REPUBLIC OF SOUTH AFRICA

OPERATION PHAKISA

planning | implementation | growth

Ideal Clinic Realisation and Maintenance

Supply Chain Management of Medical and Non-medical supplies

Lab report

November 21, 2014

Summary

- **Problem –** Clinics experience **regular unavailability** of services and medical and non-medical standard supplies (e.g. cleaning materials and stationery), impacting the quality of care the clinic can provide. Non-standard supply items (NSSIs) such as maintenance supplies can take months to requisition and receive; a process that forms a significant work burden for the facility management. On top of the availability issues of supplies, we find that **lack of contracting** or standardization of procurement misses out on significant cost savings, with some warehouses paying >50% more for standard supplies than other warehouses. Our warehouse distribution system is outdated and inefficient.
- **Context –** Most stock-outs relate to products that have no supply challenges at district or provincial warehouse levels. Stock-outs could be avoided if there was timely access to clinic stock level data, capable demand forecasting and efficient logistics to clinic level. The current paper-based requisition and stock management system cannot address this issue. There is an urgent need for an innovative solution to drastically improve visibility on clinic stock levels and communication with the facility management. A more centralized approach to SCM would also enable significant cost savings through consolidated vendor contracts, while improved monitoring of clinic level stock allows us to delegate procurement of simple NSSIs to the facility manager.
- **Aspiraton** – the Lab's aspiration is to achieve **100% continuous availability** of medical supplies and standard stock items in all clinics, **reduce the costs** of procurement and distribution by 10%, while **lowering the work burden** at clinic level and speeding up the turn-around of non-standard stock items.
- **Leveraging existing solutions –** The NDoH, Sector Wide Procurement is currently rolling out transformative stock visibility solutions, allowing clinics to upload stock levels through their mobile phone with the RxLite system; and district procurement units using these data and RxSolutions to push supplies to the clinics in a timely fashion.
- **Proposed initiatives –** The health lab SCM work stream proposes the following initiatives to ensure availability of supplies and services at all clinics in South Africa:
  - Create a master **catalogue** of all supplies and services that can be procured by the clinics, with tailored sub-catalogues for different categories of clinics (e.g. different functions, size, rurality) and geographies
  - Engage in transversal **supplier contracts** for all medical supplies and standard stock items, in the context of which district warehouses and facilities can procure
  - Start control towers or merge with medical control towers to **forecast clinic supply demand** based on clinic data collected through RxLite and managed with RxSolutions
  - Improve **procurement** capabilities at warehouse level to ensure timely payment of suppliers, and delegate procurement of most NSSIs to clinic level
  - Develop **distribution** optimized for each category of the supply catalogue, with cross-docking for smaller clinics and vendors, and direct delivery for larger vendors and clinics
- **Impact –** we estimate that procuring through transversal contracts can save an annual R 162 million for non-medical supplies alone, delegating procurement of low-value items to clinic level will increase turn-around by 70%, and optimized distribution for medical and non-medical supplies will save an annual R 116 million, with an additional one-off R 724 million capital release.

The lab included more than 20 people from more than 15 organizations, representing ~4,800[1] hours of work, plus experts engaged in the lab

NOT EXHAUSTIVE

NDOH

UTi

DPME

National Treasury

Mpumalanga

Gauteng Province

Eastern Cape Province

Kwa-Zulu Natal Province

Northern Cape Province

Western Province

Northwest Province

Free State Province

City of Johannesburg

SCMS

EOH

1 Average of 20 people for 30 days, working 8 hours a day

SOURCE: Health lab –Financial Management and Supply Chain Management stream

Contents

Supply chain to clinics deals with a mix of medical and non-medical supplies and services

Medical

		Examples
Supplies	Pharmaceuticals	▪ ARVs ▪ Painkillers ▪ Antibiotics
	Non-pharmaceuticals	▪ Bandages ▪ Feeding tubes ▪ Face masks ▪ Oxygen cylinders
Services		▪ Lab services ▪ Blood transfusion services

Non-Medical

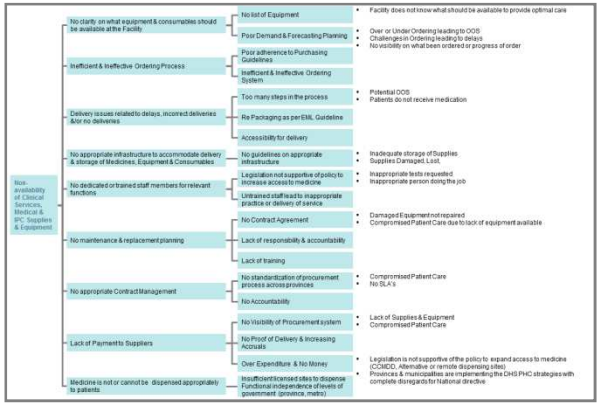
			Examples
Stock items	Standard	For own use	▪ Clinical stationary ▪ Stationary ▪ Light bulbs
		For service provider/ own use	▪ Cleaning materials ▪ Maintenance items ▪ Domestic equipment
	Non-standard	For own use	▪ Furniture ▪ Fuel ▪ Small IT items
Services	Standard		▪ Cleaning ▪ Security ▪ Transport ▪ Maintenance ▪ Gardening ▪ Installation
	Non-Standard		▪ Ad hoc/ emergency maintenance

1 Clinics can procure without approval, but still upload the requisition

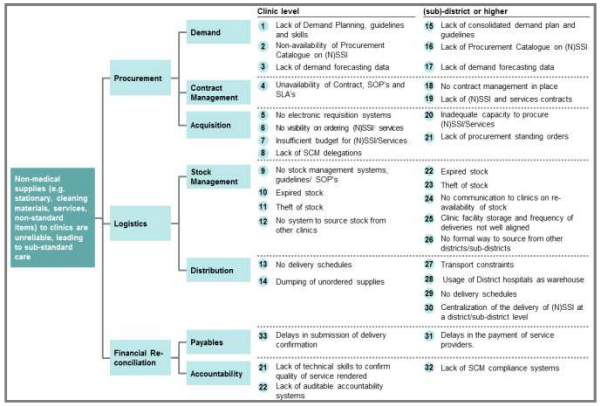
The Lab has diagnosed issues in medical and non-medical SCM separately, and then worked on integrated solutions for an optimal SCM

Separate issue identification and prioritization

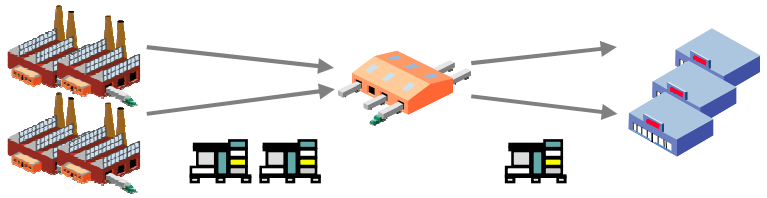
Medical



Non-medical



Solutions that leverage synergies between the two supply chain, while recognizing that no one size fits all



- Solutions that leverage the overall supply chain where possible across all functions of SCM (e.g. demand forecasting, contracting & procurement, distribution), and that are tailor made to each category of supplies where needed

What does ideal clinic supply chain management look like?

- ✓ Full availability of essential supplies
- ✓ Low cost procurement
- ✓ Minimal work burden to the clinics
- ✓ Speedy delivery of non-standard items

Availability and costs: Standard items are regularly out of stock, and identical items are procured at different prices across sub-districts

Random selection of SKUs

Warehouse Clinics

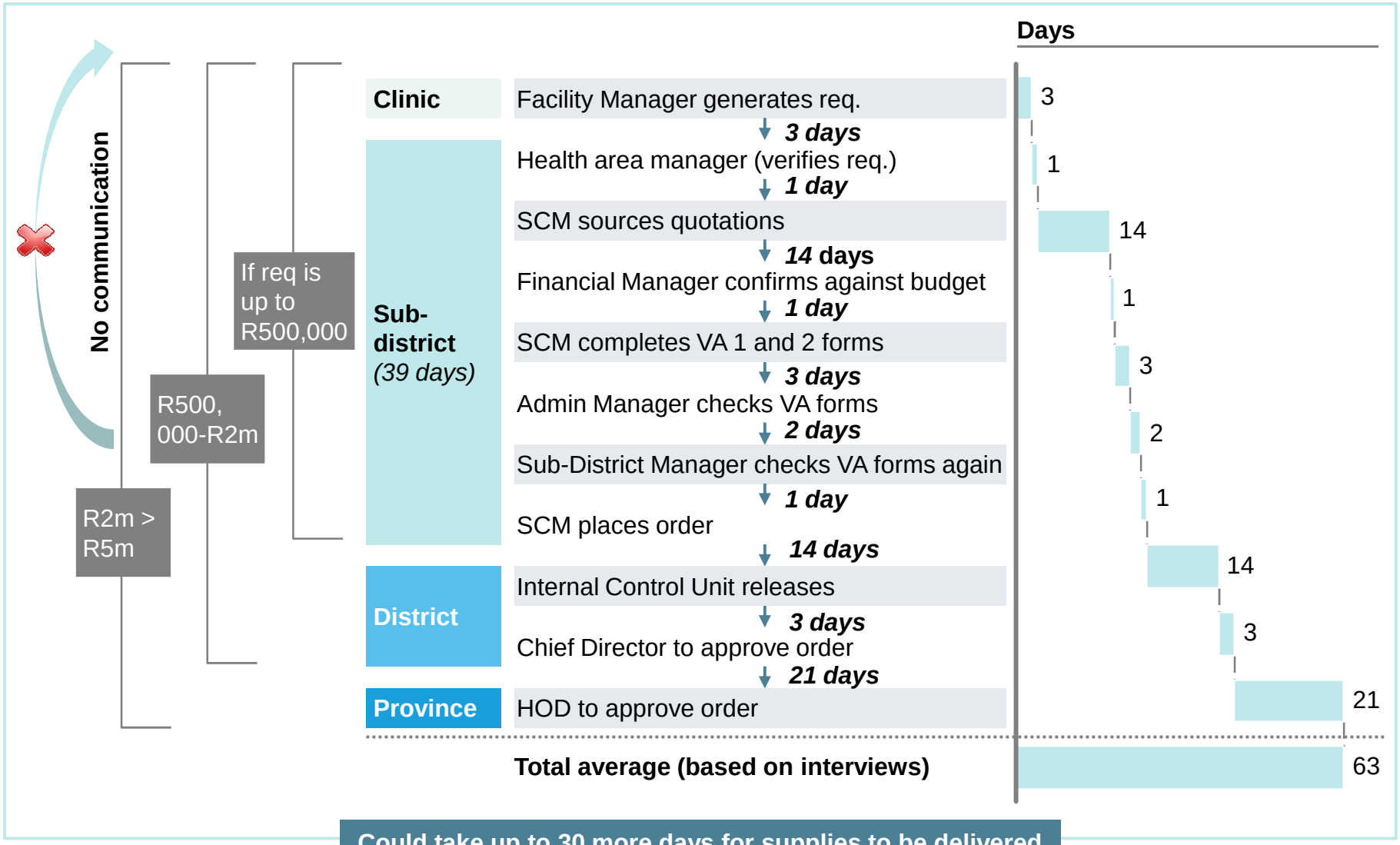
Essential items across SSI categories

	Floor polish	Hand washing soap	Tick register	A4 paper
				
Availability	50% 100%	100% 100%	50% 50%	75% 75%
Stock level average	11.5 2.2			46 1.8
Days since last requisition	30 days	30 days	12 days	120 days
# of Brands	4	3	GPW	4
Price range	R130-1450	R77-225	R165	R158-290

- **MAKRO retail price for a box of paper is 32% lower than the price we are getting in some provinces**
- **Pricing indicates that in Mpumalanga, for stationery alone we could save an annual R 2.5M**

SOURCE: Lab analysis, questionnaire across 5 provinces, 5 warehouses and 5 clinics

Work burden and speed: Requisitions of non-medical, non-standard items can take up to 63 days to be released



Could take up to 30 more days for supplies to be delivered

SOURCE: Lab analysis, questionnaire

Pharmacies experience frequent and lengthy stock-outs of medicines resulting in repeated visits to collect prescriptions

Inventory report for Clinic 4 showing difference in items requested and issued

Date	Max	Dem. OH	Requested	Issued
ECN – T2225	Aspirin soluble 300 mg tablet; 14 PT ready pack			
2013/12/09	6,000	0	6,000	0
2013/12/09	6,000	0	6,000	0
2014/01/06	6,000	0	6,000	0
2014/01/15	6,000	0	6,000	0
2014/02/05	6,000	0	6,000	0
2014/03/10	6,000	0	6,000	50
2014/03/25	6,000	0	6,000	500
2014/04/29	6,000	0	6,000	200
2014/05/19	6,000	0	6,000	0
2014/06/11	6,000	0	6,000	0

- Pharmacy repeatedly placed orders for Aspirin between December 2013 and June 2014
- No stock was issued before March; and subsequent issuances of stock were below what was required
- Due to a maximum ordering amount, they were unable to increase their order size in subsequent months (to buffer against supply chain issues)

Similar trends of shortages observed for **Simvastatin** (to treat Cholesterol), **Co-Tramoxazole** (bacterial infections), **Ibuprofen** (pain), **Calcium Carbonate** (acid, calcium deficiency), **Ferrous Sulphate** compound (anemia), **Ranitidine** (ulcers and reflux), **Thyroxine** (hyper-thyroidism) and **Valproate Sodium** (epilepsy)

SOURCE: Clinic 4 Inventory report, team analysis

SCM delegation varies widely – with some facilities able to procure locally, and others >200km from the nearest full SCM support

Based on telephonic interviews

Procurement information analysis

			Delegation of procurement				Availability SCM support personnel			
Province	District	Facility name	Facility	Amount	Sub-district	District	Facility (Clerk)	Sub-district (Full SCM)	District (Full SCM)	Distance to SCM full support
Northwest	Dr. RS Mompati	Lpelegeng clinic	No	–	No	Yes	Yes	Yes	Yes	2 kms
Free state	Thabo Mofutsanyana	Zamane clinic	No	–	Yes	Yes	Yes	Yes	Yes	198 kms
Mpumalanga	Gert-Sibande	Wakkerstroom clinic	No	–	No	No	No	No	Yes	124 kms
Limpopo	Vhembe District	Bungeni CHC	No	–	No	Yes	Yes	No	Yes	88 Kms
Gauteng	Johannesburg Metro	Mofolo CHC	No	–	No	Yes	Yes	No	Yes	24 kms
Eastern Cape	Joe Gqabi	Gqaqhala clinic	No	–	No	Yes	No	No	Yes	263 kms
Western Cape	Cape town metro	Grassy park CHC	Yes	<R 2000	Yes	Yes	Yes	No	Yes	

Interviews with clinics around the country indicate wide discrepancies between delegation of spending, with some districts allowing discretionary spending at clinic level within the PFMA framework, and other facilities forced to rely on SCM support >200km away

SOURCE: Lab analysis, questionnaire

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ASPIRATIONS

The aspiration for the SCM lab is continuous availability of SSIs and medical supplies, simplify the clinic's work, and increase the turnaround of NSSIs

	Aspiration	Target
Availability	▪ Improved access to SSIs[1] and medical supplies	▪ **100%** year-round availability of SSIs and medical supplies at each clinic
Cost	▪ Low cost procurement for all SSI and medical supplies and standard services	▪ **10% reduction** in overall procurement cost of SSIs and medical supplies ▪ Reduction in distribution costs ▪ Material reduction in service procurement
Work burden	▪ World-class SCM that will reduce burden to the clinics	▪ **No demand forecasting** required by clinics ▪ **Full visibility** on delivery times by clinics
Speed	▪ Increased turnaround of NSSIs[2] ▪ Faster requisition and reconciliation	▪ Procurement of NSSIs **at clinic level** ▪ **Realtime requisition** and reconciliation against budget

