

SCMS FY14 Q2 Quarterly Performance Report

FY14 Q2 January-March 2014

May 30, 2014

About SCMS

The Supply Chain Management System (SCMS) was established to enable the unprecedented scale-up of HIV/AIDS prevention, care and treatment programs in the developing world. SCMS procures and distributes essential medicines and health supplies, works to strengthen existing supply chains in the field, and facilitates collaboration and the exchange of information among key donors and other service providers. SCMS is an international team of 16 organizations funded by the US President's Emergency Plan for AIDS Relief (PEPFAR). The project is managed by the US Agency for International Development.

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Supply Chain Management System

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Acronyms

ACF	Allocated cost factor
AIDS	Acquired Immunodeficiency Syndrome
API	Active Pharmaceutical Ingredient
ARVs	Antiretrovirals
BRC	Blended RDC charge
CPP	Coordinated Procurement Planning Initiative
DRC	Democratic Republic of the Congo
ETJ	Emergency Travel Justification
FASP	Forecasting and supply planning
FDC	Fixed-dose combination
GF	Global Fund
GPRM	Global Price Reporting Mechanism
HIV	Human Immunodeficiency Virus
HSS	Health systems strengthening
HRCD	Human resource capacity development
LMIS	Logistics management information system
LMU	Logistics Management Unit
LOP	Life of project
MMU	Materials Management Unit
MOH	Ministry of Health
NSCA	National Supply Chain Assessment
OTD	On-time delivery
PFSCM	Partnership for Supply Chain Management
PEPFAR	President's Emergency Plan for AIDS Relief
PMO	Project Management Office
PMP	Performance management plan
PWS	Performance work statement
PFSA	Pharmaceutical Fund and Supply Agency
PPM	Pooled Procurement Mechanism
PQ	Price quotation
QA	Quality assurance
RDC	Regional distribution center

SOPs	Standard operating procedures
SSU	Systems Strengthening Unit
TA	Technical assistance
TDF	Tenofovir Disoproxil Fumarate
TWG	Technical working group
USAID	United States Agency for International Development
VMMC	Voluntary medical male circumcision
VOTD	Vendor on-time delivery
VPP	Voluntary Pooled Procurement
WHO	World Health Organization

Executive Summary

SCMS is pleased to submit the FY14 Q2 quarterly report based on the four goal areas outlined in the SCMS Performance Management Plan (PMP):

- Access
- Strengthen systems
- Leadership and partnership
- Operational excellence

This quarter, SCMS continues to experience several on-time delivery (OTD) challenges, with an overall client OTD performance of 73 percent, below the 80 percent target. Continuing Active Pharmaceutical Ingredient (API) shortages and country-specific performance issues are cited as the largest contributors to these challenges. SCMS continues to actively manage RDC delivery schedules to mitigate risks resulting from API shortages, as well as implementing corrective actions in countries with low OTD. Several countries report performance improvements from Q1 to Q2.

Quarterly performance highlights include:

- Delivered \$96.7 million in commodities via 835 shipments (page 23 & page 8).
- Customs clearance delays and fees created challenges to freight and logistics in Kenya and Zambia. Several shipments were deferred in Kenya, including inbound RDC shipments, to avoid significant demurrage charges due to a backlog resulting from an unpaid Railway Development Levy (RDL) by the Kenyan MOH. By the end of the quarter, the issue was close to resolution, with the RDC in the process of securing a bond license that will exempt our RDC shipments from the RDL payment (page 13).
- ARV vendor on-time delivery (VOTD) continues to be impacted by API supply shortages, reaching 58 percent in March. TDF shortages have impacted SCMS and other global suppliers over the past quarters, with production capacity for the manufacturing of Abacavir, Efavirenz, Nevirapine and Zidovudine API shortages now also causing concern beginning in Q2 (pages 12-13).
- Implemented the eLMIS in collaboration with MOH's Logistics Management Office (LMO) in Rwanda. The system has been rolled out to 178 users to date and is expected to significantly improve supply chain management and logistics reporting (page 18).
- Conducted national supply chain assessments in Burma and Burundi, providing capability and performance baselines for these two newer SCMS programs, which will be used to inform national supply chain strategic plans (page 18).
- In partnership with SCMS and SIAPS, USAID | DELIVER PROJECT hosted a supply chain leadership initiative design workshop in Washington, DC, bringing together supply chain leaders from the public and private sectors to lay the groundwork for developing a global supply chain leadership initiative that aims to develop dynamic, motivated and competent leaders at all supply chain levels (page 21).
- SCMS was one of the five winning case stories in the World Bank's Procurement for Complex Situation Challenges for our submission that details the establishment of the SCMS supply chain (pg. 19)

Key Quarterly Statistics

Key Statistics	FY14 Q2	Annual Performance to Date	Life of Project
Value of commodities delivered	\$96.7 million delivered	\$225.8 million delivered	\$1.8 billion delivered
Number of deliveries	835 deliveries	1,572 deliveries	18,550 deliveries
Countries receiving shipments	25 countries	30 countries	57 countries
Percent generic ARVs by volume	98%	97%	98%
Counterfeit products detected	0 counterfeits	0 counterfeits	0 counterfeits

FY14 Q2 Performance

Goal One: Access

Objective	Measure	Target	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
1.1 Capacity and Capability	1.1.1 Product Loss: Shipping and Storage	≤3%	0.34%	0.0%	0.08%	0.00%
1.2 Reliability	1.2.1 SCMS-Related Stockout Rates	≤12 per year	0	0	0	0
	1.2.2 On-Time Delivery	Core: 80%	82%	76%	75%	73%
		Non-Core: 70%	77%	83%	75%	94%
	1.2.3a On-Time PQ Turnaround	ARV: 70%	60%	87%	96%	95%
		Test Kits: 85%	86%	91%	100%	88%
		VMMC Kits: 80%	100%	95%	100%	60%
	1.2.4 Forecast Accuracy	70% (interim)	FY13: 62%		FY14: TBD	
1.3 Quality Products	1.3.1 Pharmaceutical Product Sampling — Actual Pulled vs. Flagged	88%	100%	100%	70%	100%
1.4 Strengthen Reach	1.4.1 Planned, Unplanned and Emergency Orders	Planned: N/A	71%	60%	92%	81%
		Unplanned: N/A	21%	19%	1%	11%
		Emergency: N/A	8%	21%	7%	9%

