



Providing quality medicines for people
living with and affected by HIV and AIDS



SCMS Annual Report FY 2007

Submitted November 15, 2007 by:

Partnership for Supply Chain Management, Inc.

1616 Fort Myer Drive, 12th Floor

Arlington, VA 22209 USA

+1.571.227.8600 (phone)

+1.571.227.8601 (fax)

www.scms.pfscm.org

SCMS Project Team

Affordable Medicines for Africa | AMFA Foundation | Booz Allen Hamilton | Crown Agents Consultancy, Inc. | The Fuel Logistics Group
IDA Solutions | JSI Research & Training Institute, Inc. | Management Sciences for Health | The Manoff Group | MAP International
North-West University | Northrop Grumman | PVH | UPS Supply Chain Solutions | Voxiva | 3i Infotech

1.0 EXECUTIVE SUMMARY

SCMS Field Offices

By the end of Project Year 2, SCMS had:

- delivered \$8-9M per month, to 8-10 countries;
- delivered 39 technical assistance interventions, 10 of which were in Guyana;
- used the IQC mechanism to purchase approximately 81% of SCMS's antiretrovirals (ARVs);
- earned a savings of US\$21.8M through procurement of generic over branded ARVs;
- completed procurement plans in four of the six GF/WB/USG coordinated procurement countries.

1.1 Fourth Quarter Highlights

The SCMS programs in-country continued to scale up in the fourth quarter of fiscal year 2007. Receiving the most attention was Nigeria. The Nigeria Task Force (NTF) was initiated to address performance issues raised in the USAID Nigeria Red Light Letter. In the third and fourth quarter of the fiscal year, SCMS delivered eight technical assistance interventions in Nigeria, and improved on-time delivery performance from 10 to 62 percent. During this timeframe, SCMS also relocated to a larger office and increased staff to better meet the needs of the USG PEPFAR program in-country. In August 2007, SCMS received praise from the USAID mission for its prompt response to the red light letter and the implementation of corrective actions. It is anticipated that SCMS-Nigeria will receive a considerable amount of funding in COP08.

In September 2007, SCMS received a scope of work for the procurement of approximately US\$9.5M of lab equipment, lab supplies and Opportunistic Infections (OIs) in Kenya. Position descriptions for a Lead Resident Advisor and a Procurement Officer were created by SCMS. However, at present, the USAID Mission is only willing to approve a single Procurement Officer to manage the proposed scope of work. Negotiations for the additional needed staff are continuing.

Unlike other SCMS programs, SCMS in Haiti not only distributes product to the national level but also distributes to clinic level. Recently, SCMS responded to an urgent request for rapid test kits. By procuring from local suppliers, SCMS responded over night with initial supplies and later augmented the locally procured stocks with international supply. In-country commodity management, storage and distribution responsibilities are transitioning to SCMS from the CDC, the University of Maryland and the University of Seattle/I-TECH. This transition includes forecasting of drugs, laboratory equipment and other HIV/AIDS-related commodities.

Tanzania planned its national HIV testing campaign in July 2007 and requested the procurement of test kits from SCMS. In July, SCMS provided 2,900 kits of Capillus to kick off the national campaign. Subsequently, SCMS delivered 309 kits of Determine and more than 120,000 kits (over 3

million tests) of SD Bio-line in August, September, and more are planned for October to support the roll-out of the campaign.

SCMS continued its technical support in Ethiopia to PHARMID, the national medical store, to upgrade its supply chain capacity for managing HIV/AIDS commodities. Recommendations include required infrastructural upgrades, information and IT linkages, inventory control systems, and key performance indicators. All these elements inform a comprehensive strategy for SCMS support to PHARMID, linked with ongoing support that SCMS was requested to provide under the National Pharmaceutical Logistics Master Plan (PLMP). Also in Ethiopia, SCMS ensured the timely procurement and delivery of much-needed chemical reagents and supplies, averting a potential national stock-out. Distribution is already coordinated by Regional Lab Associates, seconded by SCMS to the national lab authority. With the MOH and the Global Fund, through HAPCO, SCMS is coordinating a supply plan for critically needed OIs and Prevention of Mother-to-Child Transmission (PMTCT).

1.2 Year Two In Review

In its second year of operation SCMS was able to respond to urgent procurement requests. In Botswana, SCMS completed an emergency (\$1.1M) purchase of infant formula when procurement efforts by the government of Botswana were unsuccessful. SCMS was able to avoid a stock-out by delivering the infant formula in less than three weeks. In Zambia, SCMS purchased \$1.17M of long-lasting insecticidal nets (LLINs), 240,000 bed nets in total. The bed nets were divided into several sub-orders and all were delivered on or ahead of schedule. On July 14, 2007 the government of Tanzania announced a landmark national campaign to test up to 4.1M people for HIV. SCMS delivered 290,000 tests in time for the announcement and will procure an additional 3M SD Bioline tests to supply the 1,000 testing sites across the country. SCMS also responded to an urgent need for a two-month supply of Zidovudine 300mg for the PMTCT program in Mozambique, in order to prevent a national stock-out of the drug. SCMS responded within two days of notification with a quote, and was able to fulfill the demand out of regional distribution center (RDC) stock, cutting lead times considerably.

SCMS achieved costs savings for their clients through various methods. For example, in Cote d'Ivoire SCMS attained a savings of approximately US\$1M for the first ARV purchase and prevented a stock-out by procuring a \$6.32M ARV order, which saved an additional US\$1M. In Mozambique, SCMS trained CMAM staff and as a result they were able to cancel orders for obsolete medicines no longer part of the standard treatment guidelines and use the funding instead for other needed commodities. In Nigeria, by using SCMS for procurement, the Department of Defense (DOD) reported a savings of 60 percent on ARVs. SCMS also helped save the DOD US\$82,505, or 34 percent, on a single procurement of 11,000 packs of lamivudine/zidovudine and nevirapine by recommending an equivalent product in fixed-dose combination of lamivudine/zidovudine/nevirapine. For one recent product order, SCMS and CAMERWA in

Rwanda generated cost savings of 23 percent compared with previous orders; enough to potentially treat 3,000 more adults for a year.

Building capacity is at the heart of the SCMS mission. This is exemplified in several of the SCMS focus countries. For example, until recently, the Botswana government had only purchased branded ARVs for HIV/AIDS patients. However, due to high costs, the government wants to switch to more affordable generic medications. In support of this objective, SCMS is partnering with the Drug Regulatory Unit (DRU) to streamline the drug regulatory process within the MOH and provide safe, effective generic alternatives as soon as possible. In Cote d'Ivoire, SCMS and the MOH signed a memorandum of understanding (MOU) detailing the procurement, importation, storage and distribution of all PEPFAR-supported commodities. In support of the MOU, SCMS helped develop a 24-month forecast and supply plan for ARVs. SCMS facilitated the Ethiopian MOH's first national forecasting and supply planning workshop which resulted in a six-year national forecast for all essential program commodities. Also in Ethiopia, SCMS staff from Botswana, Ethiopia, Mozambique, Namibia, Uganda and Zambia attended a two-week training to build capacity in forecasting and supply planning as well as acquire the skills to support the demand planning process in each of their respective countries. Six local counterparts from DELIVER, the Ethiopia MOH and RPM Plus also participated. In Guyana SCMS is helping operate the antiretroviral treatment (ART) warehouse; a new model storage facility. Guyana is the first SCMS country to launch a Warehouse Management System (WMS), a tool developed by MACS Software which incorporates hand-held and radio frequency technology. This system has been implemented at both the National Central Warehouse Materials Management Unit and the PEPFAR-funded Annex Warehouse for ARVs, Rapid Test Kits (RTKs) and HIV-related supplies. The system enables multiple MOH warehouses to operate as one.

