

SCMS FY14 Q3 Quarterly Performance Report

FY14 Q3 April-June 2014

August 29, 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
CMM	Capability maturity model
CMS	Central medical stores
CPP	Coordinated Procurement Planning Initiative
DRC	Democratic Republic of the Congo
EFV	Efavirenz
ETJ	Emergency Travel Justification
FASP	Forecasting and supply planning
FDC	Fixed-dose combination
FOMP	Field office managed procurement
GF	Global Fund
GIS	Geographical information system
GPRM	Global Price Reporting Mechanism
HIV	Human Immunodeficiency Virus
HSS	Health systems strengthening
HRCD	Human resource capacity development
HRDT	HIV rapid test devices
JMS	Joint medical stores
KPI	Key performance indicator
LMIS	Logistics management information system
LMU	Logistics Management Unit
LOE	Level of effort
LOP	Life of project
MMU	Materials Management Unit
MOA	Memorandum of agreement
MOH	Ministry of Health
MOS	Months of stock
MPPD	Medical Procurement and Production Division

MSL	Medical Stores Limited
NMS	National medical stores
NSCA	National Supply Chain Assessment
NVP	Nevirapine
OTD	On-time delivery
PEPFAR	President's Emergency Plan for AIDS Relief
PFSA	Pharmaceutical Fund and Supply Agency
PFSCM	Partnership for Supply Chain Management
PMO	Project Management Office
POC	Point of care
PO	Purchase order
PMP	Performance management plan
PPM	Pooled Procurement Mechanism
PQ	Price quotation
PWS	Performance work statement
QA	Quality assurance
QPPU	Quantification Procurement and Planning Unit
RDC	Regional distribution center
RDL	Railway Development Levy
SCT	Single customs territory
SOPs	Standard operating procedures
SOW	Statement of work
SSU	Systems Strengthening Unit
TA	Technical assistance
TDF	Tenofovir Disoproxil Fumarate
TFDA	Tanzania Food and Drugs Authority
TWG	Technical working group
URA	Uganda Revenue Authority
USAID	United States Agency for International Development
VAT	Value-added tax
VMMC	Voluntary medical male circumcision
VOTD	Vendor on-time delivery
VPP	Voluntary Pooled Procurement
WHO	World Health Organization
WiB	Warehouse-in-a-box

Executive Summary

SCMS is pleased to submit the FY14 Q3 quarterly report based on the four goal areas outlined in the SCMS Performance Management Plan (PMP):

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

After a few challenging quarters for on-time delivery (OTD), SCMS achieved an improved overall OTD of 85 percent for FY14 Q3. Improved vendor on-time delivery and improved performance in high-impact countries helped SCMS achieve this all-time-high performance.

Quarterly performance highlights and key challenges include:

- Delivered \$110.4 million in commodities via 879 shipments, including the first SCMS shipment to Afghanistan in May (pages 7 and 23).
- The supply situation for Tenofovir/Lamivudine/Efavirenz has improved. Currently, four manufacturers have (tentative) FDA approval and increased production capacity (page 11).
- Zidovudine API and intermediates are in short supply due to environmental constraints imposed on Chinese manufacturers by their government. This has resulted in delays in delivery for orders placed in November and December for delivery in Q3 (page 11).
- In Burundi, the inauguration ceremony for two state-of-the-art, fully equipped CAMEBU (central medical stores) warehouse depots, which was attended by the Vice President of Burundi, the Minister of Public Health and Fight Against AIDS, the US Ambassador to Burundi and the USAID Burundi Mission team (pages 15-16).
- In Uganda and Zambia, stockouts, potential stockouts and overstocking of several commodities, including ARVs, Cotrimoxazole and lab products are creating challenges in the supply chain. SCMS is working to mitigate stockout risks and alleviate existing stockouts (pages 16-17).
- Contributed to the publication of the IATT Optimal List of Pediatric ARV Formulations, which provides advice and guidance to implementing partners to enable programs to deliver the best care in accordance with the current WHO Regimen Guidance (page 19).
- In July, WHO guidance and subsequent directive from PEPFAR indicated that due to potential risks forceps guided male circumcisions should not be performed in boys age 10-14. The effect of this directive on PEPFAR funded programs including SCMS are large given that new products may be required such as additional metal instruments for dorsal slit procedures as well as the reduction of forceps guided kits requested. We expect to be able to report the initial extent of the impact of this directive in FY14 Q4

Key Quarterly Statistics

Key Statistics	FY14 Q3	Annual Performance to Date	Life of Project
Value of commodities delivered	\$110.4 million delivered	\$300.9 million delivered	\$1.9 billion delivered
Number of deliveries	879 deliveries	2,449 deliveries	19,405 deliveries
Countries receiving shipments	28 countries	31 countries	59 countries
Percent generic ARVs by value	97%	95%	95%
Counterfeit products detected	0 counterfeits	0 counterfeits	0 counterfeits

FY14 Q3 Performance

Goal One: Access

Objective	Measure	Target	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3
1.1 Capacity and Capability	1.1.1 Product Loss: Shipping and Storage	≤3%	0.0%	0.08%	0.00%	0.10%
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%	76%	75%	73%	85%
		Non-Core: 70%	83%	75%	94%	86%
	1.2.3a On-Time PQ Turnaround	ARV: 70%	87%	96%	95%	95%
		Test Kits: 85%	91%	100%	88%	100%
		VMMC Kits: 80%	95%	100%	60%	100%
	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%	70%	100%	100%
1.4 Strengthen Reach	1.4.1 Planned, Unplanned and Emergency Orders	Planned: N/A	60%	92%	81%	85%
		Unplanned: N/A	19%	1%	11%	9%
		Emergency: N/A	21%	7%	9%	6%

Goal Two: Strengthen Systems

Objective	Measure	Target (Interim)	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3
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%	76%	87%	78%	77%
	2.1.3 Supply Chain Assessment: CMM Score	60%	Burma: 39%			
Burundi: 39%						
2.2 Performance	2.2.1 Supply Chain Performance: In-Country	80%				
	2.2.1a Facility Reporting Rates		77%	66%	68%	76%
	2.2.1b Expiry		0.66%	1%	0.29%	1%
	2.2.1c On-Time Delivery		86%	80%	83%	90%
	2.2.1d Stockout Rate		8%	9%	6%	6%
	2.2.1e Order Fill Rate		71%	65%	65%	72%
	2.2.2 Supply Chain Assessment: KPI Score ¹		60%	Burma: 28.7%		
Burundi: 68%						

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	4
3.2 Knowledge Exchange	3.2.1 Publishing	6 (annual)	3	7
	3.2.2 Presentations	25 (annual)	25	12

¹ KPI score here only reflects stock-related KPIs, including stockout rates, stocked according to plan and stock accuracy.