Goal Two: Strengthen Systems

Objective	Measure	Target (Interim)	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
2.1 Capacity and Capability	2.1.1a Strategic Plans	50%	FY13: 33%		FY14 to Date: 35%	
	2.1.1b FASP Country Ownership	75%	FY13: 50%		FY14 to Date: 64%	
	2.1.1c SOPs	80%	FY13: 66%		FY14 to Date: 82%	
	2.1.2 Competency	80%	86%	76%	87%	78%
	2.1.3 Supply Chain Assessment: CMM Score	60%	Botswana: 54.9%			
Rwanda: 49.5%						
Namibia: 52.0%						
Lesotho: 50.0%						
2.2 Performance	2.2.1 Supply Chain Performance: In-country					
	2.2.1a Facility Reporting Rates	80%	79%	77%	66%	68%
	2.2.1b Expiry	1%	0.25%	0.66%	1%	0.29%
	2.2.1c On-time Delivery	75%	93%	86%	80%	83%
	2.2.1d Stockout Rate	5%	11%	8%	9%	6%
	2.2.1e Order Fill Rate	80%	97%	71%	65%	65%
	2.2.2 Supply Chain Assessment: KPI Score	60%	Botswana: 72.2%			
Rwanda: 69.0%						
Namibia: 76.0%						
Lesotho: 35.0%						

Goal Three: Leadership and Partnership

Objective	Measure	Target	FY13	FY14 To Date
3.1 Collaboration	3.1.1 Coordinated Procurement Mechanism	80% (interim)	96%	80%
	3.1.2 Number of CPP Country-at-Risk Schedule Submissions Per Year	4 (annual)	6	3
3.2 Knowledge Exchange	3.2.1 Publishing	6 (annual)	3	5
	3.2.2 Presentations	25 (annual)	25	10

Goal Four: Operational Excellence

Objective	Measure	Target	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
4.1 Cost Effective	4.1.1a Cost Effective: RDC Expiry and BRC Reporting	Expiry RDC Stock: $\leq 3\%$	0.0%	0.28%	0.0%	0.07%
		BRC Reporting Rate: 4	FY13: 6		FY14: On-Target	
	4.1.1b Cost Effective: Surcharge	$\leq 5\%$	LOP: 4.05%			
	4.1.1c Cost Effective: ACF	$\leq 12\%$	LOP: 10.19%			
	4.1.2 ARV Price Comparison: SCMS vs. GPRM	70%	FY13: 79%		TBD	
4.1.3 Ocean Freight: Percentage of All Freight	$\geq 50\%$	84%	70%	66%	77%	
4.2 Best Value	4.2.1 Client Satisfaction: Products Ordered/Received and Technical Assistance	Products Ordered/Received: 85%	FY13 Q3-Q4: 90%		TBD ¹	
		Technical Assistance: 85%	FY13 Q3-Q4: 96%		TBD	
4.3 Continuous Improvement	4.3.1a Annual Partner Operational Review	100%	FY13: 100%			On Target
	4.3.1b Percent of TA Trips Processed On Time	80%	45.2	56.1%	57.1%	23%
	4.3.2 Core Systems Uptime: Potential vs. Actual	Orion: $\geq 95\%$	99.9%	99.9%	98.7%	99.4%
KT: $\geq 95\%$		99.9%	99.9%	99.9%	99.6%	

¹ Client Satisfaction survey is currently under revision and will be reported in the FY14 Q4 report.

Quarterly Performance

Goal 1: Access

Provide quality HIV/AIDS commodities efficiently and effectively.

SCMS met the majority of the Access goal quarterly performance targets in FY14 Q2, with the exceptions being on-time delivery (OTD) and VMMC price quotation (PQ) turnaround time. Updates on the main challenges that prevented us from meeting our targets for these measures are provided in the following key results and challenges sections.

FY14 Q2 marks the first complete quarter for which performance data is hard closed. Performance will only be reported in the month in which final documentation is complete, preventing fluctuation in previously reported key indicators such as value delivered and OTD.

Objective	Measure	Target	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
1.1 Capacity and Capability	1.1.1 Product Loss: Shipping and Storage	≤3%	0.34%	0.0%	0.08%	0.00%
1.2 Reliability	1.2.1 SCMS Related Stockout Rates	≤12 per year	0	0	0	0
	1.2.2 On-Time Delivery	Core: 80%	82%	76%	75%	73%
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		VMMC Kits: 80%	100%	95%	100%	60%
	1.2.4 Forecast Accuracy	70% (interim)	FY13: 62%		FY14: TBD	
1.3 Quality Products	1.3.1 Pharmaceutical Product Sampling — Actual Pulled vs. Flagged	88%	100%	100%	70%	100%
1.4 Strengthen Reach	1.4.1 Planned, Unplanned and Emergency Orders	Planned: N/A	71%	60%	92%	81%
		Unplanned: N/A	21%	19%	1%	11%
		Emergency: N/A	8%	21%	7%	9%

Key Results and Challenges

- On-time delivery performance remains below target this quarter, at 73 percent. Although OTD performance rebounded to 81 percent in January, subsequent months experienced continued issues, at 69 percent (February) and 73 percent (March).

- Last quarter’s report highlighted four countries experiencing a variety of issues negatively impacting OTD. Several corrective actions were implemented in FY14 Q2, resulting in improved performance in Haiti and Rwanda, while Uganda and Zambia continue to experience problems.

Country	Challenge	Update
Haiti	<ul style="list-style-type: none"> • Personnel training and retention. • Supplier performance. 	All orders were moved to the PMO temporarily, and several new staff hired and trained. Forward booking indicates that most orders are on time.
Rwanda	<ul style="list-style-type: none"> • When goods are delivered to Kigali, MOH does not provide timely PODs to confirm orders are complete. Late PODs impede visibility needed to respond to late orders. 	OTD in Q2 was 83%, a marked improvement from Q1. F&L monitored pending deliveries and import waiver delays weekly
Uganda	<ul style="list-style-type: none"> • Government of Uganda is responsible for quantification and procurement planning for ARVs through QPPU, and its forecasts often fail to meet demand, resulting in emergency orders to fill gaps. • Local lab suppliers providing unrealistic lead times. 	OTD is improving but forecasts often don't meet demand, resulting in emergency orders; working with local lab suppliers to provide realistic lead times.
Zambia	<ul style="list-style-type: none"> • Supplier performance for proprietary commodities. • Supplier base needs to expand for lab consumables. • Not enough internal staff LOE allocated to SCMS procurement; other issues related to procurement management. 	PMO-based staff met with two local suppliers, Biogroup Zambia and Rosell Diagnostics, to discuss their low on-time performance (22 percent and 45 percent, respectively). Both are improving but poor OTD performance in Q2 was caused by backlog. QA also performed quality audits at seven importers and one manufacturer in Zambia, in collaboration with the Zambia Medicines Regulatory Authority (ZAMRA), to further expand SCMS sourcing options. Made recommendations to the suppliers to improve their quality systems.