1 Standard Stock Items
2 Non-Standard Stock Items

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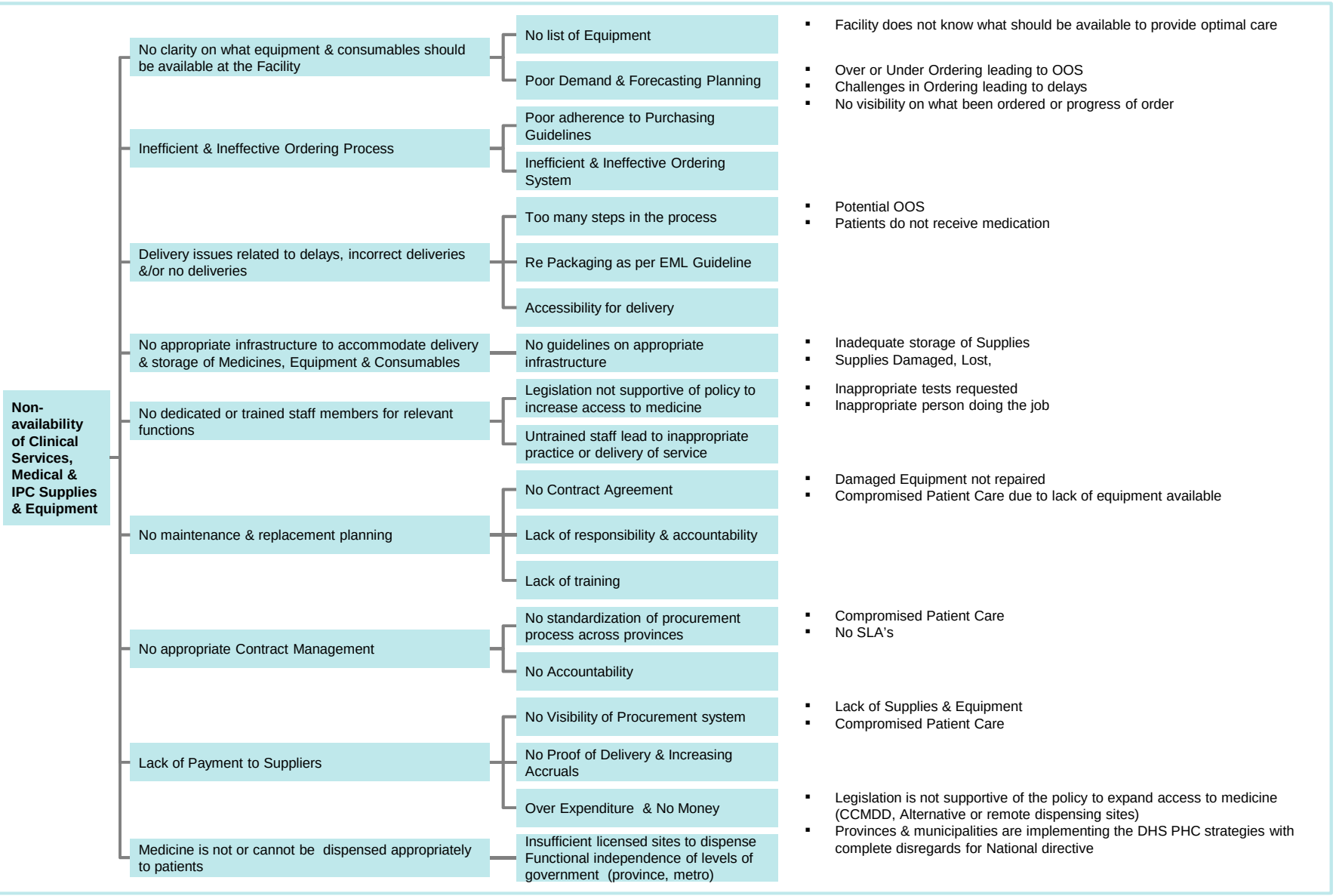
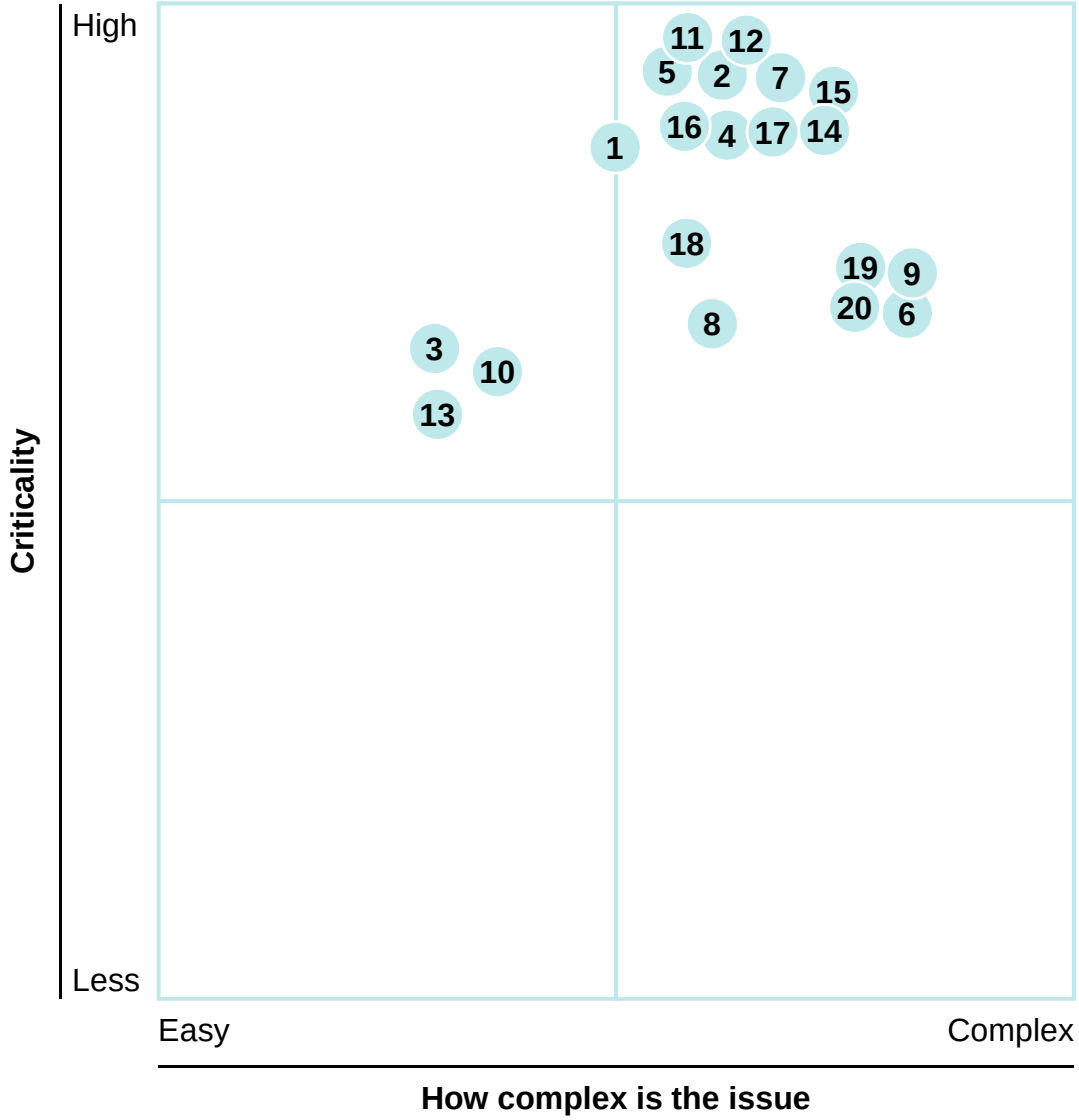
ISSUES AND ROOT CAUSES

Issue tree for medical supplies and services SCM



Prioritization of issues of medical supplies and services SCM



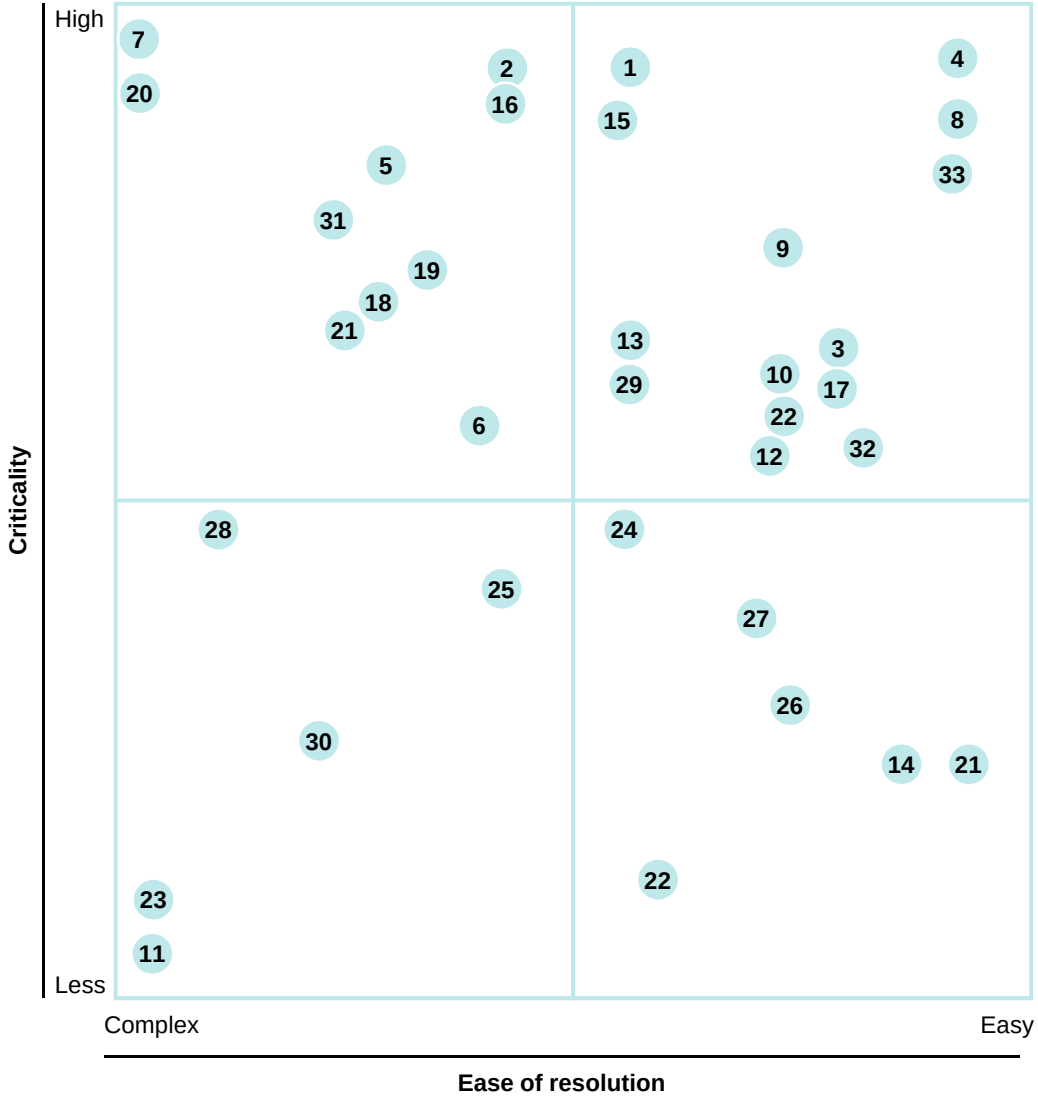
1 – No list of equipment
2 – Poor demand & forecast planning
3 – Poor adherence to purchasing guidelines
4 – Inefficient & ineffective ordering systems
5 – Too many steps in the process
6 – Re packaging as per EML Guidelines
7 – Accessibility for delivery
8 – No guidelines on appropriate infrastructure
9 – Legislation not supportive of policy to increase access to medicine
10 – Untrained staff lead to inappropriate practice or delivery of service
11 – No contract agreement
12 – Lack of responsibly & accountability
13 – Lack of training
14 - No standardization of procurement process across provinces
15 – No accountability
16 – No visibility of procurement system
17 – No proof of delivery & increasing accruals
18 – Over expenditure – no money
19 – Insufficient sites to dispense
20 – Functional independence of levels of government (province, metro)

Issue tree for non-medical supplies and services SCM

Non-medical supplies (e.g. stationary, cleaning materials, services, non-standard items) to clinics are unreliable, leading to sub-standard care

		Clinic level	(sub)-district or higher
Procurement	Demand	1 Lack of Demand Planning, guidelines and skills	15 Lack of consolidated demand plan and guidelines
		2 Non-availability of Procurement Catalogue on (N)SSI	16 Lack of Procurement Catalogue on (N)SSI
		3 Lack of demand forecasting data	17 Lack of demand forecasting data
	Contract Management	4 Unavailability of Contract, SOP's and SLA's	18 No contract management in place
			19 Lack of (N)SSI and services contracts
	Acquisition	5 No electronic requisition systems	20 Inadequate capacity to procure (N)SSI/Services
		6 No visibility on ordering (N)SSI/ services	21 Lack of procurement standing orders
		7 Insufficient budget for (N)SSI/Services	
		8 Lack of SCM delegations	
Logistics	Stock Management	9 No stock management systems, guidelines/ SOP's	22 Expired stock
		10 Expired stock	23 Theft of stock
		11 Theft of stock	24 No communication to clinics on re-availability of stock
		12 No system to source stock from other clinics	25 Clinic facility storage and frequency of deliveries not well aligned
			26 No formal way to source from other districts/sub-districts
	Distribution	13 No delivery schedules	27 Transport constraints
		14 Dumping of unordered supplies	28 Usage of District hospitals as warehouse
			29 No delivery schedules
			30 Centralization of the delivery of (N)SSI at a district/sub-district level
Financial Re-conciliation	Payables	33 Delays in submission of delivery confirmation	31 Delays in the payment of service providers.
	Accountability	21 Lack of technical skills to confirm quality of service rendered	32 Lack of SCM compliance systems
		22 Lack of auditable accountability systems	

Prioritization of issues of non-medical supplies and services SCM



1. Lack of Demand Planning, guidelines and skills
2. Non-availability of Procurement Catalogue on (N)SSI
3. Lack of demand forecasting data
4. Unavailability of Contract, SOP's and SLA's
5. No electronic requisition systems
6. No visibility on ordering (N)SSI/ services
7. Insufficient budget for (N)SSI/Services
8. Lack of SCM delegations
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31. Delays in the payment of service providers.
32. Lack of SCM compliance systems
33. Delays in submission of delivery confirmation

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INITIATIVES

To ensure world class SCM for all clinic supplies and services, we have developed 5 key initiatives

Standardized catalogue for supplies and services

To enable a push system to the clinics, facilitate stock management and ensure contract savings there is a need for a standard list of all non-medical and medical items (including specs and price guidance) a clinic can procure, plus a database of approved service providers with price indications

Transversal convenience contracts to capture procurement savings

Most medical and non-medical supplies are currently not procured within the context of supplier contracts, leading to wide discrepancies in prices of identical items. There is a need to engage in transversal supplier convenience contracts to realize savings

Demand forecasting to push standard supplies to the clinics

The current reactive demand management leads to regular stock-outs at clinics. We will use technology to create full visibility of clinic stock levels, which will be used by district level control towers to push stock to clinics

Streamline SSIs, NSSIs and services procurement processes

Lack of delegation of procurement of small and simple purchases to clinics. Long turnaround times on procurement of NSSIs. Rationalizing delegation and petty cash at clinic will allow facility managers to procure simple items without delay

Rationalized distribution through direct delivery, cross-docks and warehouses

Current distribution introduces significant delays and cost inefficiencies by relying on centralized warehousing. Cross-docking and direct delivery will significantly improve turnaround times and reduce waste.