As a result of the work completed by SCMS to date, SCMS has forged partnerships offering new opportunities fight HIV/AIDS. In Mozambique, SCMS coordinated with the MOH and the Clinton Foundation the phased supply of ARVs to be donated by UNITAID to the national program. The phased supply of product will ensure that commodities are received when most appropriate. A major contract is in negotiation with CARE, the newly-appointed Global Fund principal recipient in Cote d'Ivoire. It is anticipated that SCMS will be heavily involved in the procurement of approximately US\$944,000 worth of commodities. In Rwanda, SCMS has forged an important partnership with CAMERWA, the Rwandan national essential medicines procurement organization, with a goal of preparing CAMERWA to be a direct recipient of USG funds. In Vietnam, SCMS and the World Health Organization (WHO) partnered to shape legislation on the distribution of ARVs and eliminated an unnecessary step in the supply chain, which will expedite essential medicines to patients.

SCMS Program Management Office

By the end of Project Year Two, SCMS had:

- established fully functioning offices in 15 countries;
- purchased \$69M in ARVs, 85-90 percent of generic branding, resulting in \$107M in savings;
- purchased 15M rapid test kits at a value of \$18M, the majority via Indefinite Quantity Contract's (IQCs);
- purchased \$12.5M of lab commodities, covering over 900 individual items;
- conducted national quantifications in eleven countries;
- completed 128 technical assistance assignments in 21 countries;
- completed an average of 100-120 freight movements per month to clients;
- negotiated 22 contracts, valued at \$9M, with Track 1 partners and other USAID projects;
- negotiated IQCs, for the purchase of ARVs, with Aspen Pharmacare, Aurobindo, Cipla, Matrix and Strides Arcolab, thus significantly reducing the workload of both SCMS and USAID;
- obtained an innovative waiver to allow purchase from European-based stockists IDA Foundation, Missionpharma and UNICEF; the waiver also allows the purchase of opportunistic drugs from non-US sources approved by a stringent regulatory authority.

1.3 Fourth Quarter Highlights

The most significant challenge faced by SCMS in its second year was timeliness of deliveries, particularly for laboratory commodities. On-time delivery performance has improved with 49% of deliveries in September on or before the time promised by SCMS. The area showing the most improvement is test kits where 73% of deliveries were on time. ARVs were at 53% on time in the month of September. The timeliness issue has many facets, including a lack of sufficient planning at the country level, some unrealistic timeframes and the escalating demand. In response, SCMS established an internal “on-time delivery task force”. This task force managed orders to delivery dates and reviewed systemic issues that may have either hampered on-time delivery or caused over-optimistic delivery commitments. The on-time delivery task force has been absorbed into a larger group, called the supply demand value chain operational process evaluation (SDVCOPE). The purpose of SDVCOPE is to evaluate the current operational processes at SCMS and seek improvements/efficiencies that will enhance performance going forward. Nine separate teams were created to review specific areas: compliance, standardization, vendor relations, client relations, planning and operational activities, empowerment, human relations, management information systems (MIS) and management/leadership.

The number of orders for laboratory items continues to grow, increasing pressure on timeliness and resources. SCMS is working with clients to strike a balance between lower international prices with lengthy delivery periods and satisfying needs through local purchases that may cost more, but can be delivered quickly. SCMS has accelerated efforts to arrange local procurement, revise standard operating procedures (SOPs) and seek procurement efficiencies within USG and USAID procurement rules and regulations. Very few laboratory orders are planned. Emergencies reported imminent or actual stock-outs, are frequent, further complicating the issue.

In June 2007, Roche recalled all batches of Viracept powder and tablets in Europe and other world regions. A detailed chemical analysis of the affected tablets showed they contained abnormal levels of methane sulfonic acid ethylester. This impurity is usually present in the product but these recalled products contained excessive amounts which caused a strange odor. Once alerted, SCMS activated its Crisis Management Team. All Viracept procured through SCMS was promptly identified and quarantined. The SCMS Crisis Management Team continued to keep focus on the Roche recall throughout the fourth quarter and will do so until all product is returned to Roche. Roche has committed to providing a full refund for the product, as well as shipping and handling costs incurred, if any, when consolidating product and sending it back. As a result of SCMS's quick response to Roche's recall of Viracept – impacting the SCMS programs in Côte d'Ivoire, Mozambique, Rwanda, Vietnam and Zambia – they received compliments from Roche, USAID/Washington, OGAC, and other partners.

SCMS has interacted with a number of senior executives to support global partnerships. In September 2007, SCMS met with the new Executive Secretary, Jorge Bermudez, and other members of the UNITAID Secretariat, who shares SCMS's desire for more strategic relationships and support to sustainability at the global level. UNITAID is eager to understand SCMS's approach and activities. As a result of the meeting, UNITAID will join the Global Drug Facility (GDF) visit to SCMS's RDCs during the third week of October.

At the World Health Organization, SCMS has engaged with the Good Governance Programme and the Technical Cooperation for Essential Drugs and Traditional Medicines Department (TCM). The Good Governance Programme, which has been initiated in 10 countries (mostly in Asia), will be expanded to 12 new countries, some of which may be PEPFAR focus countries. SCMS has been discussing ways to support this project. The TCM is interested in collaborating with SCMS and suggested the development of a Memorandum of Understanding to formalize the relationship. TCM is leading global and regional efforts around the harmonization of drug regulation and the pooled procurement system, two areas where SCMS could both benefit from, and support, WHO's agenda.

The WHO AIDS Medicines and Diagnostics Services (AMDS) is managing a drug regulatory database for products including ARVs, which provides information on drug registration status; WHO pre-qualification status; registration status in ICH (International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use) and PICS (Pharmaceutical Inspection Cooperation Scheme) countries. SCMS contributes procurement data on ARVs to the ARV regulatory database, as well as procurement data on ARVs and RTKs to the Global Price Reporting Mechanism, and participates in the AMDS annual exercise of preparing ARV forecasts for discussion with manufacturers. SCMS continues to stay engaged through participation in working groups in Geneva as well as through regular communication via the SCMS staff member located in Geneva.

SCMS has always had a cooperative relationship with the Clinton Foundation. In recent months, SCMS signed an MOU, formalizing the essential working relationship between the organizations. SCMS and the Clinton Foundation are now working together on:

- exchanging information on ARV pricing trends and pressures;
- exchanging information on new drugs coming forward for approval and registration;
- forecasting ARV demand;
- designing laboratory supplies quantification tools; and
- sharing in-country quantification and forecasting (this is increasingly essential as Clinton supplies 2nd line and pediatric ARVs funded by UNITAID).

1.4 Year Two In-Review

In its second year, SCMS has established fully functioning offices in 15 countries, in Zimbabwe and in all PEPFAR focus countries except Kenya. Staffing in the offices ranges in size from 5-20 people depending on the intensity of local operations.

State-of-the-art RDCs have been opened in Ghana, South Africa and Kenya, making frequently requested essential medicines and other health products available closer to HIV/AIDS programs than ever before. Average stock holdings for SCMS ARVs, test kits, and some opportunistic infections drugs are US\$8-15M dependent on demand and supply. Regular deliveries ranging from monthly to quarterly from the RDCs to major clients ensures continuity of supply and reduces import and clearance problems. Multiple emergency deliveries have been made from RDC stocks to USG PEPFAR projects, Global Fund recipients and governments. For example, in late May 2007, Mozambique's Ministry of Health approached SCMS regarding a severe shortfall of an ARV due to delays on their direct order from the supplier. SCMS was able to supply two months' worth of the ARVs from strategic stock held in the Kenyan RDC. SCMS delivered its first shipment of HIV rapid test kits to Zimbabwe as their existing stocks were running low. The order was filled in just three weeks, pulling stock from the South African RDC.

RDCs are intended to be commercially viable facilities that provide services to developing country- and international clients, independent of SCMS. Multiple donors and projects (i.e., USAID | DELIVER, UNITAID, the Global Drug Facility) and several commercial clients are currently in discussions with SCMS's team member Fuel Group to use the RDCs for their own products.