Goal Four: Operational Excellence

Objective	Measure	Target	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3
4.1 Cost Effective	4.1.1a Cost Effective: RDC Expiry and BRC Reporting	Expiry RDC Stock: $\leq 3\%$	0.28%	0.0%	0.07%	0.39%
		BRC Reporting Rate: 4	FY13: 6		FY14: On Target	
	4.1.1b Cost Effective: Surcharge	$\leq 5\%$	LOP: 3.99%			
	4.1.1c Cost Effective: ACF	$\leq 12\%$	LOP: 10.12%			
	4.1.2 ARV Price Comparison: SCMS vs. GPRM	70%	FY13: 79%		TBD	
4.1.3 Ocean Freight: Percentage of All Freight	$\geq 50\%$	70%	66%	79%	81%	
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%	56.1%	57.1%	23%	67%
	4.3.2 Core Systems Uptime: Potential vs. Actual	Orion: $\geq 95\%$	99.9%	98.7%	99.4%	99.3%
KT: $\geq 95\%$		99.9%	99.9%	99.6%	99.8%	

² 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 all our Access goal quarterly performance targets in FY14 Q3, with notable improvements in OTD and PQ turnaround time for VMMC kits, which both exceeded their targets. On-time delivery challenges in several countries have improved, while Tanzania and Zambia continue to experience challenges. Detailed information on these issues is found in the Key Results and Challenges section below.

Objective	Measure	Target	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3
1.1 Capacity and Capability	1.1.1 Product Loss: Shipping and Storage	≤3%	0.0%	0.08%	0.00%	0.10%
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%	76%	75%	73%	85%
		Non-Core: 70%	83%	75%	94%	86%
	1.2.3a On-Time PQ Turnaround	ARV: 70%	87%	96%	95%	95%
		Test Kits: 85%	91%	100%	88%	100%
		VMMC Kits: 80%	95%	100%	60%	100%
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1.4 Strengthen Reach	1.4.1 Planned, Unplanned and Emergency Orders	Planned: N/A	60%	92%	81%	85%
		Unplanned: N/A	19%	1%	11%	9%
		Emergency: N/A	21%	7%	9%	6%

Key Results and Challenges

- On-time delivery performance exceeded targets for both core and non-core products this quarter, with core products at an all-time project high of 85 percent. Overall OTD performance was above target each month of the quarter, at 86 percent in April, 81 percent in May and 88 percent in June.
- Many country-specific OTD issues identified in previous quarters improved in Q3, primarily in Haiti, Rwanda and Uganda. Although Zambia made improvements, we continue to monitor the situation. Tanzania has been added to the watch list in Q3 due to FOMP challenges. Details on OTD in these countries can be found in the table below.

Country	Challenge	Update
Haiti	<ul style="list-style-type: none"> Personnel training and retention. Supplier performance. 	All orders were moved to the PMO, and quarterly OTD for Haiti was 81 percent.
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. 	<p>OTD continues to improve, with Q3 performance at 87 percent (up from 83 percent in Q2). We hired new staff in Rwanda and increased monitoring and control of delivery paperwork, which has improved OTD.</p> <p>Despite these improvements, OTD is at risk of performance decline in upcoming quarters due to staff changes at our key client organization the Medical Procurement and Production Division (MPPD).</p>
Uganda	<ul style="list-style-type: none"> Government of Uganda is responsible for quantification and procurement planning for ARVs through MOH's Quantification and Procurement Planning Unit (QPPU), and QPPU's forecasts often fail to meet demand, resulting in emergency orders to fill gaps. Local lab suppliers providing unrealistic lead times. 	Uganda OTD continues to improve, with 82 percent on time due to better planning and increased supplier interface by the field office.
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. 	<p>OTD performance in Zambia made some improvements in Q3. The two suppliers that SCMS met with last quarter showed marked performance improvements: Biogroup Zambia (from 22 percent in Q2 to 67 percent in Q3) and Rosell Diagnostics (from 45 percent in Q2 to 100 percent in Q3).</p> <p>SCMS continues to work with local suppliers to improve and monitor OTD.</p>
Tanzania	<ul style="list-style-type: none"> Challenge to Tanzania OTD identified in Q3 	Root cause analysis is underway and procurement management will visit Tanzania in Q4.

Procurement and Supply:

- The supply situation for Tenofovir/Lamivudine/Efavirenz has improved. Currently, four manufacturers have (tentative) FDA approval and increased production capacity. Lead time decreased to 12 weeks, and the ARV vendor on-time delivery rate was 95 percent over the first half of 2014.
- Zidovudine API and intermediates are in short supply due to environmental constraints imposed on Chinese manufacturers by their government. Vertically integrated vendors in India are managing their own inventory, while non-vertically integrated vendors are struggling to obtain the API. This has resulted in delays in delivery for orders placed in November and December for delivery in Q3. We have also received requests for price increases for Zidovudine-containing products. We have canceled several orders and placed new orders with vendors that have indicated deliveries can occur as promised.
- The laboratory instrument technology market is changing:
 - BD officially launched its FACSPresto CD4 point-of-care (POC) instrument in April, with a global pricing formula to balance pricing between partners. BD has told us that this unit is

being targeted toward care and treatment facilities; however, we have expressed that BD should also target aged and low-utilization FACSCount instruments.