We have categorized our initiatives to ensure fast implementation of quick wins, and prioritization of our break-through ideas

Quick win – rapid, visible impact

1. Streamline SSIs, NSSIs and services procurement processes

Breakthrough – must win

2. Demand forecasting to push standard medical and non-medical supplies to the clinics
3. Rationalized distribution through direct delivery, cross-docks and warehouses

Major delivery fix – effective execution

4. Standardized catalogue for supplies and services
5. Transversal convenience contracts to capture procurement savings

We propose a different SCM treatment for each supply category

Supply category			Examples	Current	Proposed
Supplies	Standard non-medical, and medical	For own use	▪ Pharma ▪ Non-pharma consumables ▪ Stationery		**▪ National contracts and push/bar code** – Target stock levels at clinic – Bar code scanning consumption – Automatic replenishment w/ med.
		For service provider/ own use	▪ Cleaning materials ▪ Mainte-nance items ▪ Domestic equipment	▪ Paper requisitions ▪ No delegation ▪ No communication ▪ >60 day lead times	**▪ Vendor made responsible for supplies** – DoH sets national minimal specs – Procured and stocked by service provider
	NSSI	For own use	▪ Furniture ▪ Fuel ▪ Small IT items		**▪ Delegated to clinics, price guidelines** – Procurement/payment by clinic[1] – Checked against budget after the fact – No stock kept
Services	Standard		▪ Medical services ▪ Cleaning ▪ Security ▪ Transport ▪ Gardening ▪ Installation	▪ No standardization	**▪ Vendor database with agreed prices for clinics to choose from** – Clinics can procure services directly from vendors in database
	Non-Standard		▪ Ad hoc/ emergency maintenance		**▪ Delegated to clinic level[1]** – Checked against budget after the fact

1 Clinics can procure without approval, but still upload the requisition

INITIATIVES

Three of our initiatives to implement a world class primary health care supply chain will capture significant savings

Transversal contracts

Procurement of low value supplies at clinics

Rationalized distribution

Impact

- Annual R 162 million saving from non-medical supplies
- 70% faster turn-around of NSSIs to clinics
- Annual R 116.3 million saving
- One time R 724 million capital release
- 80 pharmacists and 60 pharmacists made available to clinics

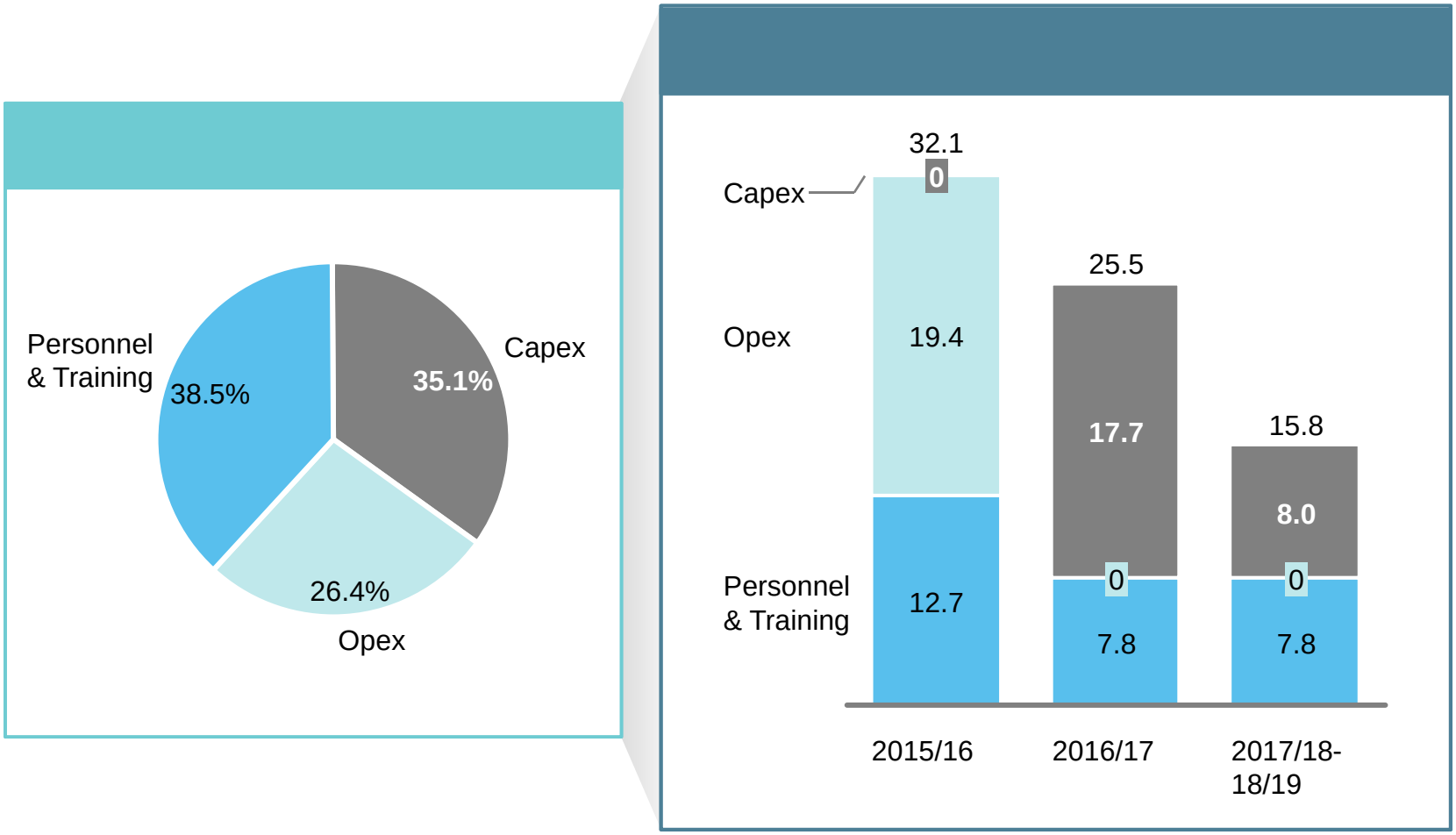
Detailed initiative budget – Supply Chain Management

Total additional budget, R million

Nr	Initiative	2015/16			2016/17			2017/18 – 2018/19			Total R
		Capex	Opex R	Personnel and training R	Capex R	Opex	Personnel and training R	Capex R	Opex	Personnel and training R	
1	Stream line **procure-ment** processes for an ideal clinic		333,585	12,505,770	0.00		7,751,214	0.00		7,751,214	28,3341,783
2	Demand **forecasting** to push standard supplies to the clinics		60,000	180,800	10,100,000		4,500	0.00			10,345,300
3	Rationalised **distribution** through direct delivery, cross-docks		12,920,000		3,960,000			4,356,000			21,236,000
4	Standardise **catalogue** for supply and services		256,000		0.00			0.00			256,000
5	Transversal convenience **contracts** to capture procurement savings		5,820,568		3,655,700			3,655,420			13,131,688
	Total		**19,390,426**	**12,686,570**	**12,686,570**		**17,715,700**	**8,011,420**		**7,751,514**	**73,310,771**

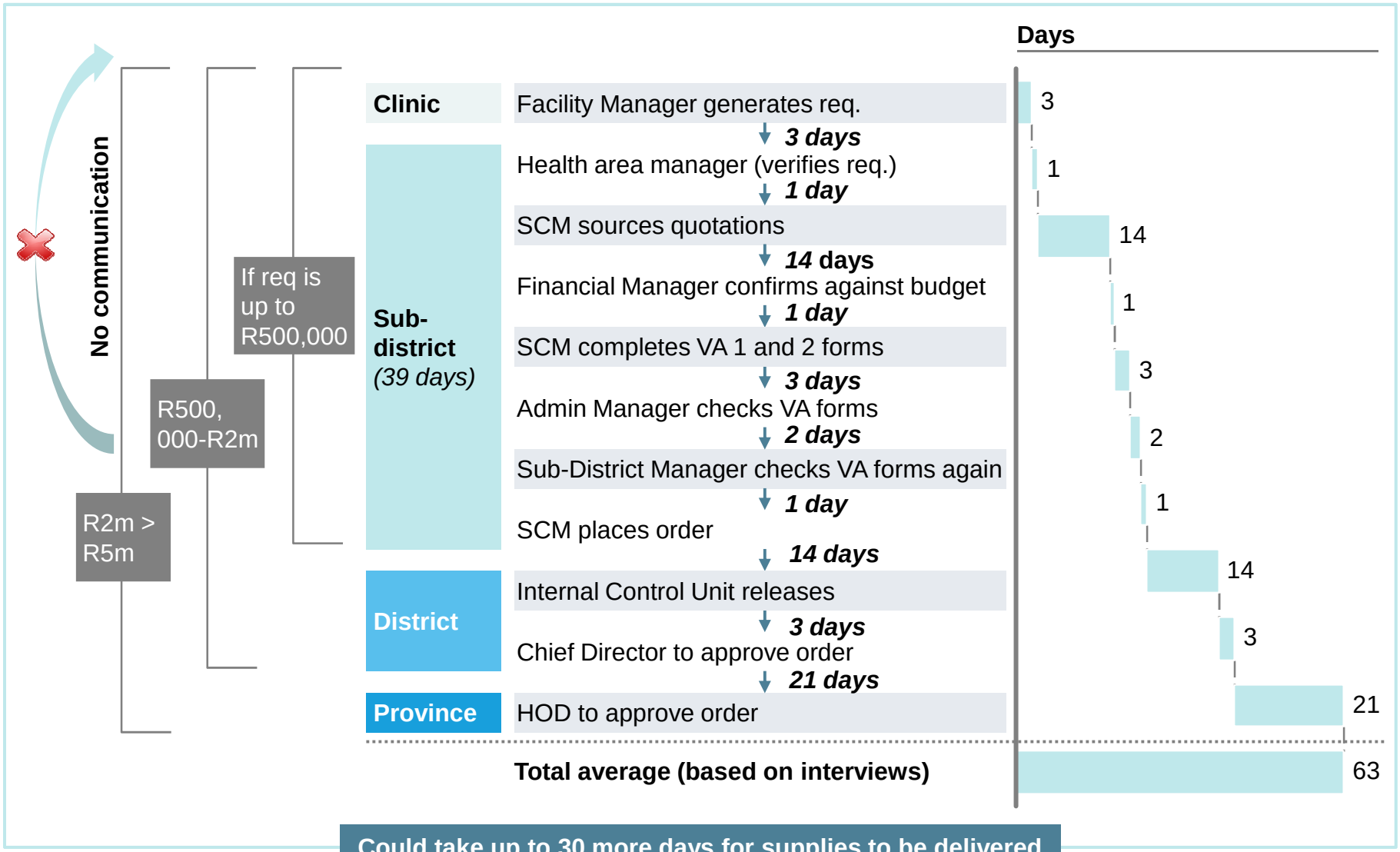
Budget overview – Supply Chain Management

Total budget
R million



INITIATIVES

1 Work burden and speed: Requisitions alone can take up to 63 days to be released



Could take up to 30 more days for supplies to be delivered

SOURCE: Lab analysis, questionnaire

INITIATIVES

1 Without changing legislation, we can increase petty cash at clinic to R2,000 per req, solving the problem for 80% of requisitions

		Days	Quick fix: increase petty cash to R2,000 and allow local procurement
Clinic	Facility Manager generates req.	3	0
Sub-district *(39 days)*	Health area manager (verifies req.)	1	0
	SCM sources quotations	14	0
	Financial Manager checks budget	1	0
	SCM completes VA 1 and 2 forms	3	0
	Admin Manager checks VA forms	2	0
	Sub-District Manager checks VA forms	1	0
	SCM places order	14	0
District	Internal Control Unit releases	3	0
	Chief Director to approve order	21	0
Province	HOD to approve order		
	Total average	63	0

80% of clinic requisitions are for items <R2,000 and can be procured locally – within the PFMA frame-work we can increase the petty cash delegation to clinics to R2,000, lowering turn-around time to 1 day only.

SOURCE: Lab analysis, questionnaire

INITIATIVES

1 For the remaining 20% of requisitions, relatively easy initiatives can speed up requisitions by 70%

		Days	Initiatives to speed up reqs: Days	Initiatives to speed up reqs: Action
Clinic	Facility Manager generates req.	3	0	**Appointment of administration clerks in Clinics**
Sub-district *(39 days)*	Health area manager (verifies req.)	1	0	Training of Facility Managers
	SCM sources quotations	14	2	**Fully functional Sub-District with dedicated Transport**
	Financial Manager checks budget	1	1	Transversal Contracts / Group Standing Orders
	SCM completes VA 1 and 2 forms	3	1	Appointment and Training of SCM Committees at a Sub-District Level
	Admin Manager checks VA forms	2	1	Appointment and Training of SCM Committees at a Sub-District Level
	Sub-District Manager checks VA forms	1	1	SCM Deligation at a Sub-District/ Facility Level
	SCM places order	14	2	SCM Deligation at a Sub-District/ Facility Level
District	Internal Control Unit releases	3	3	Storage Space (Direct Delivery) and Admin Clerk (Inspection of Stock)
	Chief Director to approve order			
	Total average	42	11	

Decreased requisition time by 70%

SOURCE: Lab analysis, questionnaire

INITIATIVES

1 Safeguards must be put in place to ensure that petty cash does not lead to corruption or crime

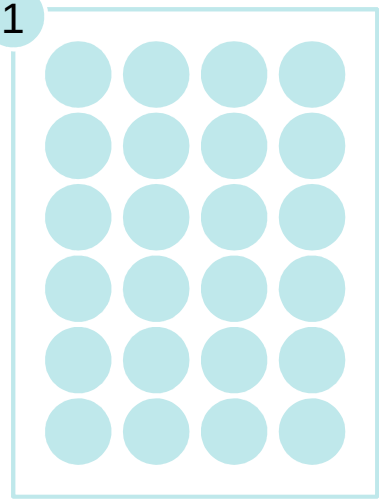
	Potential problems	Solution options
Safety	▪ Presence of cash in the clinic may attract criminals	▪ Limit the amount of cash as much as possible ▪ Use cards instead of cash ▪ Delegate procurement to the clinic, but leave actual payment at sub-district level
Corruption	▪ The liquidity of cash may form a temptation for the clinic's staff	▪ Reconcile every petty cash purchase with receipts ▪ Test petty cash against budget, with feedback to the clinic ▪ Implement rule that facility manager has to text/call sub-district manager before purchase

Implementation of petty cash must bear in mind safety and corruption risks; different options are available that still capture the benefits of petty cash. The choice of which option is best suited to the clinics will have to be further investigated during implementation.

SOURCE: Lab analysis, questionnaire

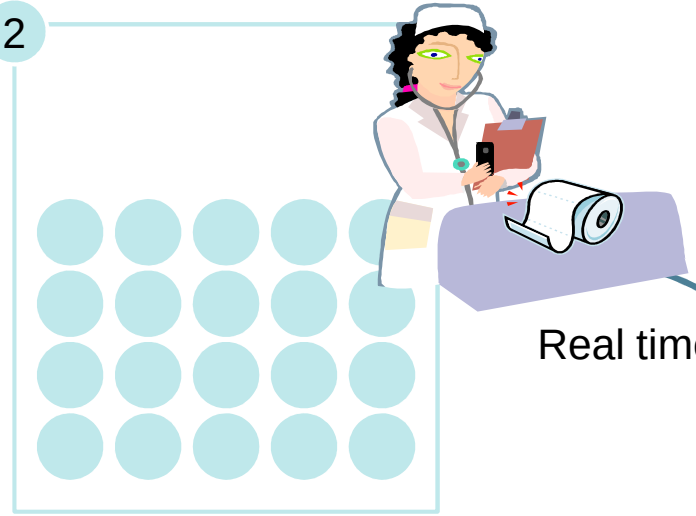
2 Clinics can be automatically replenished to target level SSIs on weekly basis, with the introduction of clinic level stock visibility systems

1



14 day stock (24 boxes of toilet paper) at clinic level

2

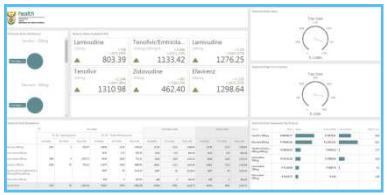


During the week facility scans all consumed boxes of toilet paper by bar code

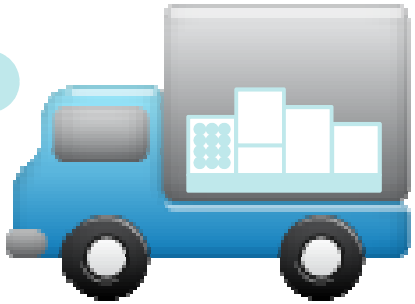
Real time

3 All consumed boxes of toilet paper added to cross-docked delivery (weekly) to clinic

Statistical analysis at PMPU



4



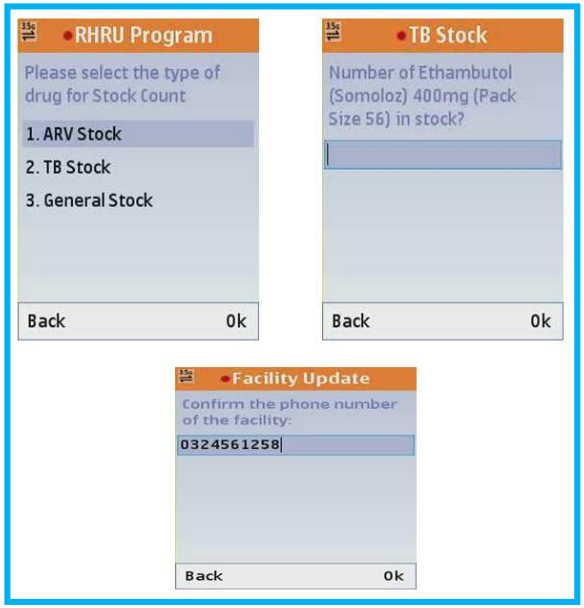
Medical and non-medical weekly transport