SCMS has successfully reduced the price of ARVs for clients. Estimated savings against Accelerated Access Initiative (AAI) prices for equivalent treatment regimens total \$107.9M for the first nine months of CY2007 alone. Through September 2007, SCMS has purchased 767,399 patient years of ARVs. This represents a quarter of a million more patient years of product than the entire three-year estimated procurement budget for SCMS would have covered at the prices in effect at the time of SCMS contract award. As a result of SCMS being able to negotiate prices, in some cases an order of magnitude lower than prevailing prices at project start-up, SCMS has been able to procure ARVs at a rate more than double that anticipated by the original budget. Orders to date for the life of project

total US\$105M as of September 2007. Cost-savings achieved can partially be attributed to the long-term contracts, or IQCs, used to date for the purchase of ARVs. IQC's are now held with Aspen Pharmacare, Aurobindo, Cipla, Matrix and Strides Arcolab. Other authorized buyers will have access to SCMS-negotiated prices even if SCMS is not the procurement agent.

In April 2007, SCMS was issued a Task Order 2 Scope of Work from USAID, reflecting the request for an expanded supply chain strengthening technical assistance (TA) focus. The Task Order 2 ceiling award was for US\$66.5M. As a result, the TA unit scaled up efforts to provide short-term technical assistance (STTA) to focus, and non-focus countries. In year two, 128 technical assistance interventions were provided. It is anticipated that this number will grow in year three.

Unprecedented collaboration with WHO (multiple departments), UNITAID (exploring use of SCMS RDCs for their products), Global Fund, World Bank, and DFID, among others, has established SCMS as a major partner in the global fight against the HIV pandemic.

SCMS serves as the technical secretariat for the Global Fund, World Bank and PEPFAR Coordinated Procurement Working Group, which aims to create coordinated procurement planning mechanisms at national level.

SCMS completed a major technical assistance assignment with the Global Fund advising on the feasibility of a pooled procurement scheme for Global Fund recipients (value \$900K). This proposal was accepted by the Global Fund board. SCMS has collaborated with the Clinton Foundation on forecasting and quantification, especially in lab commodities.

Extensive outreach and collaboration has established a joint task force of the Ecumenical Pharmaceutical Network (EPN) and SCMS. We are presently working with EPN members in Zambia, Uganda, Rwanda, Tanzania and Nigeria.

SCMS has acted for OGAC to collect and analyze data on ARV purchases by PEPFAR recipients, included in two PEPFAR reports to Congress and multiple answers to congressional staffers, including Congressman Henry Waxman's office.

2.0 SCMS FIELD OFFICE PROGRESS

Fourth Quarter FY 07 Country Highlights

In the fourth quarter, SCMS continued to provide technical assistance in quantification and forecasting, warehousing, laboratory logistics, strategic planning, and quality control in 16 countries. SCMS also continued the delivery of ARVs, rapid test kits and laboratory equipment, including the delivery of orders for several new clients. SCMS more than doubled the on-time delivery rate of commodities in this quarter. Additionally, SCMS responded to a number of emergency stock-outs; performance in response to these orders showed great agility and responsiveness.

In Cote d'Ivoire, SCMS conducted an ARV quantification exercise in collaboration with the MOH. The output was an ARV forecast and supply plan for a 24-month period from July 2007 to July 2009, including a delivery schedule for all ARVs based on inventories and issue rates at the medical store. SCMS also conducted a train-the-trainer session on HIV/AIDS commodities management. A SOP manual was validated and participants were trained on the use of data collecting tools during the workshop. It is anticipated that trainers will train approximately 600 service providers at treatment sites to track deliveries of ARVs from the Pharmacie de la Santé publique (PSP) medical store. SCMS prepared estimates of the annual costs of ARV drugs per patient per year in Cote d'Ivoire. This information alerted the USG team of funding shortfalls and was used to assist with COP08 resource planning.

In Ethiopia, SCMS continued its technical support to PHARMID, the national medical store, to upgrade its supply chain capacity. This technical assistance is consistent with SCMS's technical assistance to the National Pharmaceutical Logistics Master Plan (PLMP). SCMS continues to contribute to commodity security activities for HIV/AIDS commodities, most recently through its official nomination as the Secretariat for a National HIV/AIDS Commodities Supply Chain Management Advisory Committee. SCMS will initially facilitate the development of terms of reference for the Committee which is chaired by the Federal HIV/AIDS Prevention and Control Office (HAPCO). The Committee consists of all major in-country partners and stakeholders, and aims to coordinate supply and logistics activities related to HIV/AIDS commodities.

Kenya is currently the only PEPFAR focus country without an SCMS office. However, the Kenya USG team recently invited SCMS to identify potential areas of collaboration. SCMS also met with donors and potential partners in Kenya to explain the SCMS project and to gain a better understanding of their activities. Despite the lack of field presence, SCMS has been requested to procure lab supplies, drugs for approximately US\$9M worth of OIs, and rapid test kits. To support these activities SCMS will hire a procurement officer, who will be based in Nairobi.

In Mozambique, SCMS responded to an urgent request from the Medical Procurement and Distribution Unit (CMAM) and USAID, and implemented an emergency plan to assist CMAM in warehouse management. SCMS's contribution to the plan includes overall project leadership and

coordination with CMAM, warehouse consolidation, SOP development, staff training and infrastructural upgrades. SCMS also sent a team to Mozambique to assist the in-country team in planning the transition of lab procurement from the Association of Public Health Laboratories (APHL) to SCMS. Their work included a lab quantification, which will be the basis for SCMS lab procurements starting in April, 2008, and a detailed transition plan.

In Nigeria, the SCMS office hired new staff to improve the office's ability to manage tasks in the country office as well as procurement planning, tracking and clearance through customs. A new lead resident advisor (LRA) was hired who will also serve as chief of party for JSI. A management visit provided the local office much needed empowerment in finance, governance and administration, which has resulted in more effective management of the country office. SCMS also undertook short-term technical assistance activities in the quantification of rapid test kits, helping 10 PEPFAR implementing partners (IPs) to build their capacity to use of SCMS automated supply planning tools ProQ and Pipeline. A second quantification exercise focusing on the Federal Ministry of Health ARV requirements commenced in August and is expected to foster collaboration between PEPFAR IPs and the government of Nigeria in the area of ARV supply. A third short-term assignment advanced SCMS's implementation of the technology platform under development for Logistics and Health Information Management.

Fourth Quarter FY 07 Focus Countries Snapshot				
Country Name	STTA Delivered	Procurement	Staff	Relevant Milestone(s)
Botswana	Lab logistics (1) Quality control (1) Quantification (1)	Test- \$21,920 Lab- \$38,980	Fully operational 8 staff members	#14. Forecasts #12. QA #16. TA
Cote D'Ivoire	Quantification (1) Strategic Planning (1)	ARV- \$4,911,260 Test- \$133,030 Lab- \$420,600 Other- \$24,200	Fully operational 9 staff members	#14. Forecasts #16. TA
Ethiopia	Warehouse (1)	ARV- \$651,890 Test- \$569,680 Lab- \$94,160	Fully operational 29 staff members	#16. TA
Guyana	LMIS (5) Procurement (2) Quantification (2) Strategic Planning (2) Warehouse (1)	ARV- \$6,300 Test- \$70,950 Lab- \$10,070	Fully operational 9 staff members	#14. Forecasts #16. TA