- Sales of Abbott M2000 viral load commodities are on the increase. We have seen pre-justifications for M2000 instruments, but PFSCM has yet to procure this unit. This is a more sophisticated instrument that will be deployed in larger labs and is the primary instrument supporting early infant diagnosis (EID)/viral load DBS (dried blood spot) programs. Under the new WHO viral load guidelines, use of DBS to perform viral load will increase until competitive POC viral load instruments are deployed that require less sample logistics infrastructure.
- Roche Diagnostics recently announced it has acquired IQumm, a cartridge-based POC polymerase chain reaction (PCR) unit much like the GeneXpert. The FDA has approved the methodology of these assays (LIAT), but development of the viral load cartridge is in process and planned for release later this year. This will add another player to the POC viral load market that can compete with the soon-to-be-released Alere Q, Samba, GeneXpert and other pipeline viral load POC instruments.

Regional Distribution Centers:

- The South Africa RDC reached maximum storage capacity in Q3, causing delays in receiving product. The backup was caused by a number of factors, including client countries delaying receipt of product, rerouting of product from the Kenya RDC due to the Kenya Government's Railway Development Levy (RDL), and an increase in product demand from client countries. The RDC operated beyond capacity for most of the quarter, although the release of some large orders to Mozambique, Tanzania, Zambia and Zimbabwe should reduce the burden and allow the RDC to receive more inbound shipments.
- Established VMMC kit warehousing in Singapore to help reduce BRC while still maintaining a strong position of VMMC kit inventory. The Singapore facility will serve as a warehousing point for all VMMC products currently coming from Chinese manufacturers. The facility, managed by UPS, will receive, hold, consolidate and ship VMMC products destined for African clients. This facility is quality assurance approved and helps significantly reduce storage costs.

Freight and Logistics:

- In Kenya, the Rail Development Levy (RDL) continued to pose challenges with inbound shipments to the Kenya RDC. These delays of receiving goods have caused delays with onward delivery to Rwanda, Tanzania and Uganda. We have rerouted orders to direct drop when possible or rerouted to the South Africa RDC.
- Tanzania joined Kenya, Rwanda and Uganda in the East African single customs territory (SCT). The ongoing trade activities in the region's northern corridor indicate a shift from lengthy customs clearance processes to shorter processes and reduced clearance times. Under SCT clearance procedures, customs declarations are made electronically and manifests are processed and released by customs in the country of importation prior to loading of goods in the country of export; taxes are determined and paid in the destination country. According to the Uganda Revenue Authority (URA), the SCT's rollout has reduced cargo clearance delays, reduced clearance costs, eliminated multiple customs declarations and bond securities, ensured a seamless flow of goods, and ultimately a reduced the cost of doing business in the region. This, coupled with the removal of roadblocks and weighbridges, has led to significantly reduced transit times. For instance, transit time from Mombasa, Kenya, to Kampala, Uganda, has decreased from 18 days to four days.

- In Zambia, customs clearance performance stabilized and has resumed normal levels. We continue to monitor the situation and work with partners to stay ahead of the curve. Medical Stores Limited (MSL) is collaborating with the field office to keep us informed so we can manage inbound volumes and plan for any capacity issues to avoid the challenges we experienced when MSL was over capacity last year.
- The China Railway Construction Corporation Limited has signed a contract with the Nigerian Ministry of Transport for a \$1.3 billion coastal railway line that will transverse 10 states in the country. The railway line, which will be designed for speeds of 120 km/h, is planned to be 1,385 kilometers long with 22 stations. This could be a game changer in the very long term in facilitating inland cargo movement, which currently faces many challenges, from quality of vehicles to security and high costs.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q3			
Key Issues	Corrective Actions	Progress	Quarter Identified
OTD in Zambia and Tanzania low	Continue to monitor local vendor performance.	To be updated in FY14 Q4.	FY14 Q3
VMMC: Delays on shipments coming from the Kenya RDC	Move the storage of VMMC commodities to Singapore and South Africa.	All shipments coming from Chinese VMMC kit vendors are routing to the Singapore RDC. SCMS is not expecting to use the Kenya RDC for major VMMC procurements in the future.	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.	SCMS and PPM joint monthly planning meetings with key vendors are in place. The meetings strengthen vendor relations, resulting in more reliable information due to the involvement of sales, planning and operations on the vendor side and procurement and supply delivery coordination on PFSCM side. This enables us and vendors to proactively address challenges, whether caused by API restrictions or other factors. VOTD has improved significantly in the last quarter. The approach will be maintained going forward.	FY14 Q2
Low ARV VOTD	Monthly planning meetings with key suppliers and manufacturers.	SCMS continues to work with in-country and global stakeholders to mitigate the impact of API challenges on ARV VOTD. Ongoing with updates in FY14 Q3.	FY14 Q1

Delays in triple TDF supply	Close cooperation with clients and vendors to determine priorities and ensure uninterrupted supply to all.	A concerted effort in the field to manage demand carefully and close cooperation between SCMS and VPP on the supply side have mitigated the risk of TDF supply interruptions. The managed transition prevented a too-steep incline in demand for TDF. At the same time, manufacturers have significantly scaled up capacity for supply of Tenofovir-based triple combinations in the last year. This starts to show as vendor on-time delivery for these products improve and quoted lead times decrease.	FY13 Q2
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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 and global stakeholders to mitigate this risk. In particular, the demand for Zidovudine-based triple combinations was higher than anticipated, resulting in long lead times. A lack of realistic planning for the introduction of new regimens in combination with limited supply chain visibility can still cause major disruptions. With the ever-growing number of patients on treatment, this remains an area of serious concern.
- There is a potential for supply interruptions during the transition from SCMS to GHSC. SCMS is working on multifaceted mitigation strategies to ensure continuous supply is available to clients during this transition.

Goal 2: Strengthen Systems

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

In-country supply chain performance improved or remained the same for all five in-country supply chain quarterly measures. On-time delivery exceeded its 75 percent target for the fourth quarter in a row and reached an all-time high of 90 percent. This achievement was largely driven by Nigeria's 100 percent OTD performance.

Please note that measure 2.2.1 Country Ownership is updated semi-annually. Updates on this measure's performance are expected in the FY14 Q4 report. Analysis of the Burma and Burundi national supply chain assessments, conducted in FY14 Q2, was completed in Q3, and the high-level results are in this section as well as the on slides 2.1.3 and 2.2.2 in Appendix 2: Performance by Measure.