- Globally, ARV on-time delivery (OTD at 58 percent in March), continues to be impacted by API constraints. TDF shortages have impacted SCMS and other global suppliers over the past quarters; starting in Q2, production capacity for manufacturing of Abacavir, Efavirenz, Nevirapine and Zidovudine has been insufficient to satisfy demand. Several manufacturers prioritize triple-combination ARVs over single and double ARVs, resulting in delivery delays for these products. Other delays impacting ARV VOTD include:
 - Mylan’s priority usage of APIs for ARV supplies for the Government of India, expected to be resolved by April.
 - Cipla faced delays of Zidovudine APIs due to unexpected high demand and delivery issues from a Chinese manufacturer. To address these delays, SCMS and GF PPM (Pooled Procurement Mechanism) continue to share the supplies among the various recipients.
 - Stavudine’s API issues for Lamivudine/Stavudine/Nevirapine, which are not expected to be solved until June.

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- ARV manufacturers continue to be challenged in securing (t)FDA-approved APIs for Zidovudine and Abacavir. For Zidovudine, vendors scaled down production due to pollution control issues in China and increased demand for Tenofovir products (which is expected to replace Zidovudine products overtime as the current WHO recommendations are implemented by more countries). Abacavir is not manufactured frequently due to low demand and therefore has a longer lead time. In addition, all API manufacturers are impacted by a shortfall of intermediates, which are used to manufacture the APIs.
 - The first PQ was signed for Afghanistan in response to a USAID request that SCMS procure essential medicines for NGOs that provide health service delivery in more than 6,300 health posts and 550 health facilities in 13 provinces. SCMS is working closely with MSH/SIAPS and USAID | DELIVER PROJECT, which have previously procured essential medicines for Afghanistan.
 - Freight and logistics experienced successes and challenges in several countries regarding customs:
 - In Kenya, the MOH was significantly delayed in paying the 1.5 percent railway development levy (RDL), introduced in mid-2013. SCMS requested diplomatic assistance from the COR team, while the RDC explored a long-term solution to create a transit bond for the Kenya RDC. An interim shipping plan to scale down inbound shipments, redirecting them to other RDCs or as direct drops to recipient countries, was implemented to avoid the risk of high demurrage charges on reefer containers. Over the quarter, a high of \$21 million of commodities was detained in customs pending these payments is now down to \$1.3 million of commodities, with the rest cleared and delivered to the RDC. We expect to obtain a bond license for the Kenya RDC in the next quarter to remove the long-term requirement for tax waivers prior to importation and eliminate the need to pay any RDL in the future.
 - In a bid to introduce greater accountability and transparency into customs activities in Uganda, the Uganda Revenue Authority conducted an exercise allowing all tax-exempt importing organizations to log onto the customs website and appoint a customs-registered clearing agent to conduct their customs clearances.
 - In Zambia, we experienced significant clearance delays due to the instability of the recently upgraded automated customs clearing system. The system was in operable for more than a week at major entry points. Stakeholders are working with Zambia Customs (Revenue Authority) get the problem resolved in response to member complaints of truck demurrage charges and client complaints. We will continue to actively follow up on service issues associated with customs as part of our ongoing broader customs engagement strategy.
 - SCMS collaborated with USAID | DELIVER PROJECT to deliver more than \$358,000 of essential HIV/AIDS supplies to Pakistan's National AIDS Control Program (NACP). The commodities included ambient, cold, frozen and hazardous material products from three suppliers. All products were delivered to five regional NACP locations, enabling the program to continue uninterrupted HIV testing.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q2			
Key Issues	Corrective Actions	Progress	Quarter Identified
VMMC: Delays on shipments coming from the Kenya RDC	Move the storage of MC commodities to Singapore and South Africa.	To be updated in FY14 Q3.	FY14 Q2
Low ARV vendor on-time delivery (VOTD)	Continuation of quarterly VOTD reporting and monthly planning meetings with key ARV suppliers to manage the impact of API supply restrictions.	To be updated in FY14 Q3.	FY14 Q2
Low ARV VOTD	Monthly planning meetings with key suppliers and manufacturers.	SCMS continues to work with its in-country and global stakeholders to mitigate the impact of API challenges on ARV VOTD. Ongoing with updates in FY14 Q3.	FY14 Q1
OTD issues with four key countries: Haiti, Rwanda, Uganda and Zambia	Root cause analysis being conducted. PMO to work with each country to resolve issues that will be identified in analysis.	Made progress in all four countries. Haiti is now off the at risk list and almost 100 percent on time. Rwanda has improved considerably but we continue to work through aged orders placed before the process changed. Uganda and Zambia have improved but we continue to focus on them to ensure improving OTD continues.	FY14 Q1
Failed to collect six ARV samples from Kenya and Ghana RDCs	Undergo an incident investigation to identify causes of this challenge and collect samples at downstream locations in Côte d'Ivoire, Tanzania and Kenya.	Held an investigation meeting. Both the Kenya and Ghana RDCs have updated their sample collection procedures. Updated the SCMS sampling SOPs, as well. All relevant staff have been trained on new procedures. The incident was closed on March 31, with sample collections from the RDCs working smoothly.	FY14 Q1
Delays in triple TDF supply	Close cooperation with clients and vendors to determine priorities and ensure uninterrupted supply to all.	Manufacturers continuing to scale up capacity. Monthly meetings with SCMS, VPP and key suppliers of first-line ARVs.	FY13 Q2
High volume of emergency and unplanned orders in Tanzania	Work with Tanzania field office to ensure quarterly supply plans are updated, reliable and used for active country-level procurement.	Demand planning is working with the field office to encourage better supply planning in country. Issue is ongoing and SCMS will continue to monitor this challenge.	FY13 Q4

Key Risks

- Continued ARV supply challenges due to constraints on the supply of APIs present risk to the continuous supply of key ARV regimens. SCMS will continue to work with suppliers, in-country stakeholders and global stakeholders to mitigate this risk.
- As countries continue to transition to Tenofovir-based regimens, SCMS anticipates continued risk of increased volumes of unplanned and emergency orders. We will continue to closely monitor these commodities and manage customer expectations.

Goal 2: Strengthen Systems

Strengthen supply chains to increase access to quality HIV/AIDS commodities.

In FY14 Q2, the number of sites reporting has increased again to approximately 11,000 sites, nearly double that reporting in FY13 Q1. Burundi and the Democratic Republic of Congo (DRC) began submitting quarterly performance reports against performance work statement (PWS) and country-specific measures.

In-country supply chain performance improved for four out of five quarterly measures, with on-time delivery and expiry exceeding their interim targets. Stockout rates continue to decrease, falling from 11 percent in FY13 Q3 to 6 percent in FY14 Q2.

Please note that measure 2.2.1 Country Ownership is an annual measure and the data reported in this report reflects year to date progress. Final performance for this measure will be reported in FY14 Q4. Also, three National Supply Chain Assessment (NSCA) implementations were conducted in March, highlighted in measures 2.1.3 and 2.2.2 in Appendix 2. Analysis is currently being finalized and will be presented in the FY14 Q3 report. Data reported in this section reflect previously completed assessments.

