of Party, project technical team, and KEMSA counterparts, we proposed targeted increases for specific short-term technical assistance resources to address the needs identified by KEMSA for support by the project and in line with the project's implementation plan.

## **Subsequent Quarter's Work Plan**

### **Mandate Legal Status and Operational Mandate**

- Continue KEMSA Act Advocacy Plan for passage of the KEMSA Act
- Support KEMSA to print and distribute enacted Act

### **Support KEMSA to draft required Regulations Governance Architecture and Practice**

- Follow up with KEMSA Board in order to obtain approval and adoption of the revised and updated Internal Audit Charter
- Update the existing Internal Audit Manual and develop internal audit tools
- Offer training to Internal Audit department based on the revised manual and tools
- Review and harmonize processes flow between Procurement and Finance departments
- Draft the funding procedure for the KEMSA Act to allow direct funding allocation
- Monitor the implementation of the revised finance SOPs
- Complete LMU/CSA integration after move to the new office at the warehouse
- Support KEMSA to gather PPE compliance data and address attendant issues
- Conduct KEMSA change baseline surveys
- Complete the Change Management Strategy
- Implement the Change Management Strategy

### **Inventory Management and Tracking Systems**

- Refine supply chain planning SOPs and policies
- Rollout planning tools and reports and monitor the supply chain scorecard
- Conduct customer service training based on enterprise-wide skills assessment
- Complete customer service SOPs and policies

### **Warehousing and Distribution Systems**

- Complete quality assurance SOPs and policies development
- Conduct Distribution Department capacity planning
- Continue monitoring of third party transport performance
- Conduct strategic network optimization analysis
- Document "to be" business process flows for warehouse management
- Review and update warehousing SOPs and policies
- Define a new warehouse layout

## **Performance Monitoring Plan**

- Finalize the KPI Dictionary
- Finalize KEMSA's Performance Management Plan
- Draft standard information products for internal and external stakeholders
- Continue data collection, analysis, reporting, and information use

## **II. KEY ACHIEVEMENTS (Qualitative Impact)**

Key achievements this quarter include meeting with key members of the Parliamentary Health Committee and the legal counsel of the Parliamentary Health Committee to ensure that the KEMSA Bill is prioritized for the second and third reading before expiry of the term of the tenth parliament (January 14, 2013). It is expected that the passage of the KEMSA Bill will be completed before January 14, 2013. Passage of the KEMSA Bill will strengthen KEMSA's operational mandate and provide the organization with necessary autonomy.

We delivered a training to KEMSA's Finance Department on the use and implementation of the recently updated finance SOPs and manuals. A total of 23 KEMSA finance staff participated. The training was designed based on the main content areas of the SOPs and incorporated a session on change management in order to strengthen the management of the changes that resulted from the SOP updates.

We developed customer service reporting tools, reviewed customer service SOPs and trained 24 Customer Service Assistants in essential skills including qualities of effective Customer Service Assistants, written and verbal communication skills, and complaints management. We introduced a one-page scorecard which gives KEMSA's CEO and departmental directors a single page overview of KEMSA's performance.

We strengthened KEMSA's warehouse structure and operations by creating 660 new pallet storage spaces in the central warehouse and equipping over 200 of KEMSA's warehouse and distribution staff with PPE including hard hats, shoes and dust coats.

We began transitioning M&E activities to KEMSA starting with transitioning of supply chain operations M&E collection and analysis to supply chain operations M&E Champions. These M&E Champions have started to take the lead on Actionable Information Use activities. We collaborated with KEMSA to print and post metrics posters in high traffic areas of both the Commercial Street and Embakasi warehouses. This helped to strengthen sustainability, transparency, and the creation of a performance management culture within KEMSA.