Objective	Measure	Target (Interim)	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3	
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%	76%	87%	78%	77%	
	2.1.3 Supply Chain Assessment: CMM Score	60%	Burma: 39%				Burundi: 39%
2.2 Performance	2.2.1 Supply Chain Performance: In-Country						
	2.2.2a Facility Reporting Rates	80%	77%	66%	68%	76%	
	2.2.2b Expiry	1%	0.66%	1%	0.29%	1%	
	2.2.2c On-Time Delivery	75%	86%	80%	83%	90%	
	2.2.2d Stockout Rate	5%	8%	9%	6%	6%	
	2.2.2e Order Fill Rate	80%	71%	65%	65%	72%	
	2.2.2 Supply Chain Assessment: KPI Score ³	60%	Burma: 28.7%				Burundi: 68%

Key Results and Challenges

- In Burundi, the inauguration ceremony for two state-of-the-art, fully equipped CAMEBU (central medical stores) warehouse depots, which was attended by the Vice President of Burundi,

³ KPI score here only reflects stock-related KPIs, including stockout rates, stocked according to plan and stock accuracy.

the Minister of Public Health and Fight Against AIDS, the US Ambassador to Burundi and the USAID Burundi Mission team. This was the result of collaboration among CAMEBU, SCMS and UNICEF to address the absence of a reliable supply chain infrastructure for health commodities. The USG, through SCMS, invested more than \$3 million in warehousing redesign, materials handling equipment, racking, training, personal safety equipment, information systems and other commodities. This transformation enabled CAMEBU to increase its storage capacity threefold to approximately 30,000 cubic meters. The combination of improved warehouse facilities and new warehousing equipment has already begun to improve CAMEBU's performance with stock accuracy for tracer commodities, increasing from 40 percent to 83 percent between Q2 and Q3.

- Made progress on two SCMS warehouse-in-a-box (WiB) projects. In Côte d'Ivoire, received a value-added tax (VAT) exemption from the government. In Rwanda, PFSCM signed the memorandum of agreement (MOA) with the Government of Rwanda and Rwanda Biomedical Center (RBC), and subsequently RBC transferred funding for Phase One of the project to PFSCM. On the other hand, several countries are facing WiB challenges. In DRC, SCMS requested assistance from USAID Washington and Belgium Technical Corporation, as the project is currently at risk due to lack of funding. In Tanzania and Zambia, it was determined that it is likely not feasible to get WiBs underway and finalized prior to the current SCMS contract's end.
- In Zambia, Medical Stores Limited (MSL) experienced stockouts of ABX Minolyse, Miniclean and Minidil; latex syphilis test kits and Sysmex Cell Clean; Cotrimoxazole tablets 480 mg; and Lamivudine/Zidovudine 150/300 mg throughout Q3.
 - Lamivudine/Zidovudine 30/60 mg, Nevirapine (NVP) suspension and Abacavir/Lamivudine 60/30 mg tabs are below minimum centrally.
 - Stockouts of Lamivudine/Zidovudine 150/300 and NVP are results of delayed UNDP/GF shipments. We have communicated the implications of these delays to UNDP/GF and placed emergency orders in the short term to alleviate the stockouts. A partial NVP order was received in April, with the remaining quantities fast tracked for delivery in early July. An emergency order of 3.1 months of stock (MOS) of Lamivudine/Zidovudine 150/300 mg is also expected in July.
 - The stockout of Cotrimoxazole 480 mg x 1000 was alleviated with the arrival of 2 MOS in June. Further shipments are expected in August or September.
 - Sysmex Cell Clean remains stocked out due to delayed SCMS approval of the purchase order, caused by incomplete single source justification documentation from the vendor Biogroup. SCMS has asked Biogroup to submit the missing vendor distributorship letter to facilitate approval of the purchase order.
- In Uganda, NVP is stocked out at the national medical stores (NMS); AZT/3TC 300/150 mg, TDF/3TC 300/300 mg and Efavirenz (EFV) 600 mg are critically low on stock; and CD4, chemistry and hematology reagents are low. USG has instructed SCMS to divert our deliveries to the joint medical stores (JMS) due to concern about how NMS is operating, causing stockouts and low stock at NMS. At JMS, there is a stockpile of AZT/3TC 300/150 mg, AZT/3TC/NVP 300/200/150 mg, NPV 200 mg, LPV/r 200/50 mg and NPV 100 mg. SCMS is working with IPs to ensure supplies do not stock out at public health facilities by coordinating delivery from JMS to facilities.
- Also in Uganda, Tenofovir/Lamivudine/Efavirenz 600/300/300 mg (procured mainly for the PMTCT program), Cotrimoxazole 960 mg, NVP 200 mg and Zidovudine/Lamivudine 60/30 mg are overstocked at JMS. This is due to a drastic decrease in consumption against forecast as a

result of supply chain rationalization that led to facilities/patients being moved from JMS to Medical Access Uganda Limited. SCMS has asked Medical Access Uganda Limited to take some of the overstock to avert the risk of expiries. MOH, through the Commodity Security Group, has informed PEPFAR's Uganda office of the challenges resulting from rationalization.