Fourth Quarter FY 07 Focus Countries Snapshot

Country Name	STTA Delivered	Procurement	Staff	Relevant Milestone(s)
Haiti	Warehouse (1)	Test- \$73,180 Lab- \$49,140	Fully operational 15 staff members	#16. TA
Kenya	NA	Other- \$160,720	No field office Procurement lead recruitment in process	NA
Mozambique	Lab logistics (1) Other (1)	ARV- \$1,813,680 Test- \$80,000	Fully operational 18 staff members	#16. TA
Namibia	LMIS (1) Warehouse (2)	Test- \$64,530 Lab- \$7,290	Fully operational 4 staff members	#16. TA
Nigeria	Quantification (2) Strategic Planning (1) Warehouse (1)	ARV- \$679,410 Test- \$1,525,000 Lab- \$17,780 Other- \$46,180	Fully operational 19 staff members	#14. Forecasts #16. TA
Rwanda	Procurement (1) Warehouse (1)	ARV- \$9,380 Test- \$169,380 Lab- \$3,830 Other- \$127,150	Fully operational 5 staff members	#16. TA
South Africa	LMIS (1) Procurement (2)		Fully operational 14 staff members	#16. TA
Tanzania	NA	ARV- \$2,901,810 Test- \$895,860 Lab- \$1,502,045	Fully operational 11 staff members	
Uganda	LMIS (1) Warehouse (1)	ARV- \$7,840	Fully operational 19 staff members	#16. TA
Vietnam	NA	ARV- \$638,010 Lab- \$201,470	Fully operational 11 staff members	

Fourth Quarter FY 07 Focus Countries Snapshot				
Country Name	STTA Delivered	Procurement	Staff	Relevant Milestone(s)
Zambia	NA	ARV- \$4,776,520 Test- \$78,500 Lab- \$963,320 Other- \$1,154,270	Fully operational 20 staff members	
Zimbabwe	LMIS (1)	ARV- \$1,787,140 Test- \$120,000	Fully operational 20 staff members	#16. TA

Year Two in Review FY 07 Country Highlights

In its second year, SCMS scaled up procurement and technical assistance activities. By year end deliveries were running over US\$9M per month; the three African regional distribution centers were fully stocked to support ARV supply; and demand for diagnostics and laboratory commodities had increased exponentially. In the final quarter of the year the number of new orders for laboratory commodities exceeded all other categories of goods. As mentioned earlier, the total amount of technical assistance provided to countries (exclusive of local TA delivered by long-term advisers) was 128 TA visits. Key technical staff in country offices include laboratory logistics advisors, procurement managers, ART logistics advisors and lead resident advisors.

SCMS Ethiopia has been the country of greatest growth in year two. The office did not exist in the beginning of the year and now has 20 technical and administrative staff. Year two began with a strategic planning workshop with PHARMID, the central medical store. SCMS support to PHARMID is part of a comprehensive strategy to provide to support the National Pharmaceutical Logistics Master Plan (PLMP).

In January, the SCMS office in Nigeria was established and in April, the USAID | Deliver-SCMS integration was completed. In May, SCMS responded to the Red Light Letter issued by the Nigerian USAID mission. SCMS immediately mobilized a task force to address the concerns and created a performance improvement plan. The plan identified root causes of the concerns raised and provided a structured framework to monitor the resolution of the issues. With these changes came improved procurement performance as well as a stronger management of short-term technical assistance. In August, SCMS hired a director of procurement and five local hires to assist with the large volume of procurement activities in Nigeria. SCMS completed three important quantifications in Nigeria this year: a quantification and supply plan with the Department of Defense for ARVS, drugs for OIs, and lab equipment; a quantification and supply planning activity for rapid test kits with 10 PEPFAR implementing partners (IP); and an ARV quantification with the Federal Ministry of Health that is

expected to foster collaboration between PEPFAR IPs and the Government of Nigeria in the area of ARV supply.

SCMS and CAMERWA, the Rwandan national essential medicines procurement organization, signed a contract and memorandum of understanding with a goal of preparing CAMERWA to be a direct recipient of USG funds. One example of the benefit of CAMERWA's collaboration with SCMS was savings of \$500,000 for an ARV procurement compared with earlier procurements for the same commodities.

In Zimbabwe, the procurement and delivery of 1st-line ARVs for 40,000 patients was completed by SCMS during year two. This was a major accomplishment, exemplifying collaboration between the MOH and USG. Also in Zimbabwe, SCMS supported the implementation of the re-designed ARV and OI drug supply chain management system. SOPs for the revised logistics system were developed, as well as a curriculum for training. Initially, a train-the-trainer course was conducted, followed by a roll-out training of 250 health facility workers. SCMS will continue to support the re-designed logistics system in year three.

Year Two in Review FY 07 Focus Countries Snapshot				
Country Name	STTA delivered	Procurement	Staff	Relevant Milestone(s)
Botswana	Lab logistics (1) Quality control (1) Quantification (1) Strategic planning (1)	Test- \$57,920 Lab- \$38,980 Other- \$875,030	Fully operational 8 staff members	#14. Forecasts #12. QA #15. Field office #16. TA
Cote D'Ivoire	LMIS (1) Quantification (4) Strategic planning (2) Warehouse (2)	ARV- \$10,332,680 Test- \$362,410 Lab- \$1,913,070 Other- \$119,170	Fully operational 9 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA
Ethiopia	Distribution (2) Lab logistics (1) LMIS (1) Other (1) Quantification (2) Strategic planning (1) Warehouse (2)	ARV- \$651,890 Test- \$1,975,450 Lab- \$1,905,310	Fully operational 29 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA #26. Coordinated procurement

Year Two in Review FY 07 Focus Countries Snapshot

Country Name	STTA delivered	Procurement	Staff	Relevant Milestone(s)
Guyana	Commodity security (1) Distribution (1) LMIS (9) M&E (1) Procurement (3) Quality control (1) Quantification (5) Strategic planning (3) Warehouse (4) Policy & regulation (1)	ARV- \$10,420 Test- \$186,920 Lab- \$35,900 Other- \$46,250	Fully operational 9 staff members	#12. QA #14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA #26. Coordinated procurement
Haiti	LMIS (3) Quantification (2) Warehouse (3)	Test- \$314,930 Lab- \$49,140	Fully operational 15 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA #26. Coordinated procurement
Kenya	Other (1)	Other- \$482,138	No field office Recruitment of Procurement lead	NA
Lesotho	Assessment (1)	Test- \$80,000	Not a focus country	NA
Mozambique	Freight forwarding (1) Lab logistics (2) Other (1) Quantification (1)	ARV- \$5,323,960 Test- \$80,000	Fully operational 18 staff members	#14. Forecasts #15. Field office #16. TA #26. Coordinated procurement
Namibia	LMIS (4) Quantification (1) Warehouse (3)	Test- \$112,530 Lab- \$8,970	Fully operational 4 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA

Year Two in Review FY 07 Focus Countries Snapshot

Country Name	STTA delivered	Procurement	Staff	Relevant Milestone(s)
Nigeria	LMIS (4) M&E (1) Other (1) Procurement (1) Quantification (3) Strategic planning (2) Warehouse (1) Policy & regulation (1)	ARV- \$1,688,430 Test- \$2,714,550 Lab- \$178,040 Other- \$53,040	Fully operational 19 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA
Rwanda	Other (1) Procurement (3) Warehouse (3)	ARV- \$1,998,080 Test- \$358,560 Lab- \$71,870 Other- \$127,150	Fully operational 5 staff members	#15. Field office #16. TA #17. Warehouse/ Distribution TA #19. CAMERWA MOU #26. Coordinated procurement
Swaziland	NA	Other- \$6,210	Not a focus country	NA
South Africa	LMIS (2) Procurement (2)	Lab- \$2,860	Fully operational 14 staff members	#15. Field office #16. TA
Tanzania	Assessment (1) Other (1) Procurement (1) Quantification (1)	ARV- \$3,276,120 Test- \$1,156,540 Lab- \$1,502,045	Fully operational 11 staff members	#15. Field office #16. TA
Uganda	LMIS (1) Quantification (1) Strategic planning (1) Warehouse (3)	ARV- \$218,340	Fully operational 19 staff members	#14. Forecasts #15. Field office #16. TA #17. Warehouse/ Distribution TA
Vietnam	LMIS (1)	ARV- \$3,268,870 Lab- \$201,470	Fully operational 11 staff members	#15. Field office #16. TA #26. Coordinated procurement