## **Lessons Learned**

### **1. Commodity procurement receipts need to be split in smaller batches and timed throughout the year**

In the past quarter, there was a huge surge in receipt volumes of medical commodities. Due to the storage constraints, the receipts posed a challenge and had to be re-routed to KEMSA depots. In addition to storage related issues, the huge volumes led to overstocks on some commodities and huge inventory holding. It's recommended that an assessment of the procurement function be conducted and processes and structures be developed so as to set standards and prevent recurrence.

### **2. KEMSA procurement is a lengthy process which may impact planned dates**

The LMU move was delayed due to a floor preparation delay which was caused by the lengthy KEMSA procurement process. The result was that all other preparation work was complete including newly designed office furniture as well as communications to internal and external stakeholders, but the move could not take place on the planned date.

## **III. PROGRAM PROGRESS (Quantitative Impact)**

The Performance Data Table provides the most current key performance status as well as the historical data for the project's KPIs. Highlights from the table include an improved warehouse picking rate (4.6 picks per hour) which contributes to more efficient operations. The dock to stock time, the amount of time it takes to move products through the quarantine process to availability for picking, continues to perform near the target rate of 3.5 days. High performance in this KPI ensures that products delivered by suppliers are available to the warehouse for picking in a timely manner.

Considerable improvement was shown in POD returns. Due to routine monitoring of this KPI, KEMSA communicated poor performance to transporters who responded by improving on-time submission of PODs to 71% for hospitals and 38% for RHF's. Timely submission of PODs streamlines the payment of service providers, serves as an early-warning system for customer service issues, and signals a completion of the supply chain cycle from order to delivery to the customer. Also due to the focus on transporter performance monitoring, considerable achievements have been seen in Transporter On-Time Delivery (90% on-time for hospitals and 72% for RHF's). Truck Availability continues to exceed expectations with a 92% availability rate during the period.

In addition to the supply chain improvements, bank reconciliations were completed on-time or early 100% of the time during the quarter allowing for on-time financial statement preparation.

**Table 1: Performance Data Table**

INDICATOR NAME	YEAR 1 BASELINE	YEAR 1 BASELINE DATE	YEAR 1 VALUE (DATE)	May 2011 - Sep 2011	Oct 2011 - Dec 2011	Jan 2012 - Mar 2012	Apr 2012 - Jun 2012	Jul 2012 - Sep 2012	Oct 2012 - Dec 2012	TARGET VALUE YEAR 2 (MAY 2013)	FREQUENCY
Bank reconciliation completion date variance	4	Sample - Feb to Apr 2012	4 (Feb-Apr 2012)	Data not available	Data not available	6 (Feb-Mar 2012)	4	0	0	3	Quarterly
Standing imprest replenishment lead time	3.7	Mar – Apr 2012	3.7 (Mar-Apr 2012)	Data not available	Data not available	Data not available	3 (Apr 2012)	9.50	4.45	3	Quarterly
Payment processing days	8.32	Mar – Apr 2012	8.32 days (Mar-Apr 2012)	Data not available	Data not available	Data not available	7.41 (April 2012)	7.12	6.46	10	Quarterly
Financial reporting timeliness variance	5	Jan-Feb 2012	3 (Jan-Apr 2012)	Data not available	Data not available	3	2	0	1.0	4	Quarterly
Order fill rate for funded tracer commodities	66%	Jan-Apr 2011	Figure under validation with KEMSA	Figure under validation with KEMSA	Figure under validation with KEMSA	Figure under validation with KEMSA	Figure under validation with KEMSA	46% (Initial estimate, additional data expected)	94%	71%	Quarterly
Short-dated commodity batches	3.80%	Mar-12	3.80% (Mar 2012)	Data not available	Data not available	3.80% (Mar 2012 only)	5.62% (May-Jun 2012 only)	2.78%	1.64%	2.85% (30% decrease from year 1 baseline)	Quarterly
Order turnaround time for special program distribution cycles	6.76 days (ARVs only)	Dec 2011-Mar 2012	6.44 days (ARVs only, Dec 2011-Apr 2012)	Data not currently available	8.2 days (Dec 2011 only)	6.23 days (Feb-Mar 2012 only)	6.59 days	6.97 days	12.11 days	Special program distribution cycle: 6 days	Quarterly
Customer complaints response time	N/A	N/A	N/A	Data not available	Data not available	Data not available	75%	44%	68%	80%	Quarterly
On time reporting	56%	Jan-Apr 2011	41% (Jan-Apr 2012)	Data acquired, figures being calculated and validated.	Data acquired, figures being calculated and validated.	37%	47%	47%	42%	65%	Quarterly