Objective	Measure	Target (Interim)	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
2.1 Capacity and Capability	2.1.1a Strategic Plans	50%	FY13: 33%		FY14 To Date: 35%	
	2.1.1b FASP Country Ownership	75%	FY13: 50%		FY14 To Date: 64%	
	2.1.1c SOPs	80%	FY13: 66%		FY14 To Date: 82%	
	2.1.2 Competency	80%	86%	76%	87%	78%
	2.1.3 Supply Chain Assessment: CMM Score	60%	Botswana: 54.9%			
			Rwanda: 49.5%			
Namibia: 52.0%						
Lesotho: 50.0%						
2.2 Performance	2.2.1 Supply Chain Performance: In-country					
	2.2.1a Facility Reporting Rates	80%	79%	77%	66%	68%
	2.2.1b Expiry	1%	0.25%	0.66%	1%	0.29%
	2.2.1c On-time Delivery	75%	93%	86%	80%	83%
	2.2.1d Stockout Rate	5%	11%	8%	9%	6%
	2.2.1e Order Fill Rate	80%	97%	71%	65%	65%
	2.2.2 Supply Chain Assessment: KPI Score	60%	Botswana: 72.2%			
Rwanda: 69.0%						

			Namibia: 76.0%
			Lesotho: 35.0%

Key Results and Challenges

- In partnership with CHAI, SCMS facilitated the first ForLab master user training course, conducted at the African Centre for Integrated Laboratory Training (ACILT) in Johannesburg. Twenty-one participants attended, representing ministries of health, CDC, DOD, SCMS, CHAI, and Becton Dickinson (as part of its public-private partnership with CDC). Countries represented included Ethiopia, Kenya, Lesotho, Nigeria, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. Also during the quarter, SCMS conducted the first national quantification using the ForLab tool in Zimbabwe. The MOH used this analysis to highlight commodity demands and funding gaps for the laboratory, HIV, TB and malaria programs, providing evidence of the fiscal need to support diagnostic services in Zimbabwe and facilitating access to GF's New Funding Mechanism (NFM) allocation for diagnostic services.
- The People that Deliver initiative (PtD) held its first virtual board meeting with the newly elected 23-member board, including SCMS partners JSI, MSH and Imperial Health Sciences, as well as the Namibia MOH. USAID, GAVI, Global Fund, UNFPA and UNICEF representing the donor government and multi-lateral organization membership. The board supported the first-ever application of the PtD public health supply chain management competency compendium in a much-anticipated collaboration between SCMS, IntraHealth International and the Namibia MOH to strengthen Namibia's supply chain workforce. Two SCMS PMO staff, a USAID | DELIVER PROJECT COR team member and an advisor from Imperial Health Sciences mapped the competencies and tasks for supply chain staff at the central and regional medical stores.
- Continued to make progress on warehouse-in-a-box (WiB) projects in several countries:
 - Côte d'Ivoire: Required funding received from the Global Fund.
 - Nigeria: National Agency for Control of AIDS (NACA) signed the task order and MOA, and construction began in Abuja in March.
 - Rwanda: Signed an MOA with the government, contracting and funding on track to be finalized in April.
- In Rwanda, successfully implemented the new One Network eLMIS at all 30 district pharmacies, 40 district hospitals and four referral hospitals in collaboration with the MOH's Logistics Management Office (LMO). The system was rolled out to 178 users who, to date, have uploaded all inventory data and initiated the order management and warehouse management functions. The eLMIS is expected to significantly improve supply chain management and logistics reporting; reduce order preparation and execution time; improve the order fill rate; provide supply chain management information in near real time and ensure visibility by management; and provide information for supply planning and quantification.
- Conducted National Supply Chain Assessment (NSCA) baselines in Burma and Burundi, which will serve as national and program baselines for two of our newer field offices.
 - Burma: A team of 26 surveyors visited 20 facilities in four states and divisions. By April 10, we will complete visits to 263 facilities in all 17 states and divisions. The baseline results will inform development of a national supply chain strategic plan and help increase system maturity and performance.
 - Burundi: In collaboration with the MOH, CMS (CAMEBU) and SIAPS, a team of 30 data collectors visited 132 health delivery sites and CAMEBU to assess supply chain capability

and performance, including inventory management of a collaborative tracer commodity list that encompasses all three stakeholders' needs. The assessment provided wider visibility into the root causes of supply chain issues and collected baseline information to measure progress and performance over time. It will help SCMS, MOH and USAID better strategize for the supply chain, identify areas requiring investment and develop future strategies.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q2			
Key Issues	Corrective Actions	Progress	Quarter Identified
Data access issues hinder implementation of regimen changes.	Implement data mapping pilot. Engage COR team.	To be updated in FY14 Q2.	FY14 Q1
Competency tests not passed by trainees.	HRCO advisor to work with Country Directors in Ethiopia and Haiti to undertake root cause analysis of issues in passing competency test.	HRCO TWG addressed topic, noting that competency measures need to be tailored to the audience. Measuring competency by observation of task completion or group problem solving can also be assessed, measured and reported. Followed up with Ethiopia and Haiti to discuss future reporting of measure.	FY13 Q2
Côte d'Ivoire: Delays in reporting.	Fundamental review of supervision process and outsourced transportation planned for June.	Majority of activities completed. Contract signed, as confirmed by the GF principal recipient PNPEC.	FY13 Q2
MOH has not prioritized leadership of supply chain activities (Guyana, Haiti and Mozambique).	Work with champions in MOH/CMAM to develop, change and transfer skills (Guyana, Haiti and Mozambique).	Mozambique: Change of CMAM into a directorate will continue to cause difficulties in transitioning ownership to government. Field office will continue working with CMAM. Haiti: Corrective action complete and the improvement should be seen in the next quarter. The country had higher levels of ownership during the most recent quantification exercise. Guyana: SCMS continuing to advocate for MOH to agree, or amend, draft terms of reference for an LMU to take on this function	FY13 Q3

<p>Lack of forecasting and supply planning country ownership due to staffing and commitment levels of MOH(s).</p>	<ul style="list-style-type: none"> • Continue to advocate for creation of a Logistics Management Unit (LMU) and supply chain champions among counterparts. • Work with HRCO TWG to identify additional activities to drive and increase ownership. 	<p>Ongoing. SCMS continues to identify strategies to address key capacity challenges surrounding FASP.</p>	<p>FY13 Q4</p>
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Key Risks

- Burundi and Tanzania presented the potential risk of supply interruption due to the lack of secured funding and/or procurement plans for FY15. SCMS will work with in-country teams to communicate with donors and other stakeholders to ensure these potential risks are addressed.

Goal 3: Leadership and Partnership

Collaborate with key constituencies to strengthen health supply chains and encourage the adoption of best practices.