Year Two in Review FY 07 Focus Countries Snapshot				
Country Name	STTA delivered	Procurement	Staff	Relevant Milestone(s)
Zambia	Commodity security (1) Lab logistics (1) LMIS (2)	ARV- \$12,839,720 Test- \$1,060,020 Lab- \$1,098,860 Other- \$1,154,270	Fully operational 20 staff members	#15. Field office #16. TA
Zimbabwe	LMIS (2) Quantification (2)	ARV- \$2,135,910 Test- \$120,000	Not a focus country Fully operational 20 staff members	#3 Donated product #14. Forecasts #15. Field office #16. TA

3.0 SCMS PROGRAM MANAGEMENT OFFICE PROGRESS

The project management office has been restructured in its second year to respond to the expanding demand and the significantly increased level of effort dedicated to technical assistance, particularly following the signature of Task Order 2 in April 2007. In March the deputy director John Sheptor left the project and SCMS took the opportunity of his departure to reorganize the Program Management Office (PMO) into three activity centers each with a deputy director: supply chain management (including procurement freight and logistics, MIS and demand planning), country programs and partnerships (including in-country management, communication, outreach and technical assistance) and operations (including finance, accounting, human resources and strategic planning). In response to the increased scale and diversity of procurement requests, and following issues identified by a focused effort to improve on-time delivery in June and July, the new deputy director for supply chain, Robert Schirmer, is leading an effort known as Supply Demand Value Chain Operation Process Efficiency (SDVCOPE) to identify areas to streamline SCMS processes, change processes to reflect the increased range of products required and improve timeliness and speed of delivery. The results of SDVCOPE will be introduced in year three of the project.

3.1 Procurement

In quarter four procurement continued its trend of quarter-on-quarter increases, both in terms of the number of orders and value of products. This is especially true for products such as rapid test kits and laboratory supplies. Indefinite Quantity Contract's (IQC's) were executed for two pharmaceutical wholesale suppliers and a fifth ARV supplier. While on-time delivery is still a challenge, the procurement unit overcame a timeliness issue in Nigeria early in the quarter, and on-time delivery rates have generally increased since then through the quarter. Local procurement has become more important during the quarter. The procurement unit sourced local suppliers for products such as office supplies and those needed on an emergency basis. Local pharmaceutical procurement, however, is problematic, due to the difficulty in finding suppliers that meet both SCMS's requirements for quality and country registration requirements.

FY2007 has been an exciting year of growth and evolution for the procurement unit. The unit went from start up procurement to operating at a high level of approximately US\$9M per month. IQC negotiations, particularly with generic ARV suppliers, have yielded the best prices available worldwide for almost all SCMS-procured ARVs. The procurement unit has established, and will continue to strengthen, business relationships with key suppliers. Commodity demand planning is a major focus, with the procurement and in-country units developing country forecasts that generate supply plans from which demand plans and procurement schedules are prepared. Stocks of key products at SCMS RDCs, mostly ARVs and some rapid test kits, are used to fill client demand rather than longer-lead time deliveries from manufacturers.

3.2 Freight and Logistics

Quarter four saw a significant increase in product volumes and in the case of South Africa, resulted in a space constraint. The space constraint was mitigated by moving stock from South Africa to a facility in Botswana (as the end destination is Zambia where road transport can be used for cost savings). The India Regional Consolidation Center (RCC), which will become operational in January 2008, will allow SCMS to optimize space utilization in the RDC's by timing shipments from Indian manufacturers. To further support cost savings, the freight and logistics unit strengthened their focus on sea freight as a viable transport mechanism to be used to move product.

For FY2007, plans to expand capacity at the RDC facilities have been developed in order to handle the increased volume of procurement that SCMS is experiencing. As of September 30, 2007, 77.3% of all SCMS deliveries were filled from an RDC. SCMS is well up into the target range of the percentage of shipments from RDCs with an average lead time from RDC to customer of seven days. Some countries, like Mozambique, now request deliveries only from the RDC because consolidated shipments allow them to be more efficient and often provide a cost saving. In an effort to further reduce costs to the client, the freight and logistics unit utilizes sea and road freight when and where appropriate. The unit is also currently in the process of classifying which products should/can be sent by sea, road, or air freight. In its second year, the freight and logistics unit had no security issues, nor loss of product due to expiry or damage caused by SCMS.

3.3 Quality Assurance

In quarter four the quality assurance unit has focused on quality control of products, ensuring the SCMS sampling strategy is implemented and executed consistently. Additionally, procedures were developed for management of quality control incidents through SCMS's automated Customer Relationship Management (CRM) tool. CRM will assist the quality assurance unit to track quality control incidents and investigations and in taking corrective actions through supplier corrective action requests.

For FY2007, the key focus was development of sampling and testing strategies for pharmaceutical products. This included developing the framework for sample importation, establishing the sample retention store in South Africa, and developing protocols for maintenance of chain of custody. As of September 30, 2007 SCMS has sampled the following:

- total ARV products sampled 48/80 = 60%
- total ARV products tested 33/80 = 41%
- total OI drugs sampled 16/20 = 80%
- total OI drugs tested 8/20 = 40%

Now that the sampling and testing program for pharmaceutical products has been successfully implemented, an additional focus moving forward will be to build the quality assessment program for rapid test kits.

3.4 In-Country Operations

In quarter four the in-country operations unit welcomed the new in-country operations manager to the team. While the unit is primarily focused on field activities, in-country operations staff were asked to participate in the on-time delivery and SDVCOPE study. As part of this process, the unit convened a one-day retreat to address priority concerns in the unit, including empowerment of the field offices, professional development of staff, the transition of TA management and quantification. Follow-up to the retreat continues.

By the end of FY2007, the in-country operations unit had established 15 offices in-country with 211 employees. In addition to field management and support, the unit has staffed positions for long-term TA, established relationships with Track 1 partners' headquarters, supported the SDVCOPE study and roll-out of several MIS solutions, including Orion, Knowledge Tree, Resource Manager, and Customer Resource Manager.

3.5 Management Information Systems (MIS)

In the fourth quarter, the management information systems unit completed several major milestones. Orion release IV went live, bringing with it increased functionality. Xroadz and the Customer Resource Manager (CRM) module of Orion went live for inquiry management. The local MACS warehouse management system (WMS) was deployed in Guyana, making it the first of many WMS implementations that the MIS team will assist with.

For FY2007, the MIS unit's most notable accomplishment was the completion of the three-phased roll-out plan for Orion, which spanned a period of 21 months. Each phase was delivered on or ahead of schedule. A portion of the Orion technical implementation has yet to be completed, which is the automation and/or interface with the transactions performed by systems at the RDCs. Completion is planned for in year three. The Orion software is SCMS's primary system; software development was undertaken to modify existing USAID tools to work in conjunction with it. Modifications allowed information to flow into and from Quantimed and PipeLine, two of SCMS's forecasting and supply planning tools. The MIS unit also planned for and deployed Xroadz, which includes dashboards and visualization elements. Xroadz shares a common database with Orion.

3.6 Performance Management Unit

In quarter four, the performance management unit continued routine performance reporting, completing the quarter three performance report in July, which highlighted key issues for the project and incorporated feedback from multiple mechanisms (including performance measures, incidents,

improvement actions and customer satisfaction). The unit completed and presented a pricing report for quarter three purchases following the close of the quarter. During the quarter, the unit received 38 new incidents and presented the results of 59 investigations to the management team. Incident investigation and reporting was facilitated by the use of the CRM system for incidents and complaints. This tool allowed unit leads to monitor incidents affecting their areas of operations and allowed for the real-time visualization of incident and complaint information. This functionality was then extended to the quality control unit so that results of sampling and testing could be documented in a centralized location. The performance management unit also responded to several requests for performance information from various stakeholders, which included presenting both information and methodology to interested parties such as the EPN, OGAC and several internal committees and task forces. Unit staff is also supporting data collection efforts for the OGAC annual report.