INDICATOR NAME	YEAR 1 BASELINE	YEAR 1 BASELINE DATE	YEAR 1 VALUE (DATE)	May 2011 - Sep 2011	Oct 2011 - Dec 2011	Jan 2012 - Mar 2012	Apr 2012 - Jun 2012	Jul 2012 - Sep 2012	Oct 2012 - Dec 2012	TARGET VALUE YEAR 2 (MAY 2013)	FREQUENCY
<b>Months stock cover (tracer commodities only)</b>	17.31 months	Feb-Apr 2012	17.31 months (Feb-Apr 2012)	Data not available	Data not available	20.08 months	9.17 months	16.53 months (Initial estimate, validation in progress)	41.19 months	10 months	Quarterly
<b>Dock to stock</b>	6.32 days	Jan-Apr 2011	4.80 days (May 11-Apr 12)	4.39 days	5.29 days	3.86 days	3.70 days	3.32 days	3.52 days	3.5 days	Quarterly
<b>On-time delivery</b>	Standard distribution cycle: Hospitals : 31% RHF: 38%	Jul-Dec 2011	Standard distribution cycles: Hospitals: 36% (Jul 2011-Apr 2012) RHF: 28% (Jul 2011-Mar 2012)	N/A	Hospitals: 31% (Jul-Dec 2011) RHF: 38% (Jul-Dec 2011)	N/A	Hospitals: 38% (Jan-Jun 2012) RHF: Insufficient data available at this time	N/A	Hospitals: 8.7%; RHF: 33%	Standard distribution cycle: Hospitals = 65% RHF = 50%	Semi-annually
<b>Truck availability</b>	60%	Nov/Dec-11	80% (Nov 11-Apr 12)	Data not available	60% (Nov-Dec 2011 only)	98%	81%	91%	92%	85%	Quarterly
<b>Picking rate</b>	3.91 picks per hour	Mar-Oct 2011	2.33 picks per hour (May 2011-Apr 2012)	N/A	3.20 picks per hour (May 11-Dec 11)	N/A	1.96 picks per hour (Jan 12-Jun 12)	N/A	4.6 picks per hour	4.5 picks per hour	Semi-annually
<b>Order to shipment readiness cycle time for special distribution of selected programs</b>	10.3 days	Feb-Apr 2011	8.1 days (May 11-Apr 12)	11.0 days	13.1 days	7.8 days	8.0 days	5.7 days	2.86 days	5.0 days	Quarterly
<b>Pick to shipment readiness cycle time for standard distribution cycle</b>	41 hours 49 minutes	Feb-Apr 2011	24 hours 28 minutes (May 11-Apr 12)	21 hours 04 minutes	27 hours 43 minutes	35 hours 17 minutes	24 hours 39 minutes	59 hours 02 minutes	49 hours 31 minutes	19 hours 0 minutes (19:00)	Quarterly