- Hosted a follow-on meeting related to the laboratory GIS partnership project among USAID, CDC, SCMS and Llamasoft. The purpose of this project is to develop a GIS-based optimization tool that can be used by the ministries of health in countries supported by PEPFAR to assist in understanding the supply chain structure of the current referral network and provide comparisons to an optimal configuration. This will allow decision makers to pinpoint specific areas for improvement in the referral network, resulting in better utilization of existing capacity, decreased turnaround times and reduced cost.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q3			
Key Issues	Corrective Actions	Progress	Quarter Identified
Low order fulfillment and potential stockouts associated with the Tanzania FDA's (TFDA) limitations on imported ARVs.	Resolved currently, with SCMS testing commodities to TFDA satisfaction. Continued monitoring.	Complete	FY14 Q3
Data access issues hinder in-country implementation of regimen changes.	Implement data mapping pilot. Engage COR team.	Survey being developed to determine which countries have data that could be used for these analyses. Pilot analyses in FY15 Q1.	FY14 Q1
Competency tests not passed by trainees.	HRCD advisor to work with Country Directors in Ethiopia and Haiti to undertake root cause analysis of issues in passing competency test.	Complete	FY13 Q2
Delays in reporting in Côte d'Ivoire.	Fundamental review of supervision process and outsourced transportation planned for June.	Complete	FY13 Q2

<p>MOH has not prioritized leadership of supply chain activities (Guyana, Haiti and Mozambique).</p>	<p>Work with champions in MOH/CMAM (Mozambique's central medical store) to develop, change and transfer skills (Guyana, Haiti and Mozambique).</p>	<p>Guyana: Government has not approved timetable for autonomy of central medical store, causing a likely incompleteness of planned activities.</p> <p>Haiti: Complete.</p> <p>Mozambique: Although CMAM remains a government department, with the appointment of a new and more senior manager, CMAM now has a strong supply chain champion.</p>	<p>FY13 Q3</p>
<p>Lack of forecasting and supply planning country ownership due to staffing and commitment levels of MOHs.</p>	<p>Continue to advocate for creation of a Logistics Management Unit (LMU) and supply chain champions among counterparts.</p> <p>Work with HRCD TWG to identify additional activities to drive and increase ownership.</p>	<p>Reviewed Quantification and Supply Planning Ownership Survey. On hold.</p>	<p>FY13 Q4</p>

Key Risks

- Staff turnover in client organizations affects the impact of capacity strengthening activities, such as training of health care workers in supply chain management. The SCMS HRCD technical working group will review knowledge management options to address staff turnover and knowledge and skills transfer.

Goal 3: Leadership and Partnership

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

SCMS continues to be on track to meet our performance targets for the Leadership and Partnership goal, with the exception of 3.2.2 Number of Presentations to Key Constituencies. Further information on this can be found in the Key Risks section below. Please note, all measures within Goal 3 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	4
3.2 Knowledge Exchange	3.2.1 Publishing	6 (annual)	3	7
	3.2.2 Presentations	25 (annual)	25	12

Key Results and Challenges

- Contributed to the publication of the IATT Optimal List of Pediatric ARV Formulations, which provides advice and guidance to implementing partners and procurement and supply chain managers on recommended products that will enable programs to deliver the best care in accordance with the current WHO Regimen Guidance, and guidance on how to consolidate procurements around a small number of key products to shape and stabilize this market sector. David Jamieson was a major contributor to this report.
- Two documents contributed to by SCMS are with publishers in their final form: firstly, “Prices paid for adult and pediatric ARV treatment by low and middle income countries in 2012: high, low, or just right?” authored by Drs. Perriens and Habiyambere from WHO, was peer reviewed by David Jamieson; secondly, the UNAIDS-sponsored paper “ARV procurement and supply chain management,” lead authored by David Ripin of CHAI, with Mr. Jamieson and Dr. Brenda Waning of UNITAID as co-authors, is part of a wider set of articles on ARV therapy.
- Collected the World Bank Science of Delivery Award on Procurement for Complex Situations and made a short presentation on SCMS to more than 50 World Bank staff and other partners.
- CPP conducted several routine activities and put forward a restructured proposal to adapt the initiative to the changing donor environment:
 - CPP conducted the bi-monthly call on countries at risk. In a generally improving trend, several countries (Côte d’Ivoire, Ghana, Mozambique and Tanzania) were moved to lesser at-risk categories. Lack of funding is now less prevalent as a cause of risk than supply chain problems.
 - Steering group members met to review CPP objectives due to the changing donor landscape and closer donor collaboration. As a result of this meeting, SCMS circulated new draft terms of reference for consideration based on proposals discussed at the most recent meeting of the initiative. The new terms will be discussed at the next meeting, scheduled for July 17, together with a more detailed examination of supply chain challenges in selected countries.

- Based on a 22-country survey, SCMS drafted a comprehensive paper of country-level procurement cooperation arrangements, including commentary on best practice. The draft is currently under review by steering committee members.

Key Issues

Update on Key Issues and Corrective Actions FY14 Q3			
Key Issues	Corrective Actions	Progress	Quarter Identified
N/A	N/A	N/A	N/A

Key Risks

- Reduced opportunities for external presentations put SCMS at risk to miss the target of 25 presentations to key constituencies. We will continue to ensure SCMS is aware of appropriate events where we could add value.

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. Although this continues to fall below target, performance improved from 23 percent in Q2 to 67 percent in Q3.

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, with initial results from the pilot of the new format to be reported in Q4.

Objective	Measure	Target	FY13 Q4	FY14 Q1	FY14 Q2	FY14 Q3
4.1 Cost Effective	4.1.1a Cost Effective: RDC Expiry and BRC Reporting	Expiry RDC Stock: $\leq 3\%$	0.28%	0.0%	0.07%	0.39%
		BRC Reporting Rate: 4	FY13: 6		FY14: On Target	
	4.1.1b Cost Effective: Surcharge	$\leq 5\%$	LOP: 3.99%			
	4.1.1c Cost Effective: ACF	$\leq 12\%$	LOP: 10.12%			
	4.1.2 ARV Price Comparison: SCMS vs. GPRM	70%	FY13: 79%		TBD	
	4.1.3 Ocean Freight: Percentage of All Freight	$\geq 50\%$	70%	66%	77%	81%
4.2 Best Value	4.2.1 Client Satisfaction: Products Ordered/Received and Technical Assistance	Products Ordered/Received: 85%	FY13 Q3-Q4: 90%		TBD ⁴	
		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%	56.1%	57.1%	23%	67%
	4.3.2 Core Systems Uptime: Potential vs. Actual	Orion: $\geq 95\%$	99.9%	98.7%	99.4%	99.3%
KT: $\geq 95\%$		99.9%	99.9%	99.6%	99.8%	

Key Results and Challenges

- Completed destruction of expired ARVs at the Kenya and South Africa RDCs, and destruction is in process at the Ghana RDC. The value of destroyed stock was about \$235,000 at the Kenya RDC and \$144,000 at the South Africa RDC. These stocks expired over a period of six months, from October 2013 to March 2014. The value of the stock being destroyed at the Ghana RDC, which expired over the same period, is about \$219,000. An additional \$251,216 of Nevirapine 10 mg/ml expired during Q3 due to changing pediatric regimens. These expiries will be destroyed in upcoming quarters. Even with these planned destructions the level of expiries remains below 0.5% of stock passing through the RDCs.