SCMS met or is on target to meet all our performance targets in the Leadership and Partnership goal area. Please note, all measures within goal three are annual measures. Progress updates are provided each quarter but final performance will be reported in FY14 Q4.

Objective	Measure	Target	FY13	FY14 To Date
3.1 Collaboration	3.1.1 Coordinated Procurement Mechanism	80% (interim)	96%	80%
	3.1.2 Number of CPP Country-at-Risk Schedule Submissions Per Year	4 (annual)	6	3
3.2 Knowledge Exchange	3.2.1 Publishing	6 (annual)	3	5
	3.2.2 Presentations	25 (annual)	25	10

Key Results and Challenges

- Published one article during FY14 Q2: “The Establishment of a Consignment Model in Tanzania to Increase Access to Essential Drugs Using Robust and Sustainable High Performance Thin Layer Chromatography to Assess Product Quality” (Tropical Medicine and Internal Health).
- In partnership with SCMS and SIAPS, USAID | DELIVER PROJECT hosted a supply chain leadership initiative design workshop in Washington, DC, bringing together supply chain leaders from a number of sectors: the developing country public sector, the US private sector, academic/training institutions in the US and overseas, and US for-profit and nonprofit leadership development companies. The meeting laid the groundwork for developing a global supply chain leadership initiative that aims to develop dynamic, motivated and competent leaders at all levels in a supply chain.
- SCMS submitted 17 abstracts to USAID for presentation at AIDS 2014.
- Made several presentations and helped plan and manage the USAID Quality Assurance Wholesaler Quality Summit in Amsterdam to address the challenges in ensuring appropriate quality, efficacy and safety of the drug supply. The summit emphasized a quality culture among the wholesalers. Many European-based wholesalers are seeing their business model challenged by competition from within the developing countries they serve. Concurrently, local African private wholesalers (for-profit and nonprofit) are expanding rapidly.
- We were notified that SCMS was one of the five winning case stories in the World Bank’s Procurement for Complex Situation Challenges. Our story provides a broad description of establishing the SCMS supply chain. The winning stories are to be presented at a World Bank event later this year (details are not yet available).

Key Issues

Update on Key Issues and Corrective Actions FY14 Q2			
Key Issues	Corrective Actions	Progress	Quarter Identified
N/A	N/A	N/A	N/A

Key Risks

- N/A

Goal 4: Operational Excellence

Operate an organization that provides best-value supply chain and systems strengthening services.

SCMS met or exceeded all our performance targets for Operational Excellence with the exception of the submission of technical assistance concurrence requests within three weeks of travel.

Please note, as annual measures, the ARV pricing comparison (4.1.2) and annual operational review (4.3.1a) will only be reported on in FY14 Q4. Also, the client satisfaction survey is under revision and anticipate presenting a proposal to the COR team in FY14 Q3.

Objective	Measure	Target	FY13 Q3	FY13 Q4	FY14 Q1	FY14 Q2
4.1 Cost Effective	4.1.1a Cost Effective: RDC Expiry and BRC Reporting	Expiry RDC Stock: $\leq 3\%$	0.0%	0.28%	0.0%	0.07%
		BRC Reporting Rate: 4	FY13: 6		FY14: On-Target	
	4.1.1b Cost Effective: Surcharge	$\leq 5\%$	LOP: 4.05%			
	4.1.1c Cost Effective: ACF	$\leq 12\%$	LOP: 10.19%			
	4.1.2 ARV Price Comparison: SCMS vs. GPRM	70%	FY13: 79%		TBD	
4.1.3 Ocean Freight: Percentage of All Freight	$\geq 50\%$	84%	70%	66%	77%	
4.2 Best Value	4.2.1 Client Satisfaction: Products Ordered/Received and Technical Assistance	Products Ordered/Received: 85%	FY13 Q3-Q4: 90%		TBD ²	
		Technical Assistance: 85%	FY13 Q3-Q4: 96%		TBD	
4.3 Continuous Improvement	4.3.1a Annual Partner Operational Review	100%	FY13: 100%			On Target
	4.3.1b Percent of TA Trips Processed On Time	80%	45.2	56.1%	57.1%	23%
	4.3.2 Core Systems Uptime: Potential vs. Actual	Orion: $\geq 95\%$	99.9%	99.9%	98.7%	99.4%
		KT: $\geq 95\%$	99.9%	99.9%	99.9%	99.6%

Key Results and Challenges

- Declining performance from FY14 Q1 to FY14 Q2 for processing TA trips on time has initiated a series of management discussions to identify key corrective actions to address this challenge moving forward.

² Client satisfaction survey is currently under revision and will be reported in the FY14 Q4 report.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q2			
Key Issues	Corrective Actions	Progress	Quarter Introduced
BRC deficit over 10M.	Adjustment of 8.7M to reduce BRC deficit against overs/under surplus.	Completed	FY14 Q2
Shortage of warehouse space at high ocean volume destinations, such as Ethiopia, has negatively affected ocean tonnage, even though (in the case of Ethiopia) containers are in Addis Ababa and available for delivery.	Ethiopia field office working with the Pharmaceutical Fund and Supply Agency (PFSA, the central medical store warehouse) to arrange delivery space on an ongoing basis.	The previously reported issue regarding backlogs of ocean containers, due to lack of warehouse space at PFSA in Ethiopia, improved significantly this quarter, as the number of containers available for delivery decreased from an average of 25 to only five. This improvement resulted from continued close collaboration between the field office and the new PFSA management team.	FY14 Q1
Response rates to customer satisfaction survey are low. Only 11 of 21 countries responded in Q2.	Review cause of low response rate and develop plan to improve in the Q4 implementation.	Survey redesign process continues. Updated survey to be implemented and reported on in FY14 Q4.	FY13 Q2

Key Risks

- Several challenges, including insufficient APIs to meet demand and lack of supply planning, could potentially increase unplanned and emergency orders. An increase in these types of orders presents a risk for declining use of ocean freight, as short lead times necessitate air freight options to ensure continuous supply. SCMS continues to work with in-country and global stakeholders to encourage supply planning to mitigate the need for emergency orders.