In FY2007 the performance management unit completed all stated milestones. Customer satisfaction surveys for both the supply chain and short-term technical assistance were distributed at the completion of quarters one through three and results were analyzed to identify improvement activities. Results were shared with management and the customer-interfacing units. A customer satisfaction survey was not distributed at the close of quarter four due to the decrease in core funding; this survey will instead be completed on a semi-annual basis. The performance management unit also contributed their support to the on-time delivery task force which was eventually absorbed into the larger study, SDVCOPE.

3.7 Operations Management

In quarter four the operations unit continued to provide support to the project through accounting, contractual and financial processing of transactions. Approximately US\$43M in expenditures were processed over the quarter by the accounting department, far surpassing previous quarters. The accounting department also prepared for the fiscal year close in September and the planned internal audit to take place at the beginning of year three.

For FY2007, the finance team continued to work with field offices and their management teams to provide accurate and timely information on expenditures and accruals. In April, USAID awarded the Task Order 2 Scope of Work, reflecting the request for an expanded supply chain strengthening TA focus. In response, the team submitted revised Task Order 1 budgets to USAID in light of the lower core funds expected to be received. The team also presented various proposed cost scenarios to pass on the true costs for commodity procurement and freight and logistics to the final clients. Within operations, the contracts group worked closely with field offices and in-country clients to negotiate various local sub-contracts with implementation partners, most notably in Mozambique, where a large MIS activity requires three major local sub-contracts. In addition, the contracts team negotiated a total of 22 contracts in year two, valued at US\$9M, with Track 1 partners and other

USAID projects such as HAPCO (an Ethiopian parastatal) and Track 1 partners CRS, Harvard and Columbia.

3.8 Communications

In quarter four the communications unit increased its support to field offices, assigning individual team members to countries and developing closer working relationships with field staff. Specific results of this increased focus on the field include:

- Met with the SCMS communication team, Crown Agents, JSI and MSH to support to field offices;
- developed a press release for Tanzania for use by USAID mission;
- supported Guyana in producing a brief on donor coordination;
- developed a newsletter template for Guyana that can also be used in other countries;
- communicated orientation for new LRA and Deputy LRA for Tanzania;
- distributed all revised materials (developed in Q3) to field offices;
- printed and distributed revised brochure in French to Haiti and Cote d'Ivoire;
- formatted technical reports for Ethiopia and Zimbabwe;
- supported printing a range of materials, such as ID cards and stationery for Mozambique, Tanzania, Uganda, Zambia, Rwanda, Botswana, Namibia, Haiti, Cote d'Ivoire, South Africa, and Zimbabwe.
- edited technical reports for Ethiopia and Zimbabwe; and
- redesigned of staff e-newsletter and News Dose as a weekly publication to inform all staff of project activities.

To support external communications, the communications unit launched the second generation of the SCMS website with a new design, with more content and new features; redesigned the quarterly update to an e-newsletter (Supply Lines), distributed to more than 1,500 people; developed a marketing materials template for use by MAP international in soliciting donations; trained the SCMS global outreach team on use of new customer relations management software (received as a donation from developer); and prepared a presentation for USAID's Mini University.

In FY2007, the communications team was staffed with an outreach manager, senior web manager and a new director. The team conducted a complete redesign and update of all project publications, including the SCMS brochure, website and 10 technical briefs. The team supported external communications and outreach, including the American Public Health Association, Global Health Council and PEPFAR Implementers' meeting. The unit raised the awareness of supply chain issues through writing and coordination of articles in newsletters of Interaction and the Global Health Council. The unit also supported PEPFAR and USAID in external communications activities, including Congressional testimony, the PEPFAR annual report, the SCMS update to USAID staff and other presentations and publications.

3.9 Human Resources

In quarter four, the human resources unit facilitated the hiring of several key staff for the SCMS project in the field and in the project management office. Specifically for the field, a new LRA, Johnnie Amenyah, was placed in Nigeria, and Abdou Diallo replaced Johnnie Amenyah's LRA position in Tanzania. In Botswana, Deogratius Kimera was hired as an LRA. At the program management office, the new Deputy Director for Supply Chain Management, Robert Schirmer, came on board, and the new manager of the in-country operations unit, Greg Miles, was hired. In addition to initiating and coordinating the on-board training offered to all new employees, the human resources unit identified the need for SCMS-specific performance reviews and staff development processes to be put in place. These activities have been included in the human resources work plan, and will be implemented in year three of the project.

For FY2007 we staffed and operationalized 15 country field offices. SCMS has grown from 130 to 349 in the field and project management office. While the human resources unit spends much of its time, recruiting, interviewing and hiring staff for SCMS, they also provide the critical function of ensuring staff are properly oriented. The orientation consists of presentations by each of the unit managers, which explain their unit's roles and responsibilities. The orientation is tailored as program management office staff need different information from those who will be working in the field.

3.10 Global Partnerships

In quarter four, the global partnerships unit strengthened its collaboration with WHO AMDS (AIDS Medicines and Diagnostic Services) by once again providing SCMS procurement information for the WHO Global Price Reporting Mechanism and the WHO registration database. SCMS met with the Health Technology and Pharmaceuticals cluster which resulted in an invitation to the next Good Governance Program planning meeting and an agreement, through an MOU, to formalize future collaborations with TCM (the Technical Cooperation for Essential Drugs and Rational Medicines). The global partnerships unit has facilitated the Global Drug Facility's (GDF) interest in using SCMS RDCs. Global partnership staff met with the new Executive Secretary of UNITAID to discuss possible synergies. The meeting resulted in a request to join the RDCs visit organized for GDF. As the Secretariat for the WB/GF/USG Coordinated Procurement initiative, SCMS organized a Steering Committee meeting and has shared a proposal for Year two Scope of Work (SOW). Following this meeting the three partners have identified priority countries to which the initiative should be extended. The global partnerships unit participated in the EPN annual drugs supply organization (DSO) meeting in Lagos, Nigeria to address strategic issues including distribution, production, computer software options, access to ARVs, quality control and advocacy. An EPN/SCMS Taskforce meeting was held in Kigali, Rwanda to review completed and on-going activities, as well as to establish next steps for moving forward in Rwanda, Tanzania, Zambia and

Nigeria. The Taskforce also met with the USAID SCMS Activity Manager in Rwanda and agreed to develop ideas on how to move forward with BUFMAR, the faith-based drug supply organization that supports 150 hospitals/clinics or 40% of Rwanda's healthcare system.

For FY2007 the global partnerships unit completed all planned milestones. On the WB/GF/USG coordinated procurement initiative, SCMS presented the first results and lessons learned after one year of operation at the Implementers Conference in Kigali in June 2007. By the end of September 2007, coordinated procurement plans (CPPs) had been developed in Mozambique, Rwanda, Ethiopia and Guyana. In Haiti and Vietnam, plans are nearing completion. SCMS completed a pooled procurement feasibility study for the Global Fund (GF) and developed recommendations which were all endorsed by the GF Board. The Secretariat is now working towards implementation of the voluntary pooled procurement plan and has expressed interest in further support from USAID and SCMS.

4.0 PROGRAMMATIC MILESTONES AND MEASURES

At the beginning of year two of the project, the SCMS program management team developed project milestones to manage and measure the project over the course of the year. Milestones are specified for every unit, and help guide the strategic direction of the organization. Milestones are arranged under the performance work statement goals of *secure, reliable, cost-effective, quality products, best value, sustainable, information, collaboration and capacity*. Each of the goals also has supporting measures as shown in the tables below. The milestones and measures are submitted and approved by USAID on an annual basis.