⁴ 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 Q3			
Key Issues	Corrective Actions	Progress	Quarter Introduced
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.	PFSCM has internally approved a new methodology for gathering and reviewing customer satisfaction data that will give PFSCM more timely, actionable data from customers. The methodology is based on the Net Promoter model used in many commercial settings. PFSCM will pilot the new customer satisfaction survey tool in five countries in early September. This pilot phase will be complete in time to report on results in FY14 Q4.	FY13 Q2

Key Risks

- N/A

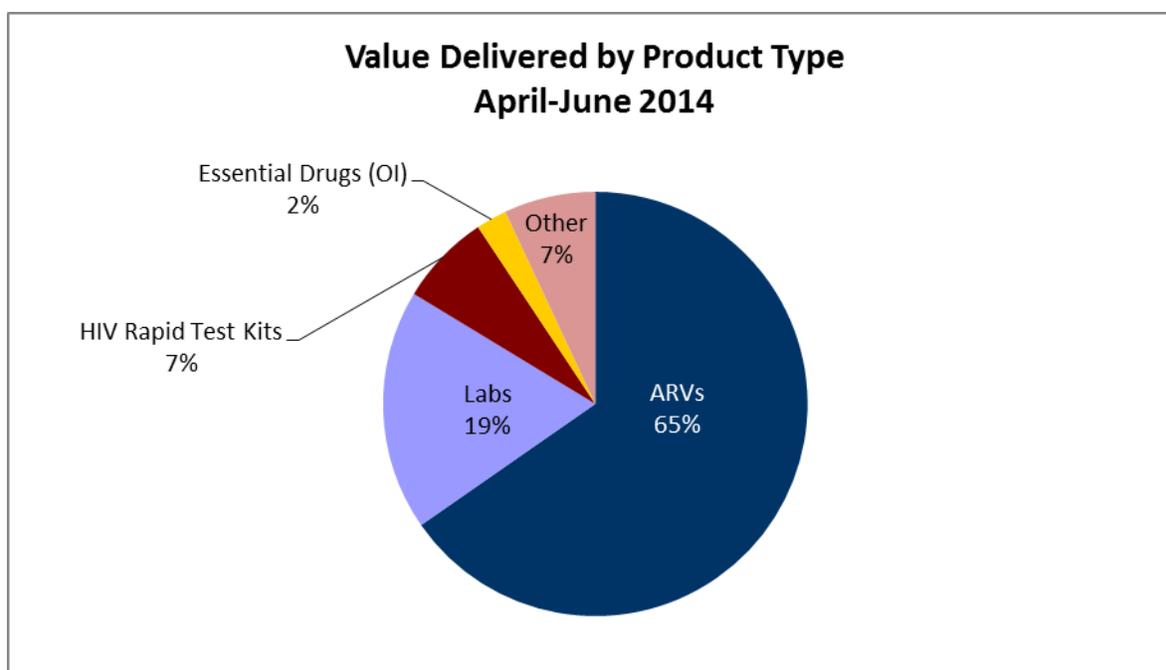
Appendix 1: Key Quarterly Statistics

I. Value Delivered

In the quarter, SCMS delivered \$110.4 million in commodities to our clients, including \$72.1 million in ARVs and \$20.3 million in lab products.

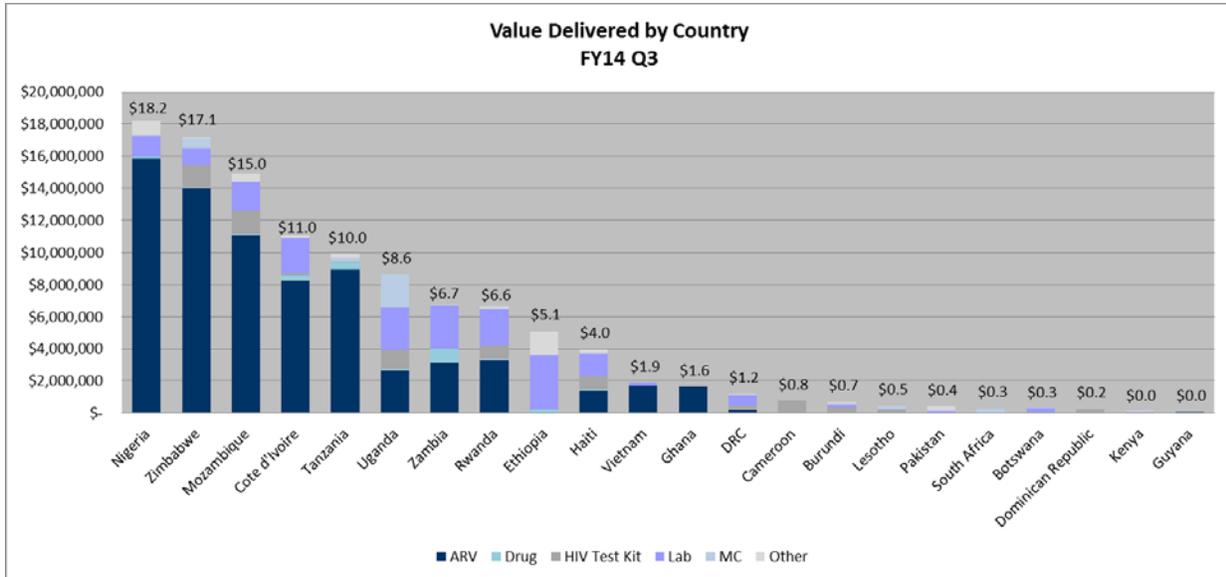
Value Delivered			
	FY14 Q3	FY14 to Date	Life of Project
ARVs	\$ 72,117,485	\$ 178,865,754	\$ 1,137,046,998
Labs	\$ 20,260,083	\$ 58,951,436	\$ 391,298,458
HIV Rapid Test Kits	\$ 7,732,095	\$ 30,401,055	\$ 184,517,747
Essential Drugs (OI)	\$ 2,590,201	\$ 8,462,359	\$ 84,295,620
Other	\$ 2,752,169	\$ 8,463,621	\$ 54,208,161
Male Circumcision	\$ 3,467,757	\$ 13,133,626	\$ 39,194,409
Food by Prescription	\$ 1,475,979	\$ 2,649,154	\$ 22,273,375
Anti-Malarial			\$ 1,106,149
Grand Total	\$ 110,395,769	\$ 300,927,005	\$ 1,913,940,917