Toilet paper restocked to target level

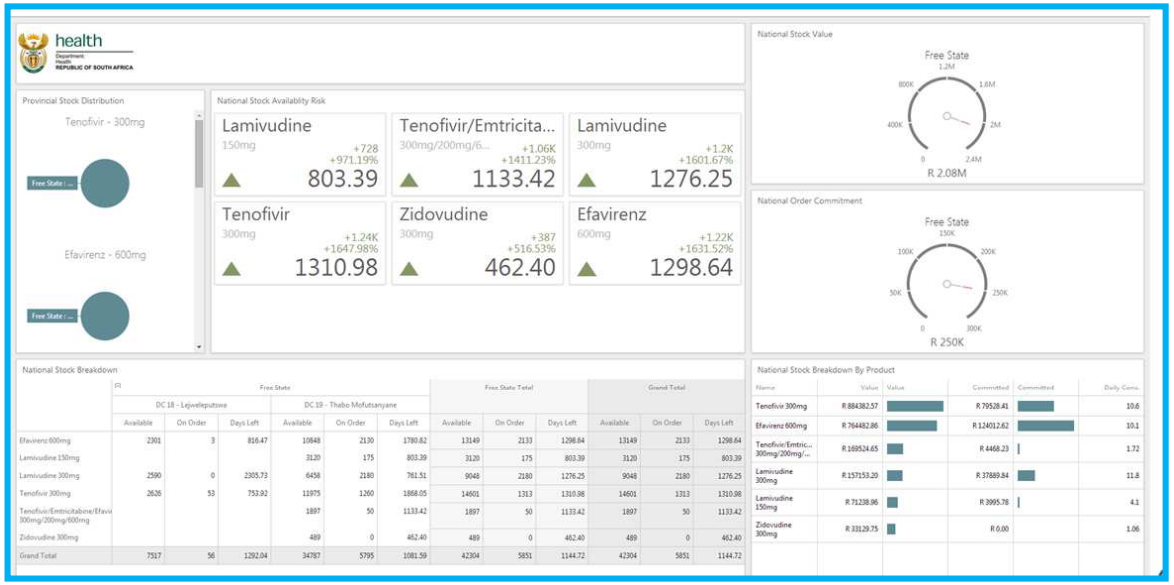
INITIATIVES

2 RxSolutions has been successfully piloted in KZN for selected pharma supplies

Clinic mobile phone screenshots
RxLite



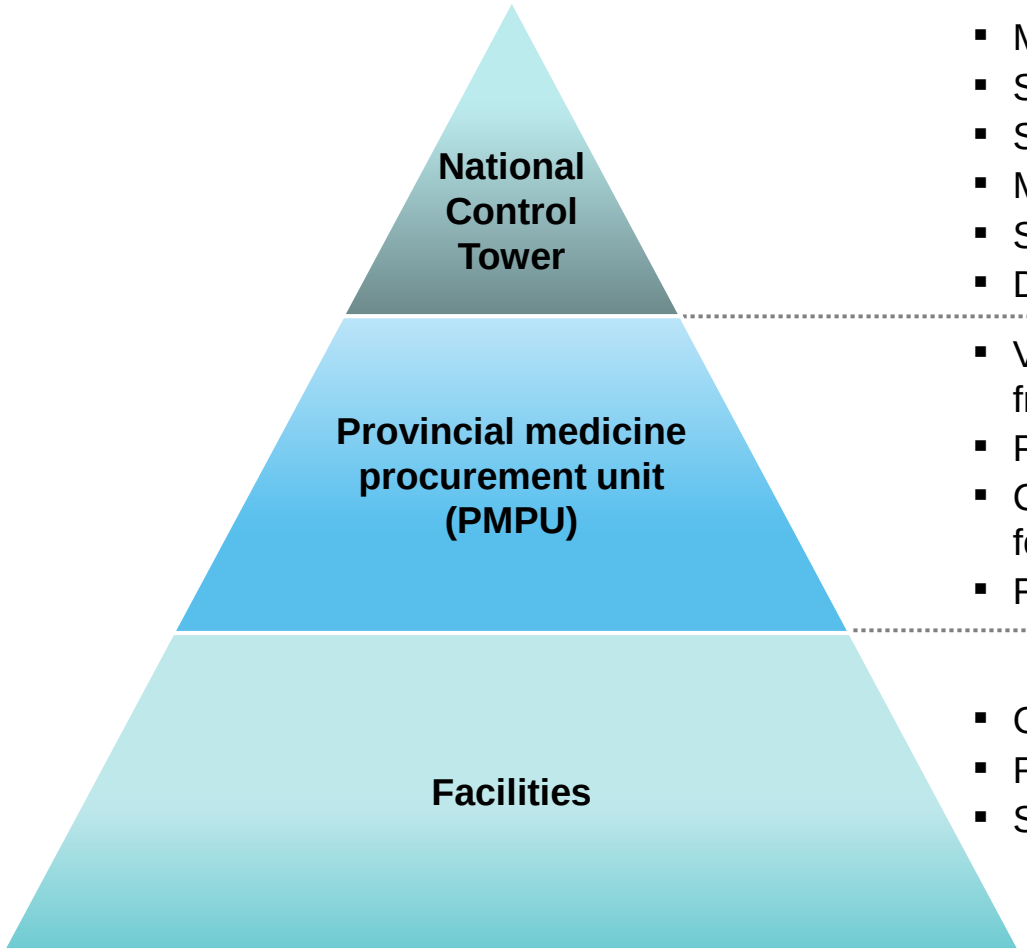
PMPU level stock level dashboard screenshot
RxSolutions



- Clinics upload stock level data on a (minimum) weekly basis on their mobile phone with RxLite (reminded by text message)
- RxLite training takes approximately 3hrs per clinic
- PMPU receives data, and uses RxSolutions to automatically see which clinics need to be replenished and process orders to vendors
- Using per clinic consumption data, PMPU can improve demand forecasting and optimize target stock levels over time, tailored to each clinic

SOURCE: RxSolutions, lab analysis

2 Province level PMPUs use data from clinic level, and are supported by a national control tower function

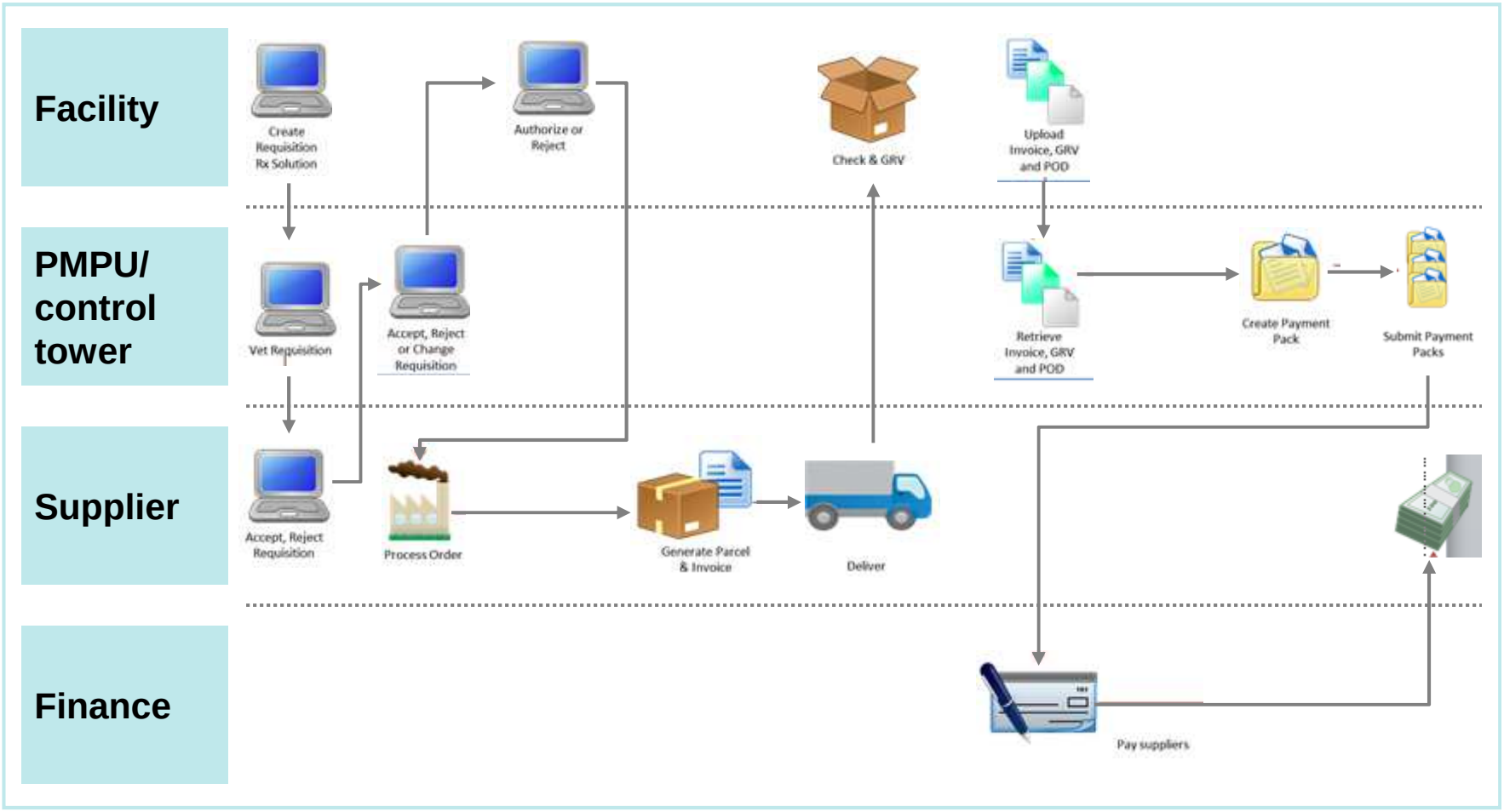


- Master Data management
- Supplier Performance Management
- Supplier interaction
- Monitoring and Evaluation
- Standard Operating Procedures (SOP)
- Demand planning and forecasting

- Validate & process order requisitions from facilities
- Place orders on suppliers
- Collate all documentation and submit for payment
- Facility interaction

- Generate order requisitions
- Receive and GRV orders
- Submit documentation to the PMPU

2 Process overview of PMPU demand forecasting and supply push to the facilities



2 Provincial procurement units improve the efficiency of SCM while reducing work burden at clinic level

- Single point of contact for
  - Facilities
  - Supplier
- Provides visibility at provincial, district and facility level
- Shared services administration
  - Order management
  - Follow-up with suppliers
  - Payment pack creation
- Master data management
  - Contract management
  - Price updates

INITIATIVES

2 We have compared options before concluding on RxLite/Solutions as our recommendation

Rx Solution
Using RxSolution

- Interface between RxSolution and RDM exist, RDM can use the same order number as RxSolution making reconciliation quick and easy
- Interface between RxSolution and RDM exist and orders can be exported from RxSolution to RDM in a few quick and easy steps. No need to enter the order twice, saving time
- RxSolution is a stock control program with functions like stock take, ordering, receiving and issuing, but also a dispensing program keeping track of patients and the medication issued to them
- RxSolution uses the Depot codes and prices are updated automatically when medication is received from suppliers

- RxSolution can run even if the network is down, because each site works on it's own database
- Using RxSolution ensures the medication is stored as required by law, under the supervision of persons registered with SA Pharmacy Council

- With RxSolution reports are readily available like:
  - Stock take sheets,
  - Stock take reports including anomalies,
  - Stock value on a specific day,
  - Management report,
  - Usage reports,
  - Expiry date report and many more

Logistical Management Information System (LMIS)
Ordering medication via LOGIS

- NO interface between LOGIS and RDM or Medsas. This makes reconciliation and payments very difficult and will influence the cash flow of the Depot
- With no interface, orders needs to be duplicated (RDM and LOGIS), causing more work for already over worked staff in pharmacy and SCM

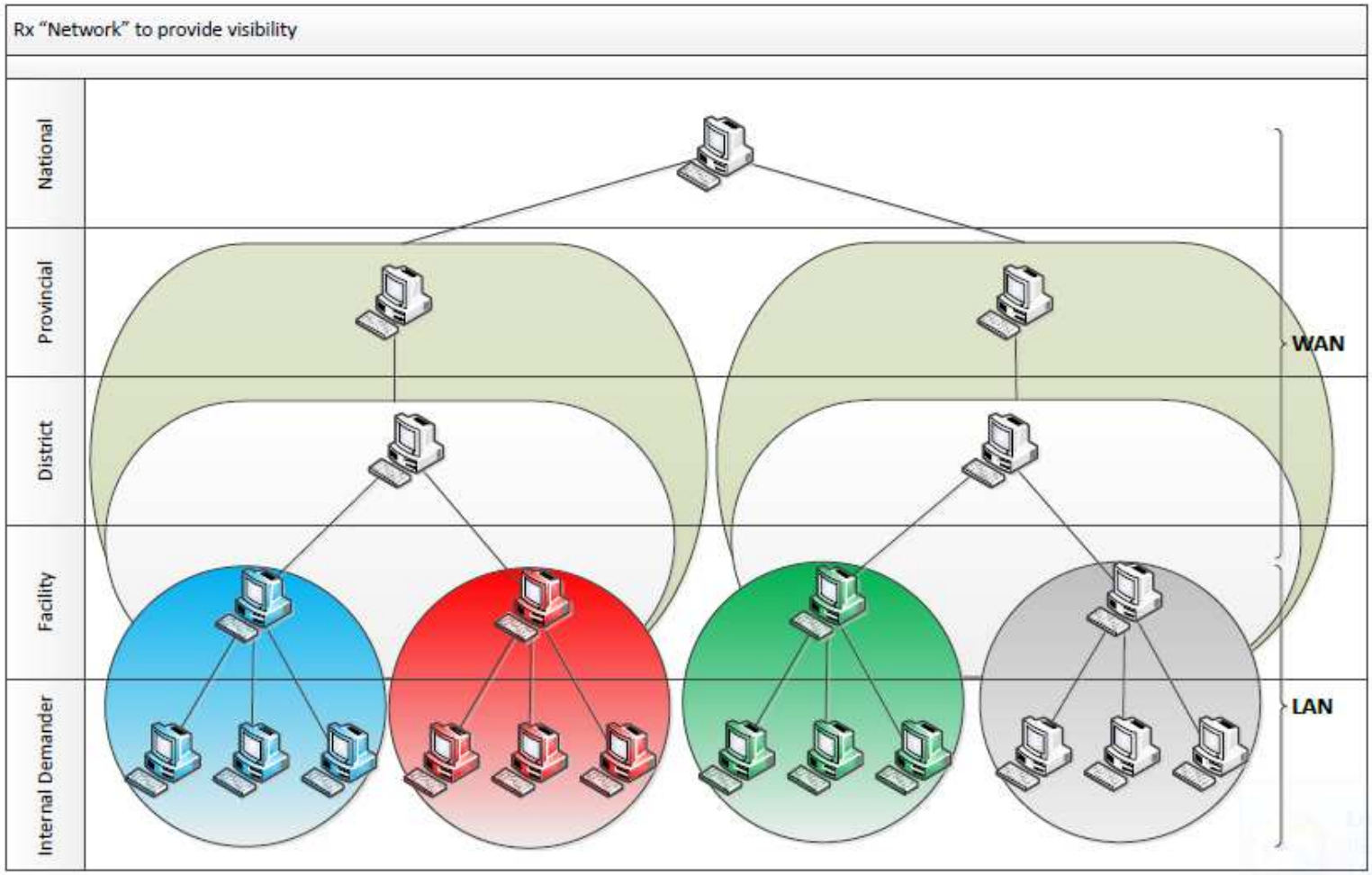
- LOGIS can not be used to dispense medication to patients

- The item codes and prices used in LOGIS and the item codes and prices used by the Depot are not the same. Finding and entering the information can be a long process delaying the orders and payments
- LOGIS can be offline for an extended period (up to a week)

- Medication, by law, must be stored at certain conditions and may only be handled by persons registered with SA Pharmacy Council. Therefore medication can not be handled by the current LOGIS stores
- If the medication is ordered and issued immediately to the pharmacy store by the LOGIS store, the control function is moved over to the pharmacists and LOGIS can still not give the required reports

2 Systems need to networked from facility to NDoH to ensure both operational efficiency and monitoring and evaluation

Network connectivity is crucial to achieve visibility across the entire supply chain. DMPU will integrate into the PMPU which will integrate into the NDoH CPU