INDICATOR NAME	YEAR 1 BASELINE	YEAR 1 BASELINE DATE	YEAR 1 VALUE (DATE)	May 2011 - Sep 2011	Oct 2011 - Dec 2011	Jan 2012 - Mar 2012	Apr 2012 - Jun 2012	Jul 2012 - Sep 2012	Oct 2012 - Dec 2012	TARGET VALUE YEAR 2 (MAY 2013)	FREQUENCY
<b>Transporter on time delivery</b>	Hospitals : 71% RHF: 75%	Jul-Dec 2011	Hospitals: 74% (Jul 11-Apr 12) RHF: 74% (Jul 11-Mar 12)	N/A	Hospitals: 71% (Jul-Dec 2011 only) RHF: 75% (Jul-Dec 2011 only)	N/A	Hospitals: 78% (Jan-Jun 2012) RHF: 70% (Jan-Jun 2012)	N/A	Hospitals: 90%; RHF: 72% (Oct-Dec only)	Hospitals: 85% RHF: 85%	Semi-annually
<b>Delivery transit time</b>	Hospitals : 2.61 days RHF: 4.86 days	Jul-Dec 2011	Hospitals: 2.32 days (Jul 11-Apr 12) RHF: 5.15 days (Jul 11-Mar 12)	N/A	Hospitals: 2.61 days (Jul-Dec 2011 only) RHF: 4.86 days (Jul-Dec 2011 only)	N/A	Hospitals: 1.91 days (Jan-Jun 2012) RHF: 5.90 days (Jan-Jun 2012)	N/A	Hospitals: 1.97 business days; RHF: 5.02 business days (Oct-Dec only)	Hospitals: 2 days RHF: 4 days	Semi-annually
<b>On-time Proof-of-Delivery returns</b>	Standard distribution cycles: Hospitals : 12% (Jan-Feb 12) RHF: 13% (Feb-Mar 12)	Jan/Feb-12 (Hospitals); Feb/Mar-12 (RHF)	Hospitals: 13% (Jan-Apr 12) RHF: 13% (Feb-Mar 12)	N/A	Data not available	N/A	Hospitals: 16% (Jan-Jun 2012) RHF: 15% (Feb-Jun 2012)	N/A	Hospitals: 71% on-time; RHF: 38% on-time (Oct-Dec)	Standard distribution cycles: Hospitals: 50% RHF: 50%	Semi-annually

## **IV. PERFORMANCE MONITORING**

We provided updated measurements of the appropriate project indicators as indicated in the Performance Data Table. These indicators are grouped under relevant project work streams and linked with the impact areas (i.e., strong, accountable, responsive, and efficient). Indicators and target values have been discussed with KEMSA management throughout their development and adjusted as necessary to reflect the current situation. They are aligned with KEMSA's organizational and business goals as well as USAID/Kenya 2010-2015 Implementation Framework for the Health Sector. The selected KPIs are designed to measure the effectiveness of KEMSA operations to meet its set objective as the medical supply chain organization of choice and are directly linked to a desired result in one or multiple activities.

We pay close attention to the process of data collection, verification and analysis. Our team works with KEMSA to strengthen tool development and data quality improvement. The principal data sources for indicators are the KEMSA ERP and Warehouse Management System (WMS), although gaps in these systems often require the use of spreadsheets and other tools, particularly for distribution indicators. The results for this quarter were verified through an initial data cleaning process and subsequent review with the project team and KEMSA counterparts to identify possible outliers or misinterpretations.

Beyond reporting, the project strives to strengthen the learning that occurs from metrics results. This quarter we continued to encourage regular review of metrics results in KEMSA staff meetings and with project technical staff allowing for proactive decision-making and program modifications to address performance challenges. KEMSA recognizes that utilizing performance management results strengthens their planning processes and provides evidence for resource allocation and other operational determinations.

## **V. PROGRESS ON LINKS TO OTHER USAID PROGRAMS**

We collaborate with complementary USAID-funded programs such as the Capacity Kenya Project; the Health Commodities and Services Management (HCSM) program; the Kenya National Health Management Information System (HMIS) program (AfyaInfo); and the Leadership, Management and Sustainability (LMS)/Kenya program, to rationalize responses that can enhance KEMSA's capacity to serve Kenya's healthcare facilities.