**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.*

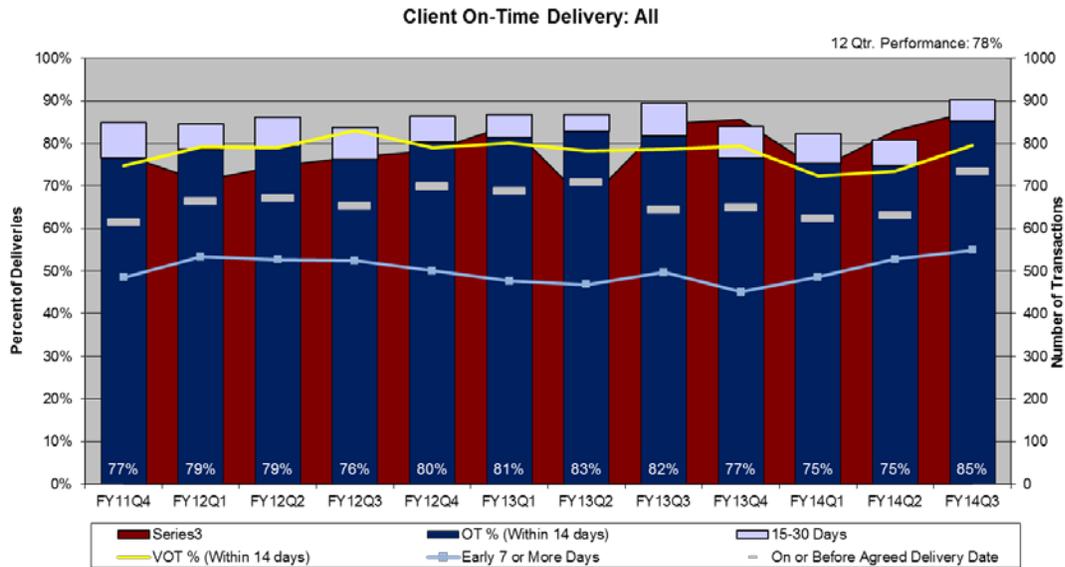
For the sixth consecutive quarter, Nigeria accounted for the largest portion of the value delivered, with \$18.2 million of the \$110.4 million total for FY14 Q3. Eight countries accounted for 85 percent of the value delivered: Nigeria, Zimbabwe, Mozambique, Côte d'Ivoire, Tanzania, Uganda, Zambia and Rwanda.



**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.*

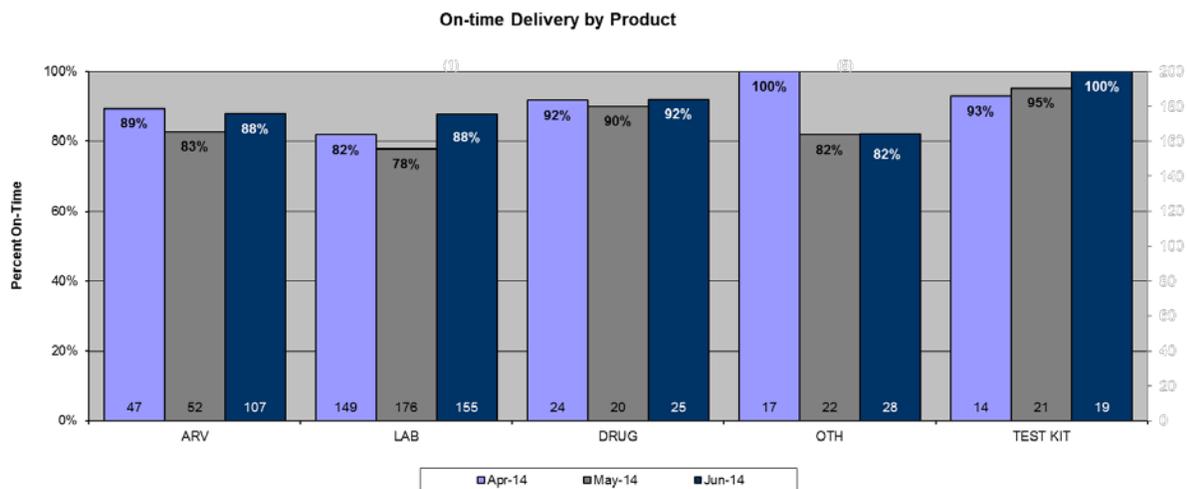
II. On-time Delivery (OTD) All Products

On-time delivery increased to 85 percent in FY14 Q3. Vendor on-time delivery decreased slightly to 72 percent in Q3, from 73 percent in Q2.



*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.