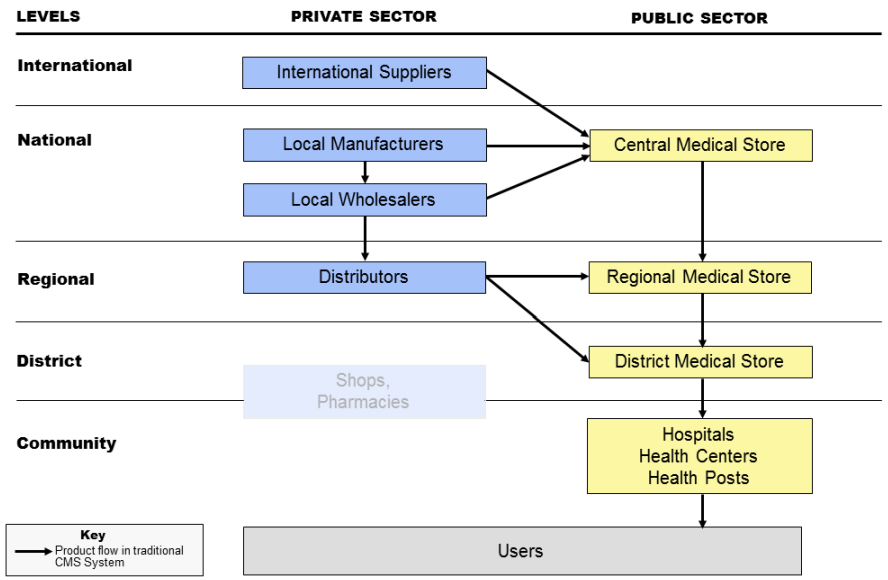
INITIATIVES

2 Rx should be integrated into our current systems for optimal functionality

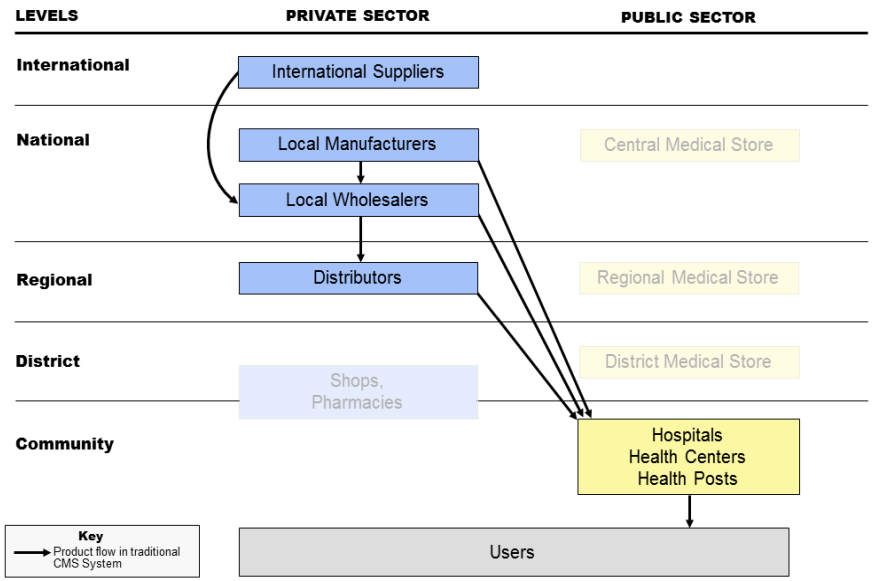
- Two system to be integrated in order to maximise the benefit of both system
- Logis to be roll-out and automated at the Clinic level in order to procure both NSSI’s and SSI’s
- Rx to be utilized as a Pharmacy Stock Management system
- Rx to be roll out to the outstanding Clinics

3 Direct delivery distribution model removes multiple handling and potential operational inefficiencies from the supply chain

Central Depot Distribution Model - *current*



Direct Delivery Distribution Model - *proposed*



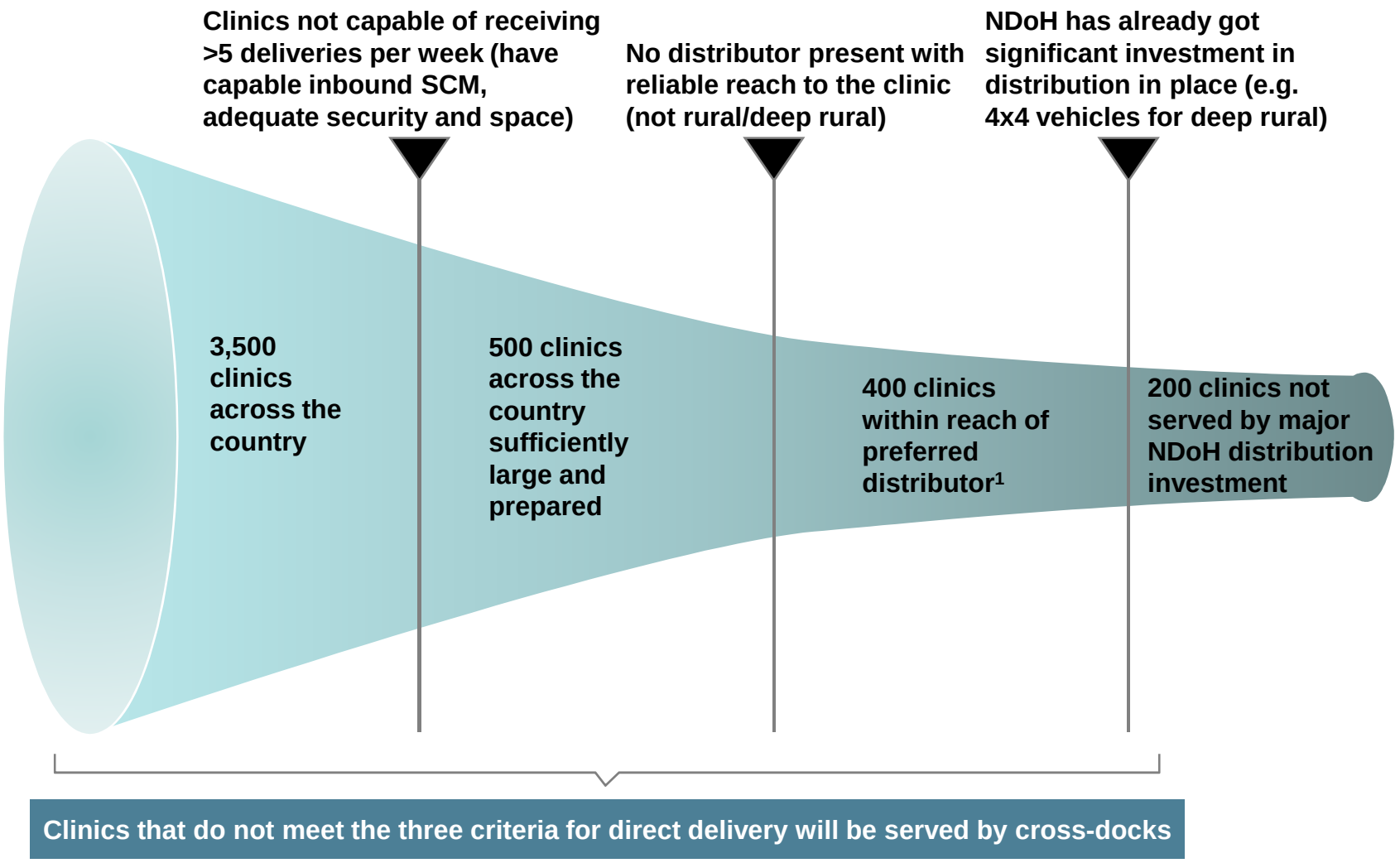
Direct Delivery Benefits:

- Improved turnaround time – less handling of goods
- No expiries
- No damages
- No pilferage
- No capital cost of holding inventory

INITIATIVES

3 Although direct delivery may in principle be the most efficient option, not many clinics are well positioned to receive them

ESTIMATES



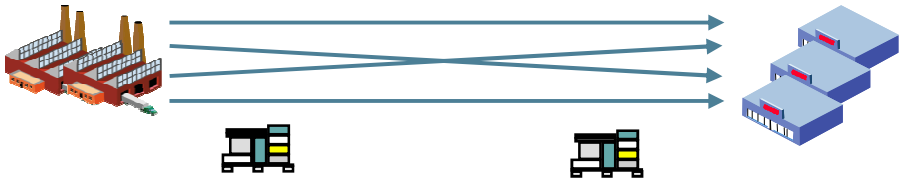
1 Based on initial list of reliable distributors with suitable footprint and sophisticated systems

SOURCE: Lab analysis, questionnaire

INITIATIVES

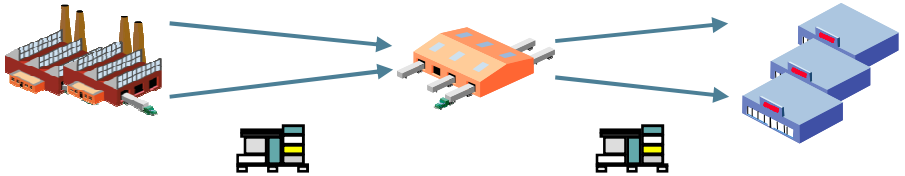
3 Direct delivery and cross-docks – only using our sub-depots when we really need to

Direct delivery



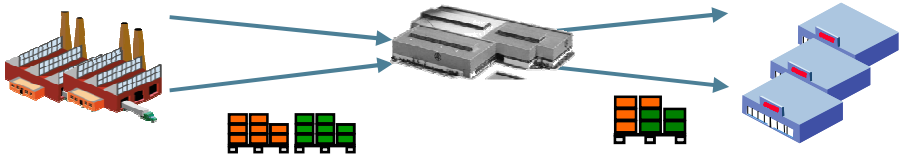
- Supplier delivers direct to clinics
- No inventory kept by us
- Feasible for large dependable suppliers, high turnover clinics

Cross-docking



- Suppliers ship to cross-dock, where supplies are repacked for clinics
- No inventory
- Feasible for smaller but dependable suppliers, and lower turnover clinics

Delivery via ware-house

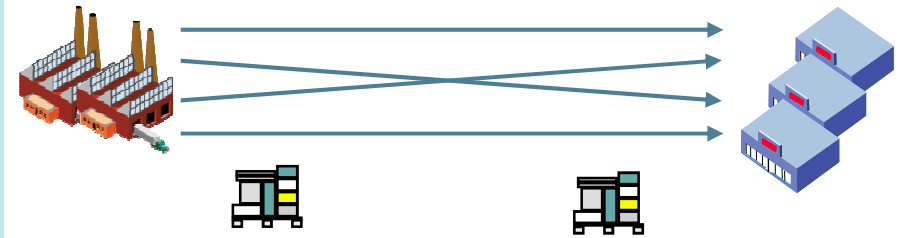


- Supplier ships to the sub-depot
- We keep inventory at warehouse
- Suitable for undependable or small volume suppliers, deep rural clinics

No one size fits all, but current estimate is that up to 70% of total volume can be cross-docked or delivered directly, leading to substantial savings and efficiency gains

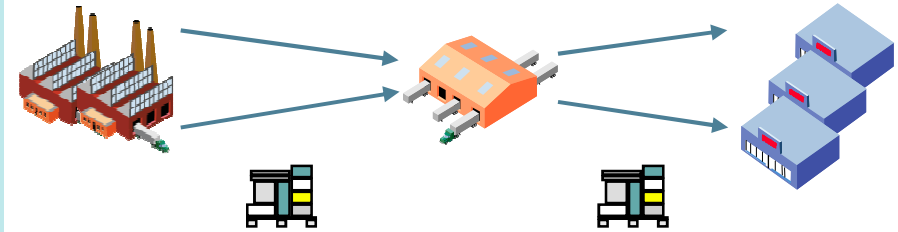
3 Direct delivery of all supplies results in around 19 deliveries per week per clinic, while cross-docking can limit deliveries to 1 per week

Direct delivery



- Direct delivery results in approximately 12 non-medical and 7 medical deliveries every week
- Large clinics with SCM support on site can handle inbound supplies, smaller clinics will not be able to

Cross-docking



- Cross-docking in results in 1 or 2 deliveries per week per clinic (some non-medicals cannot be mixed with pharma transport)
- Smaller clinics without on-site SCM support should not handle more than 2 inbound deliveries per week

3 We propose a system in which pharmaceutical manufacturers can choose between an annually pre-approved set of distributors1, to allow for market forces but also consolidate inbound logistics

Vendor	Nationwide footprint	24hr urban commitment	3 day rural commitment	Transparent systems[2]
UTi Pharma Distribution	✓	✓	✓	✓
IMPERIAL HEALTH SCIENCES	✓	✓	✓	✓
UPD UNITED PHARMACEUTICAL DISTRIBUTORS	✓	✓	✓	✓
adcock ingram	✓	✓		✓

Manufacturers can choose between any of a pre-approved list of distributors. We have preliminarily identified 4 distributors that meet our selection criteria. By opening the choice to four or more service providers, we allow for tendering and market forces, while still consolidating inbound logistics into cross-docks and clinics

1 Already today close to 80% of the EDL list is distributed by the 7 largest distributors
2 For distributors to be shortlisted, NDoH must have access to stock level information

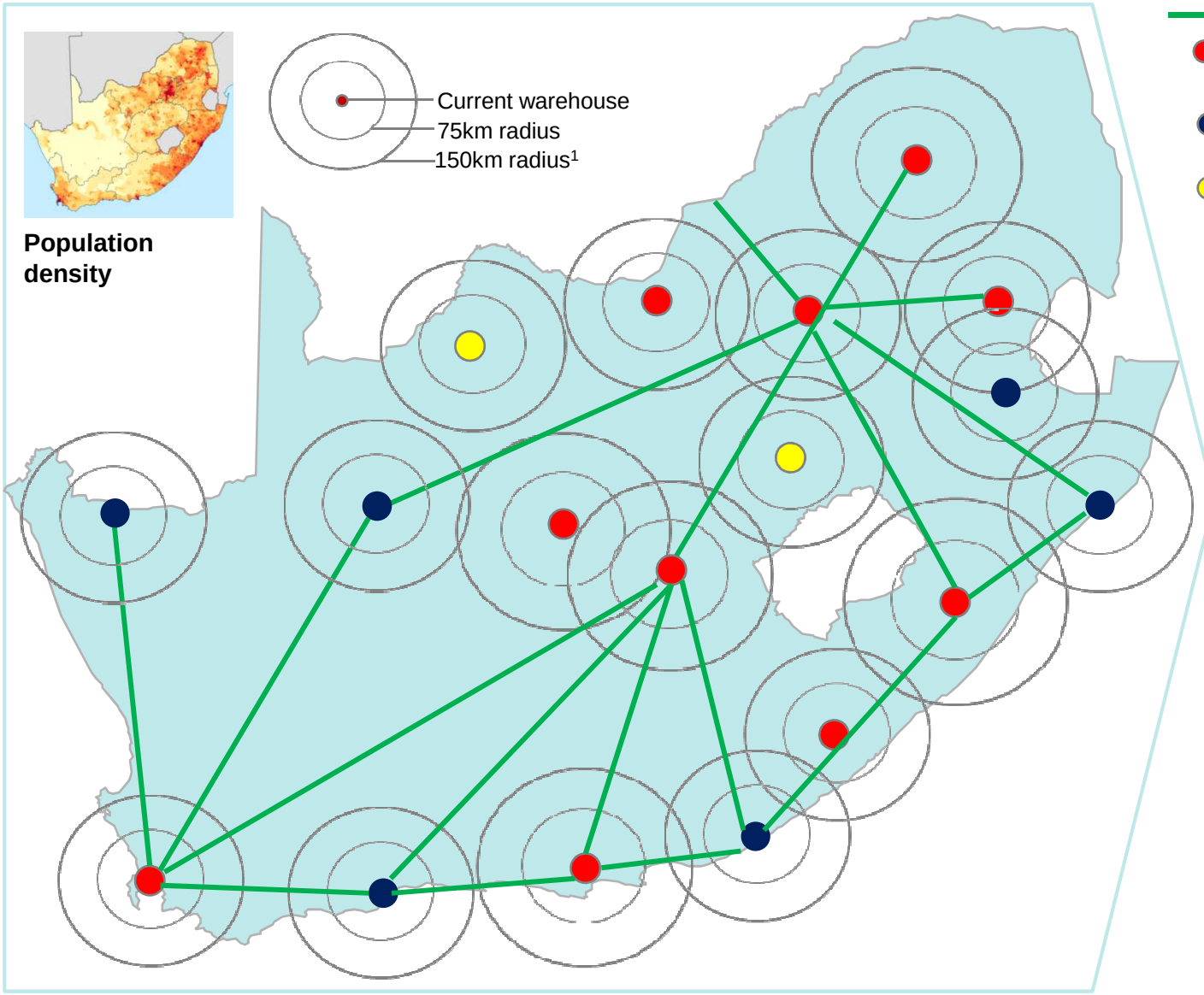
SOURCE: Lab analysis, questionnaire

3 78% of total EDL list and 70% of PHC EDL items are already distributed through the top 7 distributors - the remainder can follow

Distributor	Total EDL items	Total EDL, %	PHC EDL items	PFC EDL items, %
Adcock	126	11	41	10
Aspen	115	10	48	11
Cipla	61	5	25	6
Fresenius Kabi	58	5	18	4
IHS	154	13	35	8
Own	258	22	129	30
UPD	131	11	37	9
UTi	296	25	93	22

SOURCE: EDL/PHC EDL list; company data

3 By converting our current 10 warehouses to cross-docks, outsourcing 6 others, and building 2 more, we can serve 90% of clinics efficiently



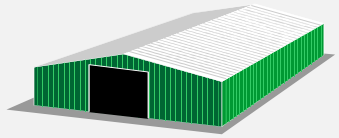
- Converting our own 10 warehouses to cross-docks, we can efficiently supply 50% of all clinics
- Analysing major distribution routes and private sector players, we find that by outsourcing to 6 more cross-docks, we can reach 80% of clinics
- Strategically building 2 more cross-docks ourselves, we reach 90% of all clinics
- Remaining 10% can be served with biweekly supplies