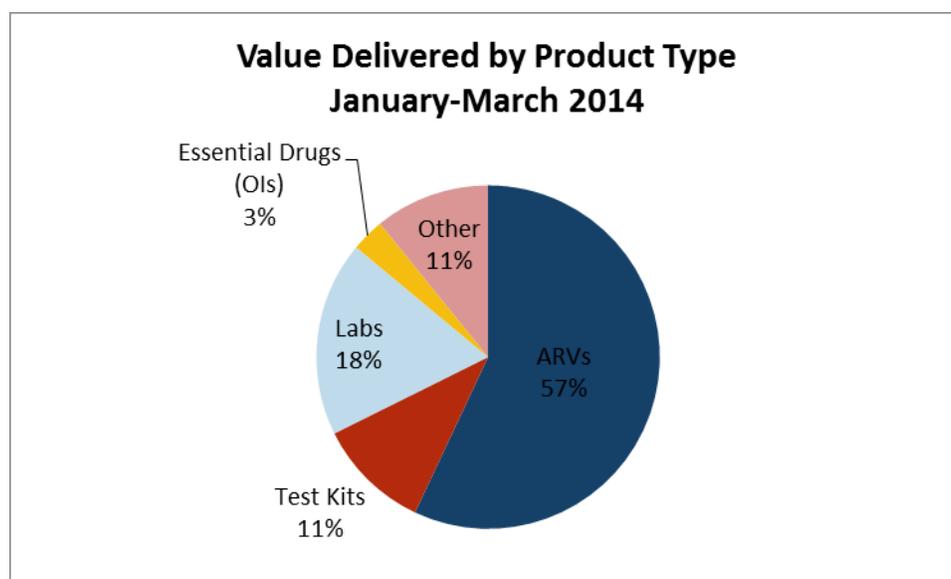
Appendix 1: Key Quarterly Statistics

I. Value Delivered

In the quarter, SCMS delivered \$96.6 million in commodities to our clients, including \$55.1 million in ARVs and \$17.8 million in lab products. Our life-of-project (LOP) value for ARVs delivered surpassed \$1 billion this quarter, with \$1.8 billion delivered for all commodities since 2006.

Value Delivered			
	FY14 Q2	FY14 to date	Life of Project
ARVs	\$ 55,090,761	\$ 124,453,345	\$ 1,064,929,513
Test Kits	\$ 10,315,134	\$ 28,401,919	\$ 183,900,176
Labs	\$ 17,767,261	\$ 43,915,502	\$ 371,063,368
Essential Drugs (OIs)	\$ 3,018,546	\$ 9,743,677	\$ 81,705,419
Anti-malarial	\$ -	\$ 16,164	\$ 1,106,149
Food by Prescription	\$ 747,270	\$ 1,960,533	\$ 20,797,396
Male Circumcision	\$ 6,820,712	\$ 11,334,365	\$ 35,726,652
Other	\$ 2,901,199	\$ 6,021,214	\$ 44,316,475
Grand Total	\$ 96,660,883	\$ 225,846,719	\$ 1,803,545,148

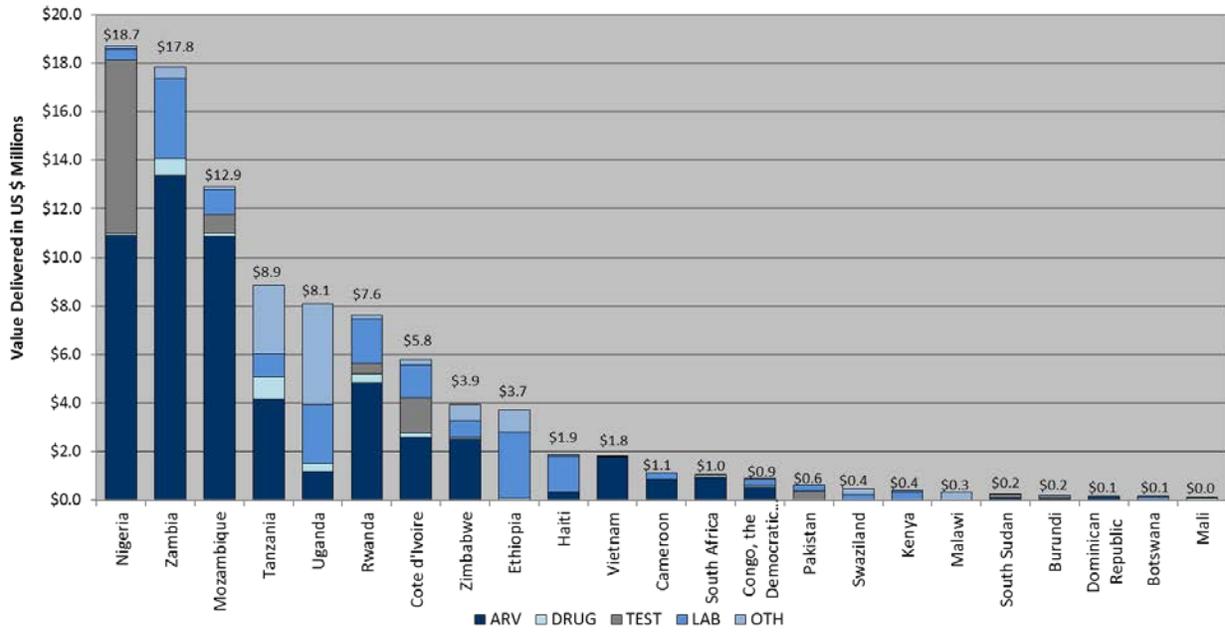
**This graph illustrates the value delivered by product category for the current quarter, fiscal year and life of project.*



**This graph illustrates the percentage of value delivered by product category for the current quarter. The "other" category includes anti-malarials, food by prescription, male circumcision and other.*

For the sixth consecutive quarter, Nigeria accounted for the largest portion of the value delivered, with \$18.7 million of the \$96.7 million total for FY14 Q2. Seven countries accounted for 83 percent of the value delivered: Nigeria, Zambia, Mozambique, Tanzania, Uganda, Rwanda and Côte d'Ivoire.

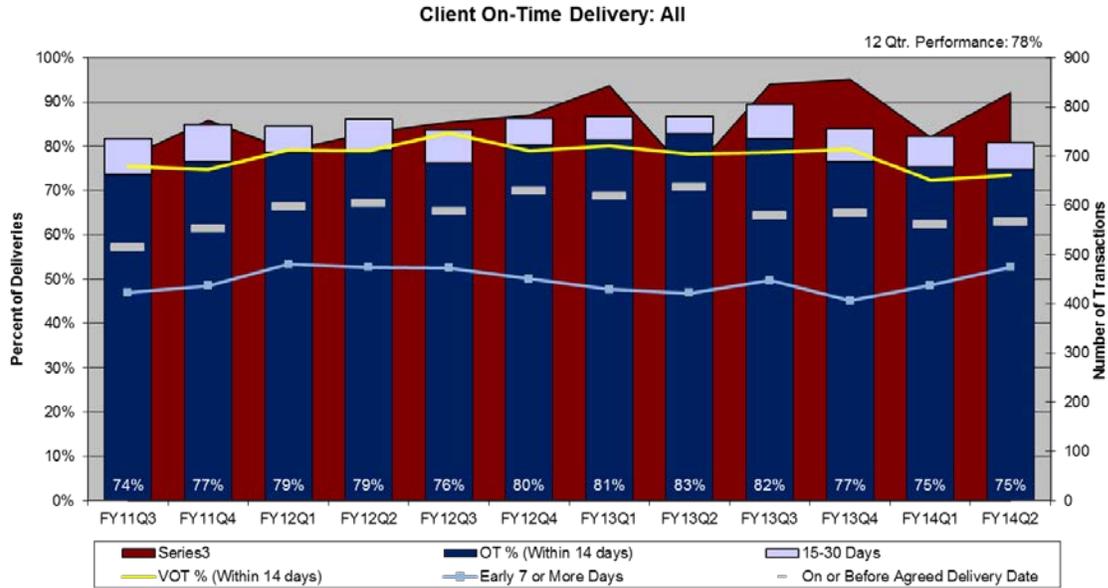
**Value Delivered by Country
January-March 2014**