With the HCSM program we work together to ensure that health facilities are able to report their commodity consumption data to KEMSA. This collaboration ensures that the central level improvements in the supply chain are leveraged with facility-based interventions to strengthen reporting, planning and monitoring.

Together with the Supply Chain Management System (SCMS) program, we collaborate during planning exercises with KEMSA to help improve access to medical commodities to client health facilities throughout the country. Additionally, we collaborate with SCMS to ensure that consumption data of commodities distributed through SCMS is shared between SCMS and LMU and that reporting of consumption data is appropriately done through the

LMU. This quarter we leveraged work completed by the USAID Deliver project in their *Forecasting Demand from 2020–2024 Report* to form a picture of the expected future distribution requirements with KEMSA.

We continue to collaborate with Kenya Pharma to ensure that stock sharing when required is done through a seamless process through elimination of the quarantine requirement for commodities originating from Kenya Pharma. This process leads to improved access to HIV/AIDS medicine and commodities and helps to eliminate stock outs throughout Kenya.

We collaborate with Afyainfo in sharing facility lists and the geocodes during the updates to the Master Facility List. This ensures that the Master Facility List is consistent and available to the stakeholders in a harmonized format.

## **VI. PROGRESS ON LINKS WITH GOK AGENCIES**

We recognize that the most effective approach to improving and sustaining supply chain capacity in Kenya is through building local capacity through direct collaboration and support to KEMSA. Prioritized activities and solutions are selected by KEMSA and implemented in partnership with our team. Through this process we ensure ownership and sustainability of all activities.

With the Ministries of Health we actively participate in policy and guidelines development together with KEMSA. Through this process we have leveraged resources and contributed to a strengthened national supply chain system. Together with KEMSA, we collaborate across the Ministry's programs to leverage inputs and harmonize planned interventions to holistically strengthen Kenya's health system.

We collaborate with the National AIDS & STI Control Program (NASCO) to strengthen the response to HIV/AIDS through improved access to HIV/AIDS commodities and supplies. We participate during commodity security meetings and during forecasting and quantification meetings.

Together with the Department of Reproductive Health, we help strengthen planning processes and analysis for increased access to family planning and reproductive health products. We work with the Division of Malaria to improve the availability of anti-malarials across the country by supporting KEMSA to track and share key metrics related to availability. We collaborate with the Division of Tuberculosis and Lung Diseases to strengthen the continuous supply of both first and second line anti-tuberculosis medicines through KEMSA.

## **VII. PROGRESS ON USAID FORWARD**

We directly contribute to the main areas of the USAID/FORWARD initiative.

- **Building local sustainability and partnerships:** We continue to build on and strengthen the existing national supply chain system. We work to strengthen the national supply chain system and capacities to allow KEMSA to manage their

challenges effectively. We work with KEMSA to improve transparency and accountability to facilitate a path of unifying parallel commodity supply chains into one national system to increase efficiencies and sustainability of the national health system.

- **Fostering innovation:** We work with our KEMSA counterparts to promote innovative approaches to strengthening their operations. We transfer to KEMSA the knowledge and skills acquired through our experience improving supply chains in the public and private sector. Our capacity development activities in KEMSA's distribution department are based on leading practices such as distribution route optimization, carrier contract renegotiations, and transportation service level agreements.

## VIII. SUSTAINABILITY AND EXIT STRATEGY

Our team continued to focus on strengthening KEMSA's capacity in key areas identified through analysis of current processes and metrics. We put KEMSA's priorities at the forefront, to empower KEMSA to own and sustain capacity building initiatives. KEMSA's departments are continuously implementing improved processes and procedures to improve performance. Using change management and other methodologies, we are sensitizing KEMSA leadership to uniformly support these changes and help ensure that the strengthened mechanisms are institutionalized and monitored to sustain improvements.