SOURCE: Lab analysis; to be analyzed further

3 Optimizing distribution will release professionals for clinical service, save an annual R 116 million and lead to one off R 724 million capital release

INITIAL ESTIMATES

Closing down sub-depots will free up professionals for patient facing service[1]



- Converting warehouses to cross-docks and closing sub-depots will release[1]:
  - ~90 pharmacists
  - ~ 200 pharmacy assistants
  - ~ 240 warehouse workers
- Phakisa has proposed the target of at least one pharmacy assistant per clinic; 84% of clinics currently do not have one
- Sub-depots are typically close to the clinics

Rationalizing the distribution network will create the unique opportunity to redeploy professionals to patient facing service delivery, with limited geographic relocation

Rationalising distribution leads to >R 100 million savings per annum

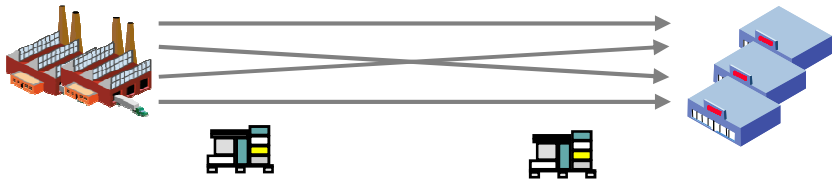
Lever	Nationwide savings
Savings from lowering expiries, waste and damages	▪ R 17.1 million non-medical ▪ R 9.4 million
Savings from logistics	▪ R 15.9 million non-medical ▪ R 73.9 million medical
Total annual savings	**R 116.3 million**
Total capital release from lowered inventory	R 278.9 million non-medical R 444.9 million medical

1 Conservative estimates based on Gauteng depot and sub-depots, and assuming 70% of volume move through cross-docks

3 Cross-docking is a way to minimize inventory levels, risk and number of deliveries to facility level

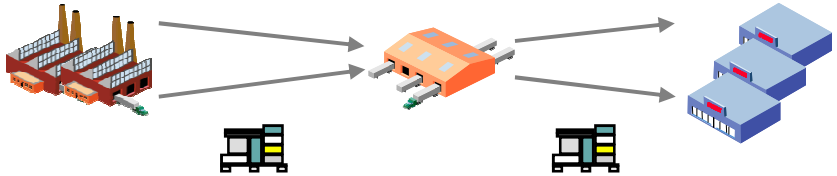
Supplier · Cross-dock · Warehouse · Clinic

Direct delivery



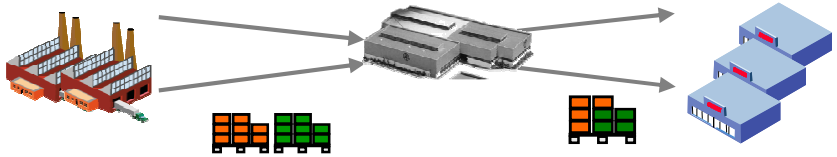
- **Supplier delivers direct to clinics**
  - Shifts risks and logistics to suppliers
  - Can only be done with large volume reliable suppliers
  - Puts burden on clinics with high frequency of deliveries

Cross-docking without repacking



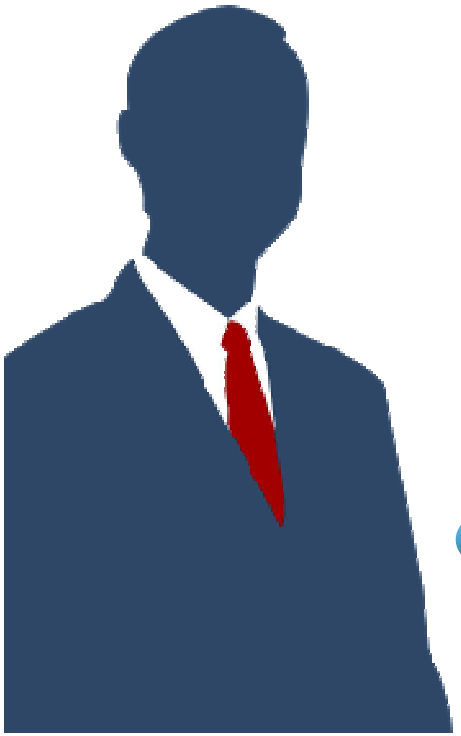
- **Different suppliers deliver in bulk directly to cross-dock, where shipments are repacked for individual clinics**
  - Minimal inventory
  - Risk and logistics shifted largely to suppliers
  - Allows for control of number and frequency of deliveries to clinics

Delivery via warehouse



- **Warehouses procure from suppliers and keep stock /shift stock to sub-depots to eventually ship to clinics**
  - Maximizes control over stock levels
  - Keeps most of the risks and logistics
  - Increases stock levels and associated costs

3 Cross-docking is considered as a prospective approach in future logistic operations



The driving factor on cross docking today is not why to do it, but how to do it, and how to put in place the associated technology. That technology is getting easier, if not less expensive. The fact is, there are companies today that have already done advanced crossdocking, so other people are seeing how it can be done, and will no doubt follow

– Jack Haedicke, executive vice president and COO of OneSource, Windsor Locks, CT

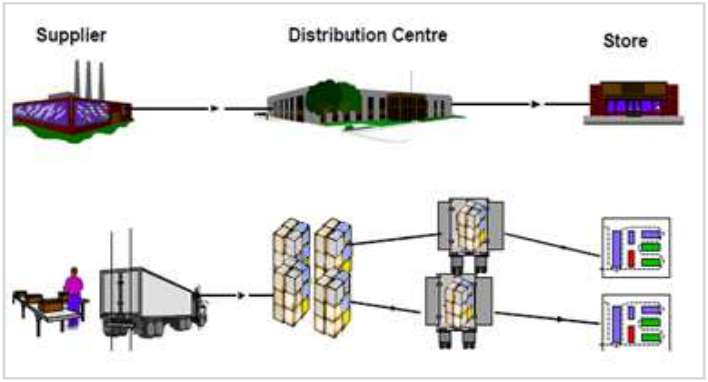
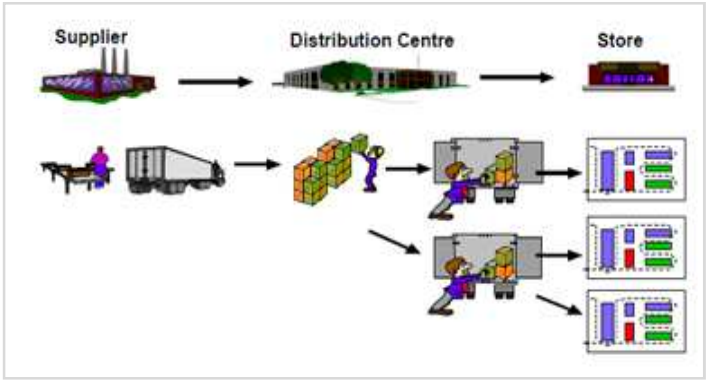
We certainly see signs of growth in crossdocking, primarily on high-volume SKUs, both for promotion and routine replenishment

– Ralph Drayer, vice president, product supply-customer business development worldwide, for Procter & Gamble

SOURCE: Press search

3 Two types of cross-docking process exist

ILLUSTRATIVE

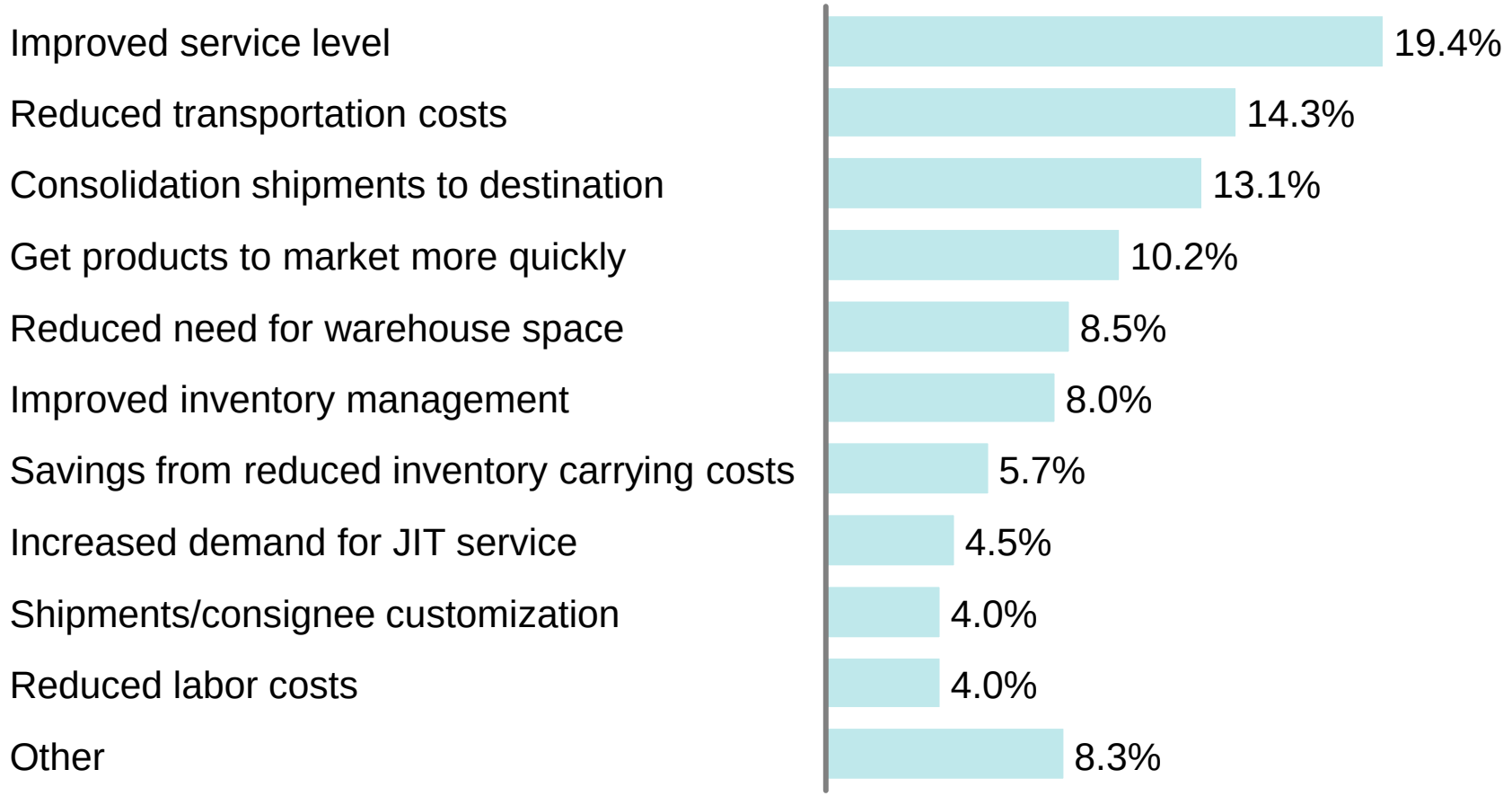
	Cross-docking without repacking	Cross-docking with repacking
		
Description	▪ Supplier prepare pallets or parcels for each store separately (transport units) based on individual store orders. Pallets and parcels should be properly packed (preferably foiled with usage of company branded scotch tape) ▪ Transport units for all stores are delivered to cross-docking platform ▪ Goods receiving process is done on transport unit level ▪ At cross-docking terminal transport units are to be sorted according to store location and loaded to the respective trucks ▪ No storage ▪ Final goods receiving and ownership right transfer are on store ramp ▪ Could be supported with simple IT-solution	▪ Supplier creates pallet based on SKU level (based on one consolidated order for all stores delivered at current day) ▪ At cross-docking platform goods are to be repacked according to individual store orders and loaded to trucks ▪ No storage ▪ Goods quality and quantity control (as ownership right transfer) are to be done at the ramp of the platform ▪ Requires sophisticated IT- solution to support ordering and picking process
Supplier application	▪ Required extended picking capacity on supplier side ▪ Applicable for reliable suppliers[1] with strong logistic capabilities	▪ No specific requirements for suppliers ▪ Applicable for any reliable supplier
Key benefits	▪ Allows to reduce transport cost through shipment consolidation and truck utilization increase ▪ Could lead to improved availability and stock due to better supply reliability and increased order frequency ▪ Could be launched quite quickly and does not requires significant investments in IT and infrastructure	▪ Allows to get the benefits across entire supply chain: inventory reduction, store availability improvement, transportation , warehouse and store operating cost decrease, opportunity to earn logistic mark-up

1 If supplier is unreliable, safety stock is required

3 The top benefits of cross-docking are improved service level and reduced transportation costs

Top benefit of cross-docking

% of respondents identified the respective factor as the biggest advantage of cross-docking



SOURCE: 2011 Cross-Docking Trends Report http://www.thomasnet.com/pdf.php?prid=101631

3 Cross-docking is only feasible for supplies that meet certain prerequisites…

	Rationale
Reliable supplier	▪ Unreliable suppliers require warehousing as a buffer to ensure that stores remain stocked
High order frequency	▪ Low volume suppliers do not have enough volume to justify complexity, handling, and stop costs of cross-docking
Short lead time	▪ Long lead times reduce the ability to match short-term demand from stores with supplier orders, making cross-docking difficult and requiring warehouse stocked product
IT system readiness	▪ IT system should effectively support key cross-docking processes: e.g. synchronized store ordering, order consolidation, goods receiving, picking

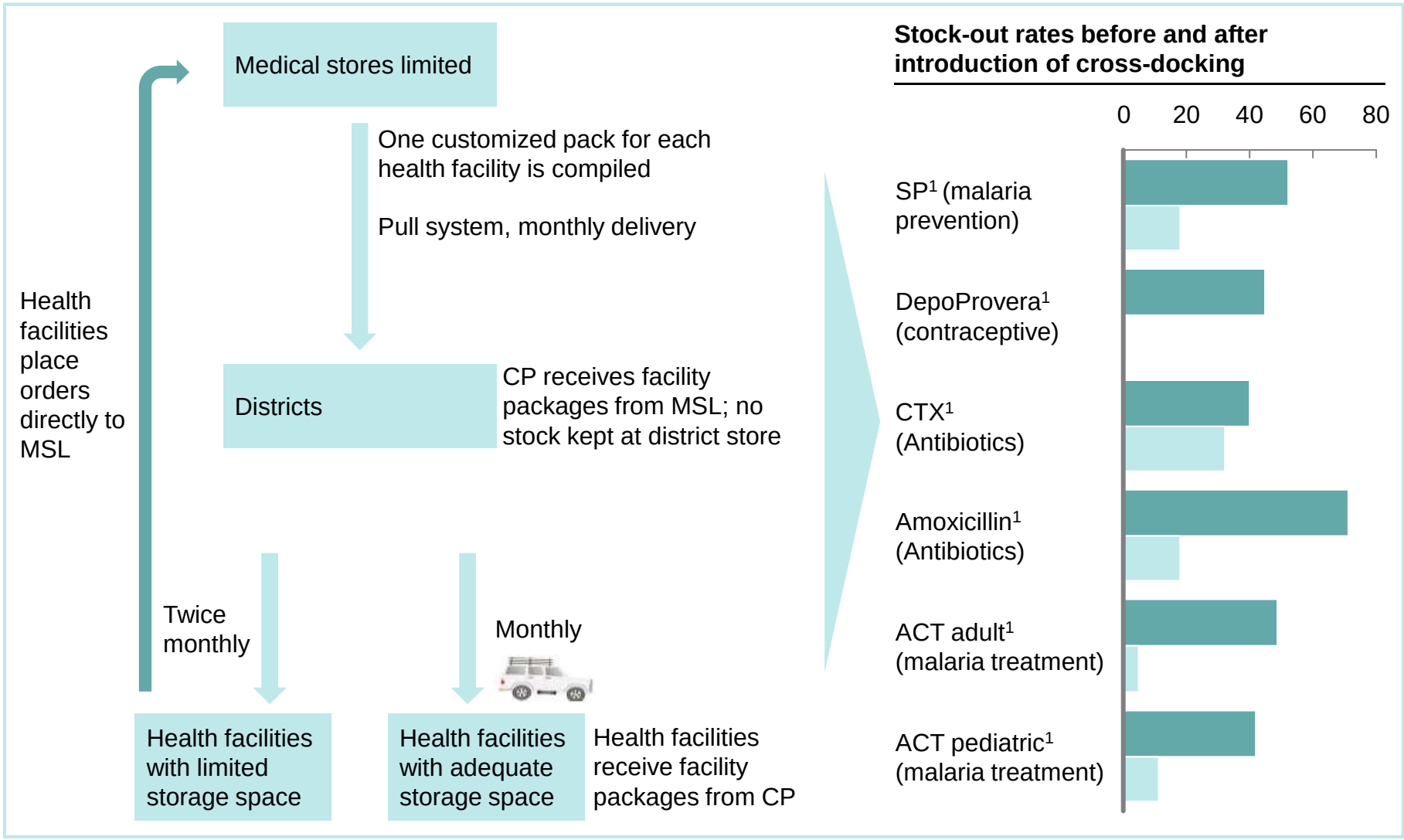
3 Lab field visits to world class distribution centres have demonstrated that RSA has a mature and sophisticated SCM private sector