**This graph illustrates the value delivered by country for the current quarter. Each color illustrates a product category, which is detailed in the legend. Countries receiving less than \$50,000 worth of deliveries during the quarter are not included in the graph.*

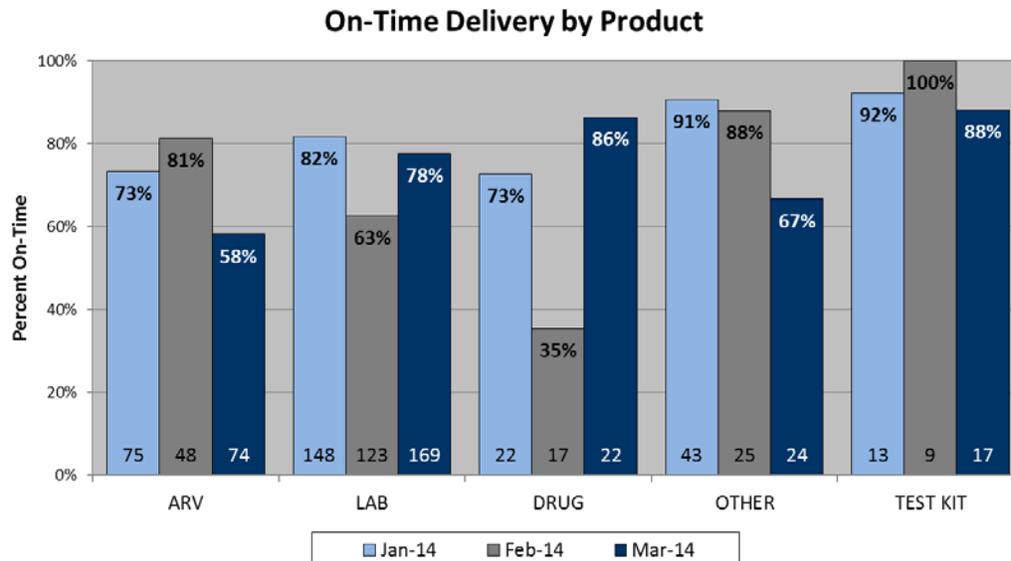
II. On-time Delivery (OTD) all products

On-time delivery remains at 75 percent for FY14 Q2. Vendor on-time delivery increased slightly to 73% in FY14 Q2, from 71% in FY 14 Q1.



**This graph illustrates client on-time delivery for all product categories by month for the past 12 months. Per the legend, the dark blue illustrates the percentage of deliveries that met the OTD target. The light blue highlights the additional percentage of those that were delivered within 15 to 30 days of target. The red background illustrates the number of deliveries per month, labeled on the right axis. The yellow trend line illustrates the vendor on-time delivery rate for each month.*

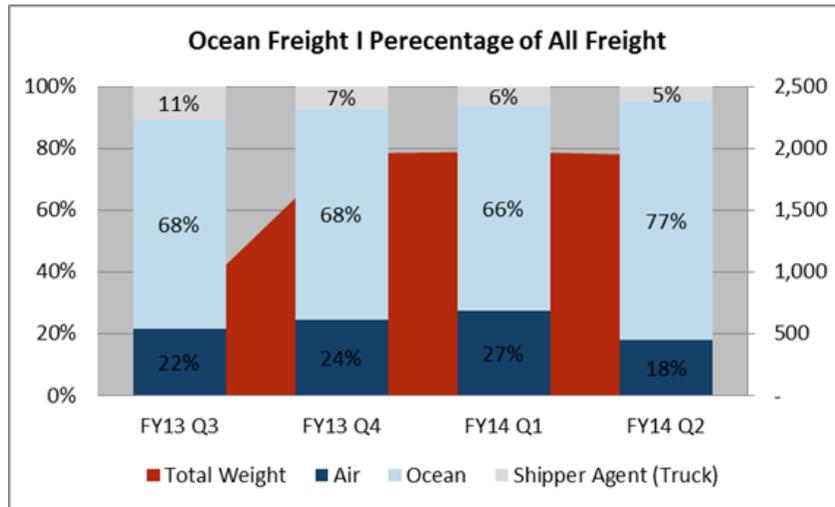
Throughout the quarter, several product categories experienced challenges with on-time delivery, including ARVs, which dropped to 58% in March and Other which declined from 91 percent in January to 67 percent in March. Labs also saw a performance decline in February (63%) with on target or close to target performance in January (82%) and March (78%). By contrast, test kits remained high throughout the quarter and Drug OTD rebounded in March to 86%.



**This graph illustrates on-time delivery by product category for each month of the quarter. The number on the bottom of each bar represents the number of shipments.*

III. Freight

Ocean freight continues to make up the majority of SCMS shipment tonnage. In FY14 Q2, ocean freight accounted for 77% of tonnage, continuing the trend of above target at 50%.



**This graph illustrates the volume (tonnage) of shipments by each transportation method (ocean, air and road) by quarter. Each color represents a different mode of transportation.*

IV. Forward Orders

New Orders Placed from January-March 2014	
Grand Total	\$89.6 million
Direct Drop Total	\$55.0 million
RDC Stock Total	\$34.6 million
Order Categories	
ARV	\$31.3 million
DRUG	\$8.0 million
TEST KITS	\$9.7 million
LAB	\$24.4 million
OTHER	\$5.1 million
MC	\$11.1 million

Appendix 2: Performance by Measure

Measure-specific performance updates will be provided in a separate attachment each quarter, sent at the same time as this report.

Appendix 3: Progress Against the Workplan

Project-wide workplan progress updates will be provided in a separate attachment each quarter, sent at the same time as the report.

Appendix 4: Quarterly Financial Reports

In view of the confidential nature of the financial details, this report will be provided under cover of a separate email sent coincident with this report.