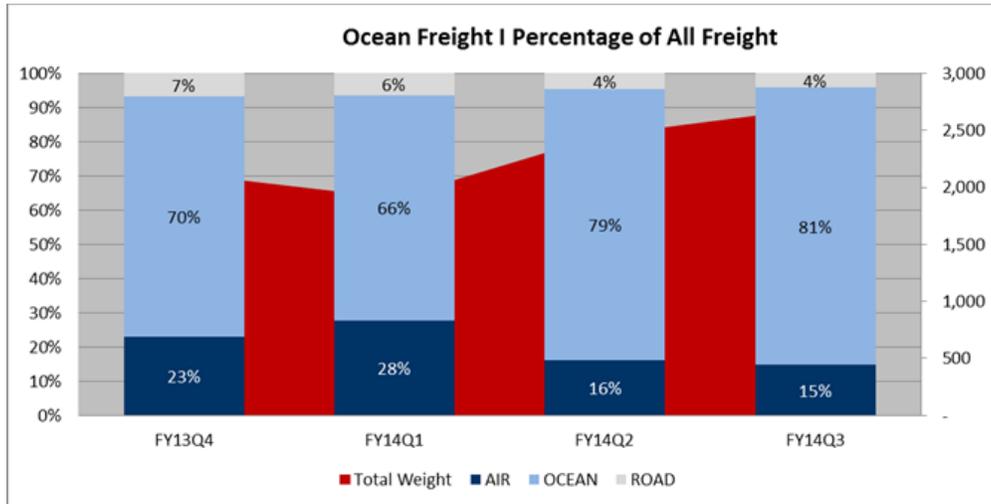
Throughout the quarter, all product categories performed well in on-time delivery, with only labs dipping below the 80 percent target in one month, May 2014. All other product categories exceeded the target in each month of the quarter, with drugs and HIV test kits above 90 percent.



*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 Q3, ocean freight accounted for 81 percent of tonnage, continuing the trend of being above the target of 50 percent.



**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 April-June 2014	
Grand Total	\$170.5 million
Direct Drop Total	\$77.6 million
RDC Stock Total	\$92.9 million
Order Categories	
ARV	\$102.4 million
DRUG	\$4.3 million
TEST KITS	\$14.5 million
LAB	\$25.2 million
OTHER	\$15.4 million
MC	\$8.7 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

Risk #	Quarter Identified	Associated Measure	Risk	Probability	Impact	Response Option	Mitigating Actions	Owner
FY13								
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 Submissions	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 Submissions	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

Risk #	Quarter Identified	Associated Measure	Risk	Probability	Impact	Response Option	Mitigating Actions	Owner
9	Q4	1.2.2a OTD Core Products	Low vendor OTD impacts overall country OTD (ARVs and essential medicines).	High	High	Mitigate	Continued vendor management implementation.	Ard Van Dongen/ Henk den Besten
10	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								
1	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. and POM at PPU
2	Q1	1.2.4 Forecast Accuracy	Decline in forecast accuracy as June 2013 WHO Treatment Guidelines adopted.	High	High	Mitigate	Provide guidelines to field offices around data, target setting, scheduling and frequency of forecasting.	DPIM Unit
3	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
4	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 Burt Van Wijk
5	Q2	2.1.2 Training and Competency	As larger systems roll out (eLMIS, CdI decentralization), larger numbers of people with diverse profiles will be trained.	Medium	Medium	Mitigate	HRCD TWG will review (June 2014) approach and identify complementary activities (supervision, mentoring) to increase competency.	HRCD Principal Advisor

Risk #	Quarter Identified	Associated Measure	Risk	Probability	Impact	Response Option	Mitigating Actions	Owner
6	Q2	4.1.1a RDC Expiry and BRC Reporting	Overrun against BRC revenue.	High	Medium	Mitigate	Re-route VMMC, minimize air-in; monitor.	Delphine Johnson
7	Q2	4.1.1a RDC Expiry and BRC Reporting	Stock loss due to expiry.	Low	Medium	Refine inventory strategies	Review safety stock levels for at-risk items.	Chris Larson
8	Q2	4.3.1b Operational Performance Management	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
9	Q3	1.2.2a On-Time Delivery Core Products	New GF ARV tender	High	High	Mitigate	Monitor and review procurement strategy	Steve Patras
10	Q3	1.2.2a On-Time Delivery Core Products	Disruption of supply chain due to transition of SCMS to GHSC	High	High	Mitigate	Scenario planning	Steve Patras
11	Q3	1.2.2a On-Time Delivery Core Products	Import waiver processing time	Medium	High	Mitigate	F&L to provide regular updates to their LT matrix so buyers can give accurate LT to clients.	Laura Thomas Gary Carle
12	Q3	1.2.2b On-Time Delivery Non-Core Products	DRC delivery continues to be a challenge due to import delays and local supplier OTD.	High	Medium	Mitigate	We are in the final stages of setting up IQCs and service level contracts with large local suppliers.	Peter Smith
13	Q3	1.4.1 Planned Unplanned Emergency Orders	Maintaining adequate stock during transition to GHSC	Medium	High	Mitigate	Work with countries to ensure supply plans are in place to understand demand through the transition period	Chris Larson
14	Q3	2.1.2 Training & Competency	1. Staff turnover impacts capacity strengthening activities	Medium	Medium	Mitigate	HRCD TWG will review knowledge management options to address staff turnover, K&S transfer	Cheryl Mayo

Risk #	Quarter Identified	Associated Measure	Risk	Probability	Impact	Response Option	Mitigating Actions	Owner
15	Q3	2.1.2 Training & Competency	2. Lack of OJT/ Supervision competency standard, inability to determine performance impact	Medium	Medium	Mitigate	HRCD TWG will review 9/2014 approaches in complementary activities to support OJT, supervision, competency mapping	Cheryl Mayo
16	Q3	2.2.1 Supply Chain Performance (SCMS Supported)	OF: Low Order Fulfillment and potential Stock Outs associated with Tanzania FDA limitations on imported ARVs	Medium	High	Mitigate	Resolved currently, with SCMS tested commodities to TFDA satisfaction. Continued monitoring	Tom Layloff
17	Q3	2.2.1 Supply Chain Performance (SCMS Supported)	OF: Greater coordination with PPM to avoid low OF in TZ	High	High	Mitigate	Streamline SCMS and PPM communication so we can timely communicate with stakeholders	Caroline Healey
18	Q3	2.2.1 Supply Chain Performance (SCMS Supported)	OF: As SA ARV tender approaches its end, suppliers hesitate to overproduce product to avoid expiries	Medium	Medium	Accept		
19	Q3	3.2.2 Presentations	Reduced opportunities for external presentations	Medium	Medium	Mitigate	Ensure SCMS is aware of appropriate events where we could add value	Samantha Salcedo, David Jamieson
Risks Removed from Risk Matrix in FY14 Q3								
1	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
2	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
3	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

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