Lab field visit findings

- There are around seven distributors of medical supplies in RSA with nationwide footprint, and around ten that could handle non-medical supplies
- Medical distributors can only deliver to registered pharma customers – around 8% of clinics is currently registered
- Clients of the seven major medical distributors cover around 70% of all medical SKUs required at clinic level – the remaining 30% is largely distributed by local drug manufacturers
- Most medical distributors guarantee 24hr delivery in any urban centre around RSA
- Some distributors sub-contract (part of the) logistics to the customer, especially in rural area
- Cold chain is offered to clinic level

SOURCE: Lab field visits

3 Cross-docking and direct delivery of kits dramatically reduced stock-outs in a Zambia PHC pilot project



1 The reduction in stockout rate is statistically significant with respect to any observed change in control districts

SOURCE: Improving Patient Accessto Malaria and other Essential Medicines in Zambia, Results of a pilot study, DECPI

INITIATIVES

3 Collaborative cross-dock led by DHL helped Carrefour and its suppliers to reduce transport costs by up to 40% per pallet

How does it work

- 100 **producers** of products such as shampoo, baby food and laundry detergent deliver from their factories to the center in Lomme, remaining owners of the stock. DHL, which has signed contracts with the manufacturers and operates as a **neutral third party**, **handles all the logistics** – from the reception of the goods through to order preparation and co-packing on pallets and in cages.
- **Carrefour places its order with manufacturers**, taking ownership of the goods only when they leave the DHL consolidation center. By **synchronizing orders**, Carrefour ensures that capacity on the trucks that deliver to its facilities is used as much as possible.
- Since Carrefour can place small orders but still fill trucks, and it doesn't take ownership of the stock until the stock arrives, the company reduces costs. Manufacturers reduce costs as well by not doing the cross-docking themselves

Impact

- **Transport costs** reduction by up to 40% per pallet
- Cutting **stock holding costs** by 20%
- Reducing **carbon emissions** by 25%

*Traditionally, the retailer has been quite dominant in the relationship, but we're now seeing **manufacturers becoming more influential** and taking a **more active role in the supply chain** in order to get their products to the retail store floor in the most efficient way. They say, 'If I share a warehouse, or share a vehicle, or share information, then that's fine. The real battle is on the store floor*.

— Richard Quesne, Customer Management Director, DHL Supply Chain

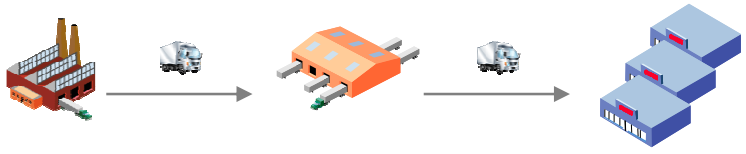
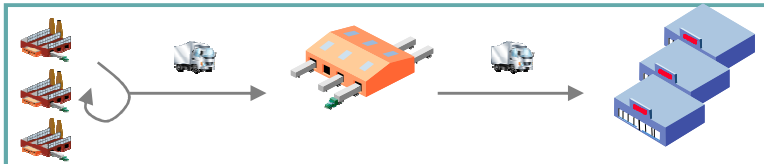
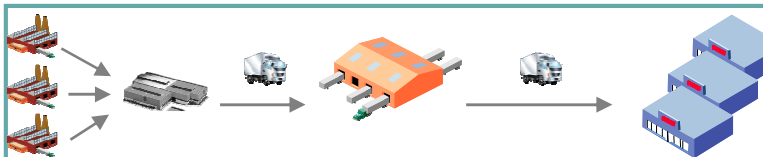
SOURCE: DHL Inside On: E-Commerce & Collaboration

3 Introduction of Cross-dock strategy at Carrefour (grocery products)

Objectives

- The new strategy of Carrefour is to introduce Cross-dock into its grocery products in order to reduce stock and increase service level into its stores.
- The main change with this strategy is that the supply is now in a pull mode (compared to a push mode with full regional DC at any time)
- The main consequence of this strategy is that Carrefour will use more non-full truck and smaller loads.

Strategy: 3 main types of Cross-dock for its suppliers

	Description	Remarks
Large industrial groups		Suppliers have to send a full truck to regional DC every day This is a classical Cross-dock flow
Medium industrial groups		To control transport cost and to decrease retailer stock, 2 or 3 suppliers share trucks to send a full truck of grocery every day
Small industrial groups		To have a full truck every day to regional DC, smaller suppliers share a new warehouse (centre de consolidation et collaboration). In this case, the stock belongs to suppliers and not to retailer

SOURCE: Des CCC pour tendre les flux de produits secs, Supply chain magazine, May 2009

INITIATIVES

3 By consolidating warehouses and establishing cross-docks in the UK, and Ireland Unilever saved 900 tons of CO2

Idea

The shared aim of the projects was to **extensive and complex distribution network re-design** and **consolidate distribution centers** to generate the ability to deliver stock to UK and Irish customers more effectively by providing cross-category deliveries.

Approach

- The 21-month project has provided an **extra 22,000 pallet spaces** for the high bay warehouse in Cannock, in which is now capable of housing more than 100,000 pallets
- **Closing 2 distribution centers**
- Joint project of Unilever UK and Ireland enabled **to pick and dispatch customer orders directly from the new DC**.
- Implementing carbon effective solution using fully-utilized **super cube trailers** to transport stock from the Ireland and **cross-dock facility** for dispatch

Impact

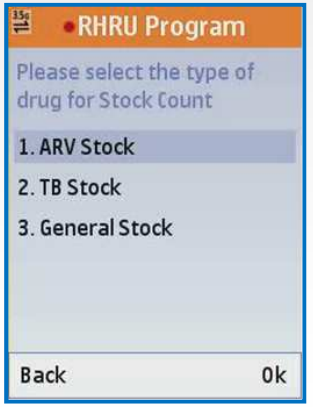
- Program allowed the UK Home Care business to be delivered out of Cannock, providing **savings through warehousing consolidation**.
- Unilever **saved 900 tons of CO^2** by closing 2 warehouses.
- Foods warehouse in UK at Cannock was equipped to handle Irish Homecare and Foods orders. Ambient products are delivered from there, either **directly to centralized customer's depots** in Ireland, or for non-centralized customers to their delivery points **via a cross-dock facility in Dublin**
- Increased **vehicle utilization.**
- **Customer Case Fill** has improved by 2%.

SOURCE: https://www.2degreesnetwork.com/groups/2degrees-community/resources/leveraging-unilevers-scale-offer-customers-efficient-delivery/

INITIATIVES

3 A national committee, with representatives from each province, will set one national catalogue for facilities to order from

National	Province	Clinics
▪ "Catalogue Committee"[1] under national CFO sets: – PHC EDL list – SSI list – NSSI minimum specs and max prices – Database of approved service providers/prices – Sub-catalogues tailored for clinic categories ▪ Catalogue includes bar codes and universal codification ▪ Prices reviewed annually	▪ Representatives from the province will participate in the Catalogue Committee, with the opportunity to bring in existing lists or catalogues of supplies and services	▪ Catalogue specific to the type of clinic (functionality, size, location) is loaded into the mobile stock taking tool for clinics to choose from ▪ Clinics will have the ability to upload feedback



Mobile clinic stock taking tool with preloaded catalogue (screenshot)

1 Committee will include pharmacists, clinicians, finance and commodity experts

4 Preliminary comparison of available catalogues for non-medical supplies

	Free State	Mpumalanga
1. Items listing format	▪ Listing	▪ Descriptive columns (free text)
2. Categorisation of Items	▪ Mop (cleaning equipment)	▪ Mop (other consumable)
3. Item codes (Yes/No)	▪ No	▪ Yes
4. Items Descriptions		
– Toilet soap	▪ Listed - Soap toilet cake bar form fresh 125g	▪ Listed - soap carbolic
– Light bulbs	▪ Listed	▪ Not listed

Catalogue format differs from provinces in respect to items' categories, codes , descriptions, specifications for both (N)SSIs

4 Preliminary overview of catalogue requirements

Item	Item description	Item code	Unit quantity	Contract number	Contract price	Maximum price	Contract end date	DDV/ DEPOT	Medical/SSI/ NSSI	Level of care
…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…
…	…	…					…	…	…	…
…	…	…					…	…	…	…
…	…	…					…	…	…	…
…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…
…	…	…	…	…	…	…	…	…	…	…

Template – to be filled out by national procurement office

INITIATIVES

5 Clinics and sub-districts can procure goods and services within framework contracts that are set at national and provincial level

	Responsibilities
National Procurement Office	▪ Framework contracts with manufacturers/ vendors, including specific conditions ▪ Enforcement of procurement within contracts by including contracted items in catalogue[1]
Province with Sector Wide Procurement Unit	▪ Framework contracts with service providers ▪ Procurement of supplies within national framework contracts
Sub-districts	▪ Procurement of services and supplies within national and provincial framework contracts
Clinics	▪ Procurement of services and supplies within national and provincial framework contracts

Adherence of clinics and sub-districts will be encouraged by including only the contracted catalogue in the mobile stock level tool (e.g. Rx lite); adherence is monitored by DMPU

1 National decides which contracts reside at national, provincial or district level, and national is in charge of contract ammendments and updates

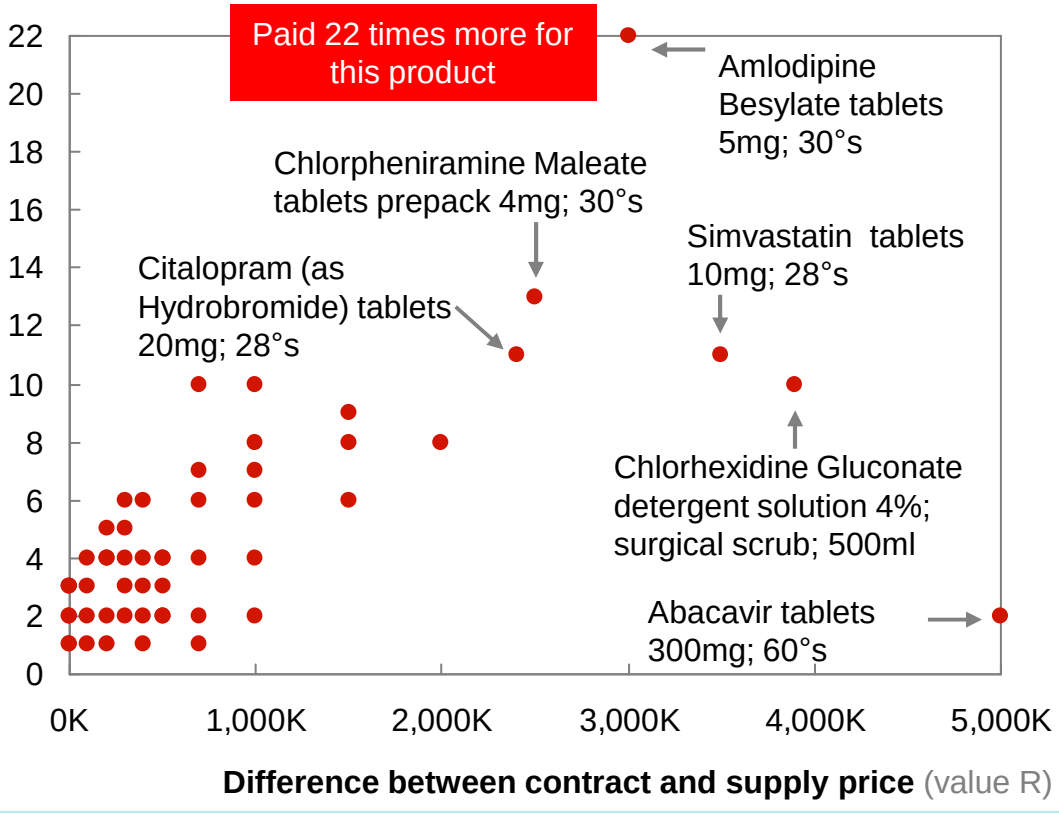
INITIATIVES

5 When pharmaceuticals are procured out of contracts, this results in provinces paying on average 3.3 times too much for contracted medication

Analysis for random selection of contracted pharmaceuticals in Gauteng depot

Price paid for medication out of contract, vs. contract price

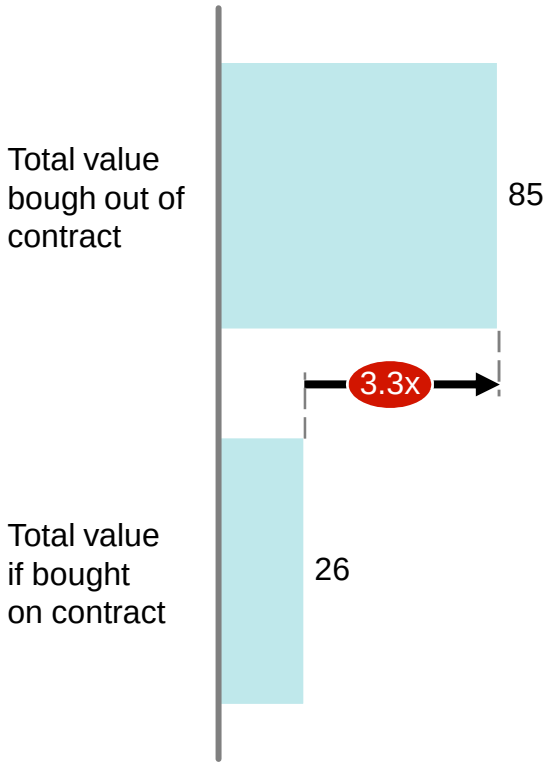
Multiple of original contract price



Difference between contract and supply price (value R)

Value of waste not buying on contract

R million per year[1]



1 Savings potential is only of the randomly selected set of pharmaceuticals in Gauteng depot; not extrapolated

SOURCE: SCMS Technical Report – Gauteng Depot Analysis 2012

INITIATIVES

5 A spend analysis of non-medical supplies suggests that we could save an annual R 162 million through transversal contracting

Spend analysis across categories

		Example price range	Average saving potential through contracting	Total spend on category	Total saving potential
Toiletries		▪ Toilet paper (48 rolls) R 86-336	49.4%	R 113 million	R 55.8 million
Cleaning materials		▪ Dish washing liquid (5L) R 46-134	38.3%	R 159 million	R 61.0 million
Stationery		▪ A4 paper (box) R 171-289	21.6%	R 211 million	R 45.7 million

In 70% of sampled products, we found retail prices lower than any of the prices paid by the warehouses

Total R 162.4 million

SOURCE: Lab analysis, questionnaire across 3 provinces

LONG TERM POTENTIAL

The lab discussed other ideas, but decided not to pursue them in more detail in the lab

		Description	Strategic recommendation
Automated bidding RFPs for NSSIs		▪ Suppliers could bid for the supply and delivery of NSSIs to clinic level after requisition by the clinics through Rx light by means of an automated RFP	▪ Although this step could realize significant savings, integration of this functionality in the current system will take a lengthy and coordinated effort
Combining cross-docks for all departments		▪ Schools and other public facilities across the country have a footprint similar to our clinics – using the same SCM logistics and cross-docks can lead to significant savings	▪ Should only be implemented after we have more experience with cross-docks, and better standardized procurement across governmental departments
Standard services outsourcing		▪ Outsourcing standard services (e.g. cleaning, security, gardening) to province-wide facility management companies may reduce both cost and work load at a clinic level	▪ Should only be implemented if full control of quality of service and quality of work conditions of the employees can be guaranteed through strong and well-managed SLAs
Drone delivery for emergency supplies		▪ Emergency (cross-)deliveries to clinics can be carried out by drones, significantly reducing costs and turn-around time for rural clinics	▪ DHL in Germany is currently piloting drone medicine supply in Germany; we should keep track of developments on this front over the next years and decide annually whether it is time to pursue this further

Contents

INITIATIVES

1 Delegated procurement of low value NSSIs to clinics

Objective: Improve turn-around times of (N)SSIs to clinics

Key actions/ deliverables required for implementation after the lab	Deadline
1. Develop and implement a Procurement framework on NSSI, SSI, Equipment and Housekeeping Services	31 May 2015
2. Issue SCM delegations to PHC facilities	31 May 2015

Owner (department/role)