Appendix 5: Risk Matrix

FY13								
Risk #	Quarter Identified	Associated Measure	Risk	Probability	Impact	Response Option	Mitigating Actions	Owner
1	Q3	1.2.1 Recipient Stockout Rates	Stock levels drop below required level, could lead to stockouts.	Medium	High	Mitigate	Quarterly updates of supply plans to monitor stock levels.	Chris Larson Robert Burn
2	Q3	2.1.1 Country Ownership	Ability to transition current SCMS responsibilities to countries effectively.	Medium	High	Mitigate	Advocacy for accountability with withdrawal strategy.	Erin Hasselberg
3	Q3	3.1.1 Number of CPP At Risk Schedule Submission	External (Steering Committee decisions).	Low	Medium	Accept	Frequent consultation with Steering Committee members.	Dominique Zwinkels
4	Q3	3.1.1 Number of CPP At Risk Schedule Submission	External (Countries/ CPP members providing data and information).	Medium	Medium	Mitigate	Ongoing consultative process of CPP value.	Dominique Zwinkels
5	Q3	4.1.1b Cost Effective: Surcharge	Surcharge does not remain within target due to low volume of sales or unproportionate operating costs.	Medium	High	Mitigate	Increase volume of commodity sales and/or decrease operating costs.	Katrina
6	Q3	4.1.1c Cost Effective: ACF	ACF does not remain within target due to lower-than-expected country budgets or higher operating costs.	Medium	High	Mitigate	Maintain country activities per extension budget or decrease operating costs.	Katrina
7	Q3	4.1.3 Ocean Freight	Lack of supply planning and emergency orders can limit the use of ocean freight.	Medium	High	Avoid	Monitor supply plans against actual orders to see if lack of compliance resulted in use of premium air transportation.	F&L, Demand Planning
8	Q3	4.3.1b Operational Performance Management: TA Processed On Time	ETJ becomes routine travel request process.	High	Low	Avoid	Signatories need to do root cause analysis at time of receipt.	Deputy Director

9	Q4	1.2.2a OTD Core Products	Lack of adequate number of vendors (essential medicines).	High	High	Mitigate	Multi-vendor follow-up on RFP.	Chryste Best/ Henk den Besten
10	Q4	1.2.2a OTD Core Products	Increasing demands for Tenofovir 3FDC.	High	High	Mitigate	Align VPP/SCMS strategy to balance supply/demand .	Ard van Dongen
11	Q4	1.2.2a OTD Core Products	Low vendor OTD impacts overall country OTD (ARVs and EM).	High	High	Mitigate	Continued vendor management implementation.	Ard Van Dongen/ Henk den Besten
12	Q4	2.2.1 Supply Chain Performance (SCMS-Supported)	Increasing number of SCMS-supported sites could impact performance (Nigeria, Mozambique, Zimbabwe).	High	High	Observe	Accept.	N/A
13	Q4	4.1.1a Cost Effective: Expiry and BRC Reporting	Stock loss due to expiry.	Medium	Low	Mitigate	Actively work to place short-dated stocks with clients who can use them in normal order flow. Actively pursue donation options from RDCs for short-dated stocks.	Chris Larson
FY14								
14	Q1	1.2.2a On-Time Delivery: Core Products	ARVs - More unplanned and emergency orders due to new regimen transition.	High	High	Mitigate.	Close management of expectation with customers and field offices.	Invt. Mgr & POM at PPU
15	Q1	1.2.4 Forecast Accuracy	Decline in forecast accuracy as June 2013 WHO treatment guidelines adopted	High	High	Mitigate	Provide guidelines to FOs around data, target setting, scheduling and frequency of forecasting	DPIM Unit
16	Q1	2.2.1 Supply Chain Performance SCMS-Supported	Transition to new regimens in absence of integrated supply chain planning could disrupt stock availability in countries	Medium	Medium	Mitigate	SCMS PMO to draft updated transition guidance and request COR/OGAC advocacy with WHO	Alan Pringle / Robert Burn
17	Q2	1.2.2a OTD: Core Products	ARVs - Poor VOTD caused by API restrictions, resulting in decreased COTD	High	Medium	Mitigate	Careful allocation of available stock. Reporting, meetings, monitoring, and sharing available stock	Chris Larson and Burt Van Wijk

18	Q2	2.1.2 Training & Competency	As larger systems roll-out (eLMIS, Cdl decentralization) larger #'s of people w/diverse profiles will be trained	Medium	Medium	Mitigate	HRCD TWG will review (6/2014) approach and identify complementary activities (supervision, mentoring) to increase competency	HRCD Principal Advisor
19	Q2	4.1.1a RDC Expiry & BRC Reporting	Overrun against BRC revenue	High	Medium	Mitigate	Re-route VMMC, minimize air-in; monitor	Delphine Johnson
20	Q2	4.1.1a RDC Expiry & BRC Reporting	Stock loss due to expiry	Low	Medium	Refine Inv. strategies	Review safety stock levels for at risk items	Chris Larson
21	Q2	4.3.1b Operational Performance Managemnet	USAID tolerance for ETJs with acceptable delays is not well understood.	High	High	Mitigate	Proposal for revising definitions followed by a COR team meeting.	Diane Reynolds Global Program Managers
Risks Removed from Risk Matrix in FY14 Q2								
1	Q2	2.1.2 Competency and Training	Lack of standardization of what defines competency across countries.	High	Medium	Mitigate	Review of competency levels across countries.	Greg Miles
2	Q3	1.2.2 OTD	Haiti field office continues to have staffing concerns.	High	High	Mitigate	Work to hire and train new staff.	Phoebe Kenney
3	Q1	1.1.1 Product Loss Shipping & Storage	Theft in DRC	High/Medium	High	Mitigate	Escalated issue in DRC to COR who got Ambassador to intervene	Ishmael Muchemenyi, COR
4	Q1	1.2.2a On-Time Delivery: Core Products	Test kit Demand	Medium	High	Mitigate	Countries send supply plans early-PO can be placed with sufficient lead time.	Laura Thomas
5	Q1	1.2.3a PQ Turnaround Time: PMO ARV	Client uncertainty on PR – need to clarify products and quantities needed	Medium	Medium	Mitigate	Continue to work with the country field office teams on supply planning ahead of PRs	Chris Larson, John Vivalo, Robert Burn

6	Q1	1.2.3b PQ Turnaround Time: HIV Test Kit	Unexpected delays with processing HRDT orders for non-field office countries.	Medium	High	Avoid	As we take on new NFO client countries, it is important to take an early start with obtaining customs, clearance and lead time details to avoid delay at the time of PQ processing.	Irma Karsten Patricia Tolentino
7	Q1	2.1.3 NSCA CMM, 2.2.2 NSCA KPI	Timelines for preparation, assessment, data clean-up, and data analysis underestimated.	High	High	Mitigate	Adjust timelines in example SOW, User's Guide, and presentation materials.	Kate Bartram

Appendix 6: SCMS Performance Management Plan

The SCMS quarterly performance report is based on the SCMS Performance Management Plan (PMP). Use the link below to access this reference document.



SCMS PMP FINAL
December 2012