## IX. SUBSEQUENT QUARTER'S WORK PLAN

Planned Activities from Previous Quarter	Actual Status this Quarter	Explanations for Deviations
<b>Mandate Legal Status and Operational Mandate</b>		
Continue implementation of the KEMSA Act Advocacy Plan/Roadmap	Ongoing	
Meet with key stakeholders to advocate and gain support for passage of the Draft Bill	Ongoing	
<b>Governance Architecture and Practice</b>		
Development of charter for the finance committee of the board	Completed	
Review and update the internal audit charter	Completed	
KEMSA Board approval and adoption of the revised and updated Internal Audit Charter	Planned	Board Retreat anticipated for January 2013
Update the existing Internal Audit Manual and develop internal audit tools	Planned	Identifying qualified STTA
Complete the Enterprise-wide risk review and assessment	Complete	

Obtain a copy of the new KEMSA Procurement manual and benchmark it against the provisions of the Public Procurement Act and other relevant donor requirements	Obtained manual. Identified gaps in the manual related to the Public and Procurement Act 2005 and 2009	The KEMSA finance manual developed by the World Bank was specific to World Bank procurement (not overall procurement at KEMSA).
Conduct training for finance staff on updated SOP and manuals	Completed	
Monitor the implementation of SOP's and the outcome thereof through quarterly audits		The inaugural audit was postponed to FY13 Q2 as the SOPs manual was not officially adopted by KEMSA in FY13 Q1 as expected. The delay in adoption was due to the lack of finance committee participation at the board meetings.
Draft the funding procedure for the KEMSA Act to allow direct funding allocation	Planned	Awaiting passage of the KEMSA Bill
Change management training for KEMSA's Finance staff	Completed	
Nomination of Change Champions	Completed	
Capacity building of Change Champions	Planned	Competing implementation priorities and increased workload for Change Champions extended timeframe
<b>Inventory Management and tracking systems</b>		
Finalize design of Technical Planning Unit	Design submitted for board review and approval	
Develop Supply Chain planning SOPs and Policies	Developed	
Finalize Customer Service SOPs	In progress	STTA trip postponed
Strengthen tools and reports	Ongoing	
Conduct Customer Service training on essential Customer Service skills and SOPs	Training conducted on essential Customer Service skills Training on SOP's outstanding	
Refine Customer Service training plan based on skills assessment	Planned	Awaiting skills assessment
<b>Warehousing and Distribution Systems</b>		
Review and update quality assurance SOPs and Policies	Ongoing	
Distribution department capacity planning	Planned	<ul style="list-style-type: none"> <li>• STTA trip postponed</li> <li>• Distribution cycle was behind schedule and staff had to focus on catching up</li> </ul>
Monitoring of third party transport performance	Ongoing	

Develop distribution load planning tool	Requirements for load planning was defined	Awaiting ERP development work
Conduct Strategic Network Optimization analysis	Planned	Submission for STTA was being reviewed by USAID
<b>Performance Monitoring Plan</b>		
Finalize the KPI Dictionary	Ongoing	LOE restrictions for technical assistance support required a shuffling of priorities in the PMP Work Stream
Finalize KEMSA's Performance Management Plan	Ongoing	The final draft of the PMP was submitted to KEMSA leadership in December and now depends on their approval to finalize
Draft standard Information Products for internal and external stakeholders	Ongoing	Internal Information Products were completed and published in KEMSA warehouses; for external information products, LOE restrictions for technical assistance support required a shuffling of priorities in the PMP Work Stream
Continue data collection, analysis, reporting, and information use	Ongoing	

## Annex I: Schedule of Future Events

Date	Location	Activity
February 2013	Nairobi	Training on KEMSA's Core Values for Change Champions and Managers
February or March 2013	To be determined (Naivasha/Lukenya)	Training on Distribution and QA SOPs Training on Distribution and QA Leading Practices
February or March 2013	To be determined (Naivasha/Lukenya)	Training on Customer Service SOP's
April 2013	To be determined (Naivasha/Lukenya)	Training on Warehouse SOP's