4.1 Secure

(Freight and Logistics) In support of a secure supply chain, SCMS identified adequate disposal sites for damaged or expired drugs and other health commodities procured by SCMS (Q3). To date it has not been necessary to activate the identified disposal services.

(Freight and Logistics) SCMS also implemented a security protocol for monitoring and guarding high-value deliveries in-country (Q2). Among the initiatives has been the successful delivery by road into Côte d'Ivoire as well as imminent road trips planned into Namibia, Zambia and Zimbabwe. The procurement unit contributed to this goal by establishing contracts and business relationships with key suppliers as well as utilizing local suppliers.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Total value of losses (TO1)	Zero	Zero	Zero	Zero	≤.25% of value delivered	≤.25% of value delivered
Number of counterfeit incidents (TO1)	Zero	Zero	Zero	Zero	Zero	Zero

4.2 Reliable

(Procurement) In support of a reliable supply chain, SCMS defined and implemented an inventory policy to enable SCMS to respond to emergency requests from clients and to support unanticipated requirements from other programs (Q2). In addition to the inventory policy, SCMS is able to more rapidly respond to emergency requests through use of the RDC model which stores buffer stock of commonly used commodities, bringing the most needed commodities closer to the client.

(Freight and Logistics) SCMS completed start up and initial stocking of the RDCs in Ghana, South Africa and MAP USA, and Kenya (Q1, Q2, Q3). All RDC's are stocked and operational. Negotiations for the India regional consolidation center (RCC) continue with a planned opening date of January 2008. Additional capacity in Botswana has reduced congestion in the South Africa facility and provided SCMS the opportunity to use less expensive road transport into Zambia and Zimbabwe.

(Freight and Logistics) SCMS completed implementation of the order fulfillment process. SCMS is not yet achieving 80 percent on-time deliveries; the current SDVCOPE study will propose short- and long-term solutions to improve on-time performance.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of on-time deliveries (TO1)	17%	41%	24%	51%	≥80%	≥98%
Number of stock-outs reported by programs served by SCMS (TO1)	6	8	5	4	<20 per year	<12 per year
Number of RDC stock-out events not due to unplanned orders (TO1)	Zero	Zero	Zero	Zero	Zero	Zero
Average order lead time (planned and unplanned) (TO1)	48 days (direct drop); 86 days (to RDC)	79 days (direct drop); 52 days (from RDC); 51 days (to RDC)	61 days (direct drop); 19 days (from RC); 69 days (to RDC)	61 days (direct drop); 22 days (from RC); 74 days (to RDC)	Planned: 56 days, Unplanned: 98 days	Planned: 56 days, Unplanned: 98 days
Remaining shelf-life of purchased ARVs products at the time of receipt at RDC (TO1)	Not available	Ghana: 82% South Africa: 83% Kenya: 87%	Ghana: 84% South Africa: 82% Kenya: 87%	Ghana: 84% South Africa: 89% Kenya: 87%	≥85%	≥85%

4.3 Cost-Effective

(Procurement) In support of a cost-effective supply chain, SCMS completed the first donated delivery (Q4). The donated quantity from Aspen was valued at \$888K and the ARVs were sent to Zimbabwe. SCMS has also received a donation of ARVs from Aurobindo that will be sent to Ethiopia and Cot d'Ivoire. Sanofi-Aventis donated a TB drug that went to Haiti. Cumulative donations for year two totaled just under US\$1.8M.

(Freight and Logistics) SCMS implemented inventory rotation procedures to ensure minimum loss of commodities due to expiration (Q2). To date, there has been minimal loss of product due to expiry, with less than 0.15 percent of the value delivered.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of SCMS internationally purchased ARVs falling at or below published prices paid by other international buying organizations serving the developing world given country context (TO1)	63%	67%	53%	72%	80%	80%
Value of stock loss at RDC due to expiration (TO1)	Zero	Zero	Zero	\$38,000 (0.15%)	≤2.5% of value delivered	≤1% of value delivered
Percent of purchases placed under IQCs by value (TO1)	NA	6%	21%	54%	TBD	75%

4.4 Quality Products

(Procurement) In support of procuring and delivering quality products, SCMS was charged to develop, with the Centers for Disease Control (CDC), a standardized list for lab equipment and commodities (Q4). SCMS has developed a standardized list of consumable lab items, and discussions continue regarding items of new equipment.

(Quality and Assurance) SCMS assisted focus country counterparts in the implementation of effective quality control practices for local and international procurement (Q4). Technical assistance was provided as requested to Botswana and Guyana. In Botswana, the short-term technical assistance helped further augment the Drug Regulatory Unit’s (DRU) capacity to evaluate the ARV drug registration application process, recommended effective processes and helped train staff in key evaluation criteria for clinical and bioequivalence data. For Guyana, the short-term technical assistance focus was on documenting aspects of the drug quality management system and building capacity in drug quality control, drug registration and good pharmaceutical practice, as these components provide the essential infrastructure for improving existing functionality.

(Quality and Assurance) SCMS completed implementation of the sampling and analysis protocols (Q3). SCMS protocols require collection and testing of samples from the first procured batch of every pharmaceutical product; thereafter the sampling frequency depends on previous test results

and the risk category of the manufacturer. In addition to routine sampling, SCMS also collects and tests “with cause” samples if there is any suspicion that the quality of the product has been compromised.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of products flagged for sampling that have been sampled (surveillance pulls) (TO1)	NA	NA	NA	ARVs: 94% OI/STI: 100%	100%	100%

4.5 Best Value

(Procurement) In support of providing clients with the best value, SCMS completed IQC negotiations for ARVs and test kits, establishing consistently improved pricing versus access pricing (Q3). While significant progress has been made signing IQCs with generic manufactures, negotiations with branded manufacturers have been difficult, with the exception of GlaxoSmithKlein. In September 2007, 54% of all SCMS purchases used an IQC, and 76% of ARVs purchases used an IQC.

(Freight and Logistics) SCMS initiated one- to three-month replenishment deliveries to focus countries requesting SCMS procurement and fulfilled the majority of these orders through the RDCs (Q3). Countries currently operating with such regular replenishment procedures include Cote d’Ivoire, Zambia, Mozambique and Zimbabwe.

(Performance Management) SCMS conducted quarterly procurement client satisfaction surveys and identified areas for improvement (Q2, Q3, Q4). As a result of earlier surveys, respondents were asked if they would share their identity with SCMS staff so that corrective actions could be more targeted. This allowed SCMS to follow up with specific actions when appropriate. Feedback from the client satisfaction survey was incorporated into the work of SCMS task forces.

(Performance Management) SCMS conducted quarterly short-term technical assistance client satisfaction surveys and identified areas for improvement (Q2, Q3,Q4). Clients were very satisfied with STTA services, a trend which was continuously demonstrated in all surveys.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Average time from	40 days (PER); 49	41 days (PER); 73	No RO’s initiated as	16 days (PER); 19	<35 days; <15 days	<33 days; <15 days

initial client request for ARVs to issuance of requisition order (TO1)	days (FPR, non-emergency), 11 days (FPR, emergency) measured for all commodities	days (PER emergency); 44 (FPR) 20 days (FPR, emergency) measured for all commodities	PERs; 43 days (Non-emergency, ARV, FPR); 22 days (Non-emergency, ARV, FPR)	days (Non-emergency, ARV, FPR); 20 days (emergency, ARV, FPR)	(emergency)	(emergency)
Average time to receive an estimate or quote on ARVs and rapid test kits	38 days; 6 days emergency (all commodities)	Not yet available due to PWS change	34 days (Price Estimate); ARV FPQ: 50 days (non-emergency), 19 days (emergency); RTK FPQ: 26 days (non-emergency)	ARV FPQ: 15 days (non-emergency), 10 days (emergency); RTK FPQ: 21 days (non-emergency)	9 days (PE) 14 days (FPQ)	9 days (PE) 14 days (FPQ)
Technical assistance client satisfaction rate (TO2)	100% scoring above a 2	87% scoring above 2	94% scoring above 2	NA	≥90% above 2	≥90% above 2

4.6 Sustainable

(Procurement) In support of a sustainable supply chain, SCMS had initially planned to complete a local OI procurement (Q3). However, suppliers that meet SCMS's requirements for quality and country registration requirements could not be identified.

(In-Country Operations) SCMS completed the first phase of warehousing and/or distribution technical assistance interventions in selected warehouses in six countries (Q2). During this year, Guyana became the first SCMS country to implement a MACS Warehouse Management System (WMS) for the MOH Materials Management Unit. In Uganda, SCMS provided technical assistance in warehouse management to the National Medical Stores (NMS) and Joint Medical Stores (JMS).

(In-Country Operations) SCMS completed the MOU and subcontract with the Rwandan government establishing the required performance standards and implementation steps for

CAMERWA to become a direct USG grantee (Q1). SCMS also provided technical assistance in the areas of warehousing, procurement and distribution to CAMERWA. For warehousing, SCMS and CAMERWA jointly completed the installation of shelving in the main warehouse. For procurement, SCMS and CAMERWA jointly prepared, issued and evaluated a tender for the supply of HIV/AIDS test kits and laboratory commodities that complied with USG procurement regulations. For distribution, SCMS and CAMERWA jointly reviewed progress on achievements made from May to July 2007 to provide informed guidance and support for the implementation of next steps.

(Freight and Logistics) SCMS validated the RDCs commercial viability (Q4). A report has been completed detailing the costs of operating RDCs to prove commercial viability, and several commercial contracts are under discussion with the Fuel Group/PHD. (By the end of October 2007, commercial client activity per branch was: Ghana – confirmed: 1, potential: 1 / Kenya - confirmed: 1, potential: 2 / Botswana - confirmed: 2.) There are several other organizations, including interested in using two or more of the RDCs, including the Global Drug Facility, UNITAID, USAID | DELIVER (malaria and avian influenza), and USAID | Making Medical Injections Safer (MMIS).

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percent of RDC throughput funded by SCMS (TO1)	NA	NA	NA	99%	75%	25%
Number of PEPFAR focus countries where the government or institution has been certified as a USG grantee for direct procurement with USG funds (TO1)	Not available	Not available	Not available	Not available	2 countries	2 countries
Number of PEPFAR focus countries in which a national entity successfully completes their own quantification locally (TO2)	Zero	Zero	Zero	4	5	10 countries
Percentage of PEPFAR focus countries in which SCMS is invited to assist with national procurement plans with significant stakeholder involvement (TO2)	Zero	Zero	Zero	38%	50%	75%

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of SCMS field offices who have successfully placed an order locally (TO2)	NA	NA	NA	Zero	20%	100%

4.7 Information

(In-Country Operations) In support of information sharing, SCMS assisted focus country counterparts in the implementation of effective quality control practices for local and international procurement (Q2, Q3, Q4). In Botswana, an SCMS consultant reviewed the drug registration system at the Drug Regulatory Unit (DRU). This technical assistance enabled the DRU to identify the causes of registration backlog, train staff on dossier review, and strengthen dossier storage and documentation processes.

(Management Information Systems) SCMS implemented the latest release of a suite of products — Enterprise Resource Planning (ERP) system modules — that facilitates automated information exchange across all aspects of the supply chain (Q4). Orion provides the central data repository and much of the ERP functionality. Outputs from desktop forecasting and planning tools, Quantimed and PipeLine, are stored in the central database and used to create fulfillment plans in Orion to execute against. For commodities procured without an IQC, the FAR requirements are respected and documented via the CRM Xroadz tool. Decision makers have ready access to data and information to manage the supply chain.

(Global Partnerships) SCMS worked in cooperation with the Global Fund, the Work Bank and USG to complete coordinated procurement plans in six countries (Q3). By June 2007, coordinated procurement plans (CPPs) were completed in four of the six pilot countries. SCMS presented progress to date and lessons learned from the first year of the WB/GF/USG coordinated procurement initiative in a meeting preceding the PEPFAR Implementers' Conference in Kigali. Nearly 100 participants attended the meeting.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of national quantifications completed with acceptable tools (TO1)	ARVs: 20% Test Kits: 0%	ARVs: 13% Test Kits: 20%	ARVs: 27% Test Kits: 20%	ARVs: 31% Test Kits: 25%	50%	100%

4.8 Collaboration

(In-Country Operations) In support of collaboration, SCMS staffed and operationalized 15 country field offices based on country-specific needs (Q2). The exception is Kenya where SCMS has only recently been asked to hire a procurement associate. SCMS also has operationalized a country field office in a non-focus country, Zimbabwe. By having country offices, SCMS is in closer proximity to their clients and thus better able to serve their needs.

(Global Partnerships) SCMS developed effective collaborations with the Ecumenical Pharmaceutical Network (EPN) and other faith-based organizations (Q4). Successful collaborative activities include a joint visit in Zambia to address supply chain coordination issues between the MOH and Churches Association of Zambia (CHAZ) as well as two EPN/SCMS Task Force meetings to establish objectives of the collaboration, review progresses and develop plans with specific steps to move forward.

(Communications) SCMS developed an enhanced web presence to engage key stakeholders and increased visibility of the SCMS supply chain through features such as e-catalog prices and order fulfillment milestones (Q4). The website now has a section for potential clients explaining how to work with us, a section on global partnerships and a resource center for sharing documents.

(Global Partnerships) In support of collaboration, SCMS designed a global outreach strategy including conference and event participation and face-to-face meetings in order to ensure the exchange of up-to-date project experiences (Q2). The global partnerships unit identified “top 10” priority stakeholders and developed corresponding account plans. The unit also developed a framework and indicators to measure its performance and contribution to SCMS mission.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Number of technical documents downloaded (TO1)	Not available	Not available	Not available	Not available	100	100
Number of people reached via presentations at conferences (TO1)	180	30	338	90 (Y2 Total: 638)	700 per year	700 per year

4.9 Capacity

(In-Country Operations) In support of building capacity, SCMS implemented Global Fund and PEPFAR FY07 supply chain strengthening technical assistance interventions in the areas of planning/quantifications/forecasting; procurement; storage and distribution; product quality assurance; lab logistics; LMIS; commodity security; QA; M&E; and contractual processes (Q4). The total number of technical assistance visits in FY2007 was 128.

(Human Resources) SCMS was charged to create a team of three laboratory technical assistance advisors to improve laboratory commodity supply chains in the areas of standardization, quantification and distribution (Q4). There was a delay in recruitment due to an internal hiring freeze and budget discussions. Recruitment is now complete for two of the three regional laboratory positions.

(Operations) SCMS responded to Task Order 2 Scope of Work from USAID, reflecting the request for an expanded supply chain strengthening TA focus, and revised Task Order 1 to include a revised PWS (Q2). Task Order 2 was awarded in May and SCMS has begun implementation of the increased technical assistance scope of work.

(In-Country Operations) SCMS had planned to work with local partners to complete baseline supply chain assessments (LIAT) in up to six countries (Q4). Though the activity was dropped at USAID instruction for budgetary reasons, a LIAT was completed in Nigeria.

(Global Partnerships) SCMS completed the Global Fund pooled procurement study with funding from USAID (Q2). SCMS recommendations were presented at the Global Fund Board meeting in April 2007 and endorsed with minor modifications.

PWS Measure(s)	Y2Q1 Value	Y2Q2 Value	Y2Q3 Value	Y2Q4 Value	Year 2 Target	End-of-Project Target
Percentage of key performance measures for local supply chain organizations which showed an improvement from baseline report results (TO2)	NA	Not available	Not available	Not available	>75%	>75%
Number of individuals trained per TA area (TO2)	NA	115	509	1088	NA	NA