- Chief Financial Officer: Nat'l Health
  - Chief Financial Officers: Provinces

Key stakeholders identified

- National Department of Health RX Team
- National Treasury: Norms and Standards
- District Health Management Team: Provinces
- Provincial Inventory Coordinators
- Facility Managers
- Provincial HRD managers

Resources will be needed for

- Budget
  - Training workshop
  - Appointment of Staff (Clinic/Sub-District Support Structure)
  - Printing of Procurement Operating Procedures

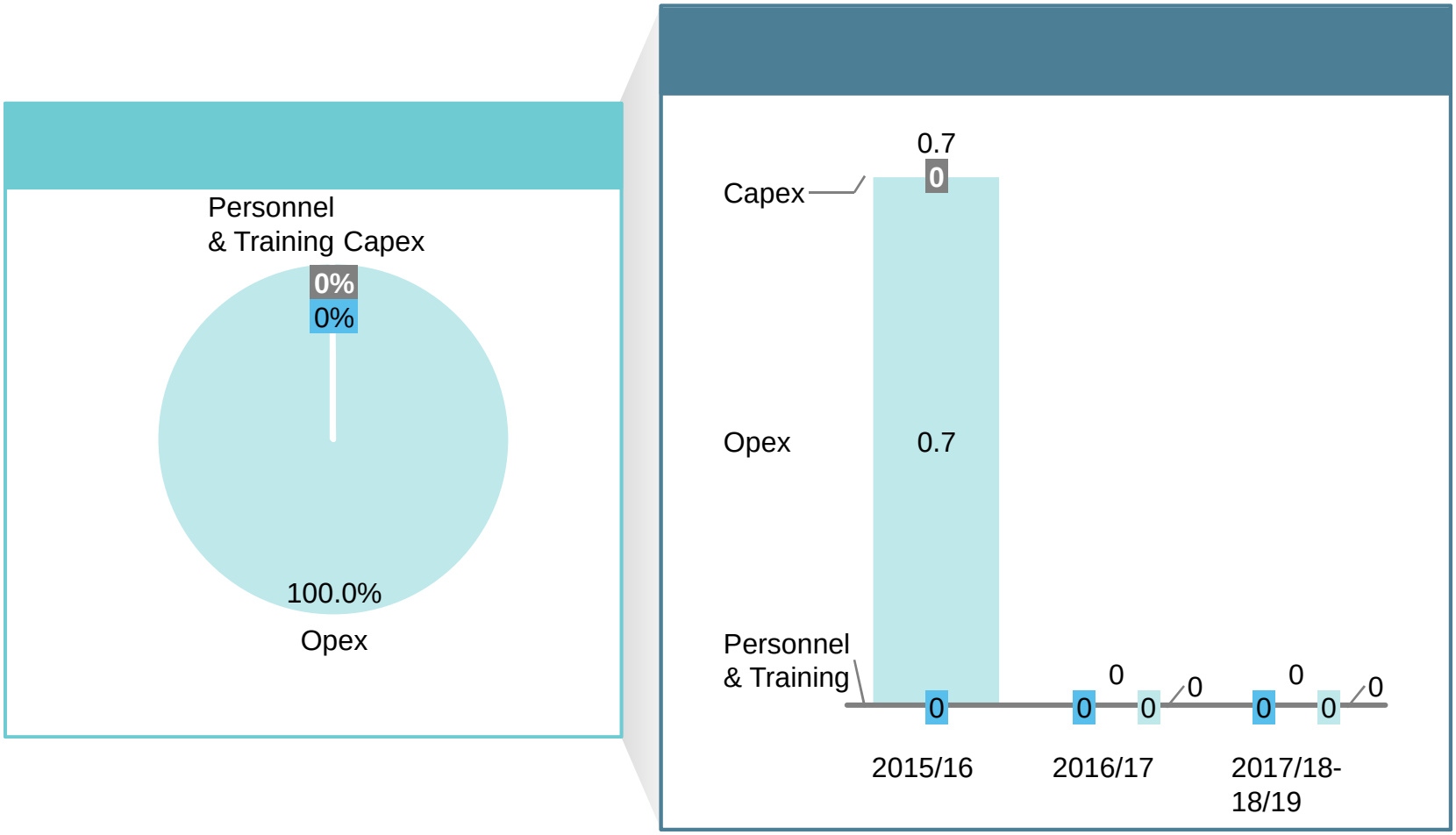
Risks

- Unavailability of Budget
- Lack of support by provinces
- Inadequate personnel to conduct in-house training

1 Budget overview – Procurement

Total budget

R million



INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (1/8)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1	**Develop and implement a Procurement framework on NSSI, SSI, Equipment and Housekeeping Services**	**5/1/2015**	**21**	**…**
1.1	Establish a Task Team to Develop and Implement Procurement Framework	5/1/2015	2	Chief Director: SCM National
1.1.1	Prepare requests for nominations to provinces	5/1/2015	-	Chief Director: SCM National
1.1.2	Send requests for nominations to provinces	6/1/2015	-	Chief Director: SCM National
1.1.3	Draft task team appointment letters	13/1/2015	0	Chief Director: SCM National
1.1.4	Send task team appointment letters	15/1/2015	-	Chief Director: SCM National
1.1.6	Arrange and conduct first task team meeting	21/1/2015	-	Chairperson: Task Team
1.1.7	Brief task team member on task team terms of reference	21/1/2015	-	Chief Director: SCM National
1.2	Develop Procurement framework on NSSI, SSI, Equipment and Services.	1/2/2015	4	Task Team
1.2.1	Prepare a memorandum for procurement of Venues and facilities	2/2/2015	-	Task Team
1.2.2	Procure Venues and Facilities including accommodation	2/2/2015	1	Task Team
1.2.3	Invite task team member to a workshop	10/2/2015	-	Task Team
1.2.4	Conduct a workshop	16/2/2015	2	Task Team

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (2/8)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
1.2.5	Gather information required to prepare Procurement Framework	17/2/2015	-	Task Team
1.2.6	Prepare a Procurement Framework on Supplies	16/2/2015	2	Task Team
1.2.7	Prepare a report on the outcome of the workshop	27/2/2015	-	Task Team
1.2.8	Send a workshop report and draft procurement framework to Chief Director: Supply Chain Management for comments	27/2/2015	-	Task Team
1.3	Consultation on the Procurement framework on NSSI, SSI, Equipment and Services	2/3/2015	2	Chairperson: Task Team
1.3.1	Prepare a communication memo on a draft procurement framework	2/3/2015	-	Task Team
1.3.2	Send memo together with a draft procurement framework to provinces and districts for inputs	2/3/2015	0	Task Team
1.3.3	Consolidated all inputs received from provinces and districts	2/3/2015	1	Task Team
1.3.4	Update the draft procurement framework as per received inputs	10/3/2015	0	Task Team
1.3.5	Send final draft procurement framework to Chief Director: Supply Chain Management for comments	13/3/2015	-	Task Team
1.4	Approve the Procurement framework on NSSI, SSI, Equipment and Services.	16/3/2015	1	DG National Health
1.4.1	Prepare a memo for the approval of the draft procurement framework to DG: National Health	16/3/2015	-	Task Team
1.4.2	Send memo and draft procurement framework to DG: National Health	17/3/2015	-	Task Team
1.4.3	Approval draft procurement framework by the DG: National Health	17/3/2015	0	Task Team
1.4.4	Send approved procurement framework to the Chief Director: SCM	20/3/2015	-	Task Team

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (3/8)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1.5	Conduct training on Procurement framework on NSSI, SSI, Equipment and Services.	1/4/2015	8	Task Team
1.5.1	Prepare a memorandum for procurement of accommodation	1/4/2015	-	Task Team
1.5.2	Procure accommodation	5/4/2015	0	Task Team
1.5.3	Invite task team member to a plenary meeting	8/4/2015	0	Task Team
1.5.4	Conduct a plenary meeting	16/4/2015	0	Task Team
1.5.5	Prioritise training according to provinces	16/4/2015	0	Task Team
1.5.6	Appoint training facililators	16/4/2015	0	Task Team
1.5.7	Prepare a training schedule	16/4/2015	0	Task Team
1.5.8	Prepare a memorandum for procurement of catering during training	16/4/2015	0	Task Team
1.5.9	Arrange government venues for training	16/4/2015	0	Task Team
1.5.10	Communicate training schedules to provinces and request for nominations	16/4/2015	0	Task Team
1.5.11	Conduct training according to training schedule	27/4/2015	4	Task Team

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (4/8)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1.6	Prepare a report on the implementation of Procurement Framework	25/5/2015	1	CFO: National Health
1.6.1	Invite task team members including facilitators to a meeting	25/5/2015	-	Task Team
1.6.2	Conduct a meeting on outcome of the training	28/5/2015	0	Task Team
1.6.3	Prepare a report on the implementation of the Procurement Framework	28/5/2015	0	Task Team
1.6.4	Prepare a report on the implementation of the Procurement Framework	28/5/2015	0	Task Team
1.6.5	Send report to the Chief Director: SCM National	28/5/2015	0	Task Team
2	**Issue SCM delegations to PHC facilities**	**1/6/2015**	**43**	**…**
2.1	Establish a Task Team to Develop and Implement Deligation Framework	1/5/2015	-14	Chief Director: SCM National
2.1.1	Prepare requests for nominations to provinces	5/1/2015	-	Chief Director: SCM National
2.1.2	Send requests for nominations to provinces	6/1/2015	-	Chief Director: SCM National
2.1.3	Send task team nominations	7/1/2015	1	CFO's Provinces
2.1.4	Draft task team appointment letters	13/1/2015	0	Chief Director: SCM National
2.1.5	Send task team appointment letters	15/1/2015	-	Chief Director: SCM National
2.1.6	Arrange first task team meeting	21/1/2015	-	Chairperson: Task Team
2.1.7	Brief task team member on task team terms of reference	21/1/2015	-	Chief Director: SCM National

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (5/8)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.2	Develop Delegation Guideliness for PHC Facilities	19/6/2015	-1	Task Team
2.2.1	Prepare a memorandum for procurement of Venues and facilities	19/6/2015	-	Task Team
2.2.2	Procure Venues and Facilities including accomodation	20/6/2015	1	Task Team
2.2.3	Invite task team member to a workshop	29/6/2015	2	Task Team
2.2.4	Gather information required to prepare Deligation Guidelines	29/6/2015	2	Task Team
2.2.5	Prepare a Deligation Guidelines for PHC Facility Managers	29/6/2015	1	Task Team
2.2.6	Prepare a report on the outcome of the workshop	10/7/2015	-	Task Team
2.2.7	Send a workshop report and draft Deligation Guidelines to Chief Director: Supply Chain Management for comments	10/7/2015	-	Task Team
2.3	Consultation on the Delegation Guidelines on NSSI, SSI, Equipment and Services	13/7/2015	2	Chief Director: SCM National
2.3.1	Prepare a communication memo on a draft delegation guidelines	13/7/2015	-	Task Team
2.3.2	Send memo together with a draft delegation guidelines to provinces and districts for inputs	14/7/2015	-	Task Team
2.3.3	Consolidated all inputs received from provinces and districts	21/7/2015	-	Task Team
2.3.4	Update the draft delegation guidelines as per received inputs	22/7/2015	0	Task Team
2.3.5	Send final draft delegation guidelines to Chief Director: Supply Chain Management for comments	24/7/2015	-	Task Team

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (6/8)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
2.4	Approve the Delegation Guideliness	27/7/2015	1	DG National Health
2.4.1	Prepare a memo for the approval of the draft Delegation Guidelines to DG: National Health	27/7/2015	-	Chairperson: Task Team
2.4.2	Send memo and draft Delegation Guidelines to DG: National Health	28/7/2015	-	Chief Director: SCM National
2.4.3	Approval draft Delegation Guidelines by the DG: National Health	29/7/2015	0	DG National Health
2.4.4	Send approved Delegation Guidelines to the Chief Director: SCM	1/4/2015	17	DG National Health
2.5	Train PHC facility managers/ support in Supply Chain Management, Delegations and PFMA	1/4/2015	56	Task Team
2.5.1	Prepare a memorandum for procurement of accommodation	1/4/2015	-	Task Team
2.5.2	Procure accommodation	5/4/2015	0	Task Team
2.5.3	Invite task team member to a plenary meeting	8/4/2015	0	Task Team
2.5.3	Conduct a plenary meeting	16/4/2015	0	Task Team
2.5.4	Prioritise training according to provinces	16/4/2015	0	Task Team
2.5.5	Appoint training facililators and service provider	16/4/2015	0	Task Team
2.5.6	Prepare a training schedule	16/4/2015	0	Task Team
2.5.7	Prepare a memorandum for procurement of catering during training	16/4/2015	0	Task Team
2.5.8	Arrange government venues for training	16/4/2015	0	Task Team
2.5.9	Communicate training schedules to provinces and request for nominations	16/4/2015	0	Task Team
2.5.10	Conduct training according to training schedule	27/4/2015	4	Service provider

INITIATIVES

1 Streamline Procurement Processes for an ideal clinic (7/8)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.6	Issue SCM delegations to PHC facilities	1/8/2015	4	District Managers
2.6.1	Issue memo to provinces to implement delegations	3/8/2015	0	District Managers
2.6.2	Prepare deligation according to Approved Delegations Guidelines	5/8/2015	1	District Managers
2.6.3	Send Delegations to HOD for Aproval	13/8/2015	-	CFOs: Provincial Departments
2.6.4	Aproval of Delegations to PHC Facility Managers	14/8/2015	0	Departmental HOD's
2.6.5	Issue delegations to PHC Facility Managers	18/8/2015	0	District Managers
2.6.6	Acknowledge receipt of delegation by PHC Facility managers	24/8/2015	1	Facility Managers
2.7	Monitor the implementation of SCM delegations to PHC facilities in Provinces	1/10/2015	4	Task Team
2.7.1	Prepare a memorandum for procurement of accomodation	1/10/2015	-	Task Team
2.7.2	Invite tast team members for a meeting	8/10/2015	-	Task Team
2.7.3	Procure accomodation fro task team members	9/10/2015	0	Task Team
2.7.4	Invite tast team members for a meeting	8/11/2015	-4	Task Team
2.7.5	Consolidate reports from provinces on delegations	22/10/2015	0	Task Team
2.7.6	Select PHC facilities for site visits	22/10/2015	0	Task Team
2.7.7	Conduct site visit on selected facilties	29/10/2015	14	Task Team

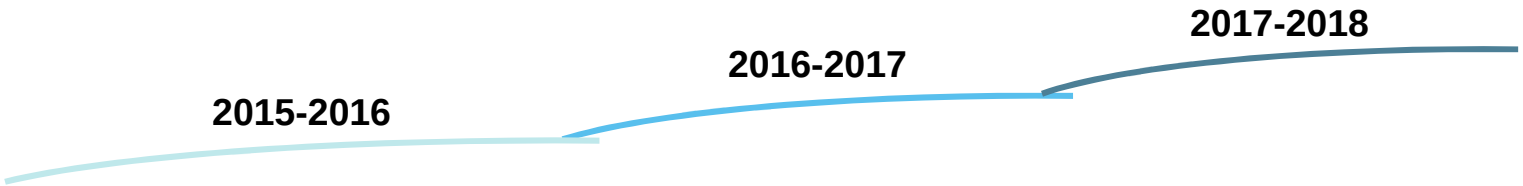
1 Streamline Procurement Processes for an ideal clinic (8/8)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.8	Prepare a report on the implementation of Delegations Guideliness	5/2/2016	-	Chief Director: SCM National
2.8.1	Prepare a Consolidated report on delegations	5/2/2016	-	Task Team
2.8.2	Prepare a Consolidated report on delegations	5/2/2016	-	Task Team
2.8.3	Send Consolidated report on delegations to Chief Director: SCM	5/2/2016	-	Task Team

INITIATIVES

1 Implementation timeline: Delegated procurement of low value NSSIs to clinics

1000-feet plan



Main activities

1. Develop and implement a Procurement framework on NSSI, SSI, Equipment and Housekeeping Services
2. Issue SCM delegations to PHC facilities

Targets/ milestones

- Standardized Procurement Procedure developed
- Generic Support Structure for Clinics/Sub/District
- 2863 PHC facilities trained on Procurement Procedures
- 2863 PHC facilities trained on Delegations

INITIATIVES

2 Demand forecasting to push standard supplies to the clinics

Objective: To prevent stock-outs at warehouse level and ensure timely push of SSIs to clinics

Key actions/ deliverables required for implementation after the lab	Deadline
1. Develop standardized demand management framework per category of product	April – March 2016
2. Define and implement electronic inventory management system	April – March 2016
3. Establish District Medicine Procurement Units (DMPUs) at district level	April – March 2017

Owner (department/role)

- NDoH

Key stakeholders identified

- Treasury
- National Department of Health - CFO
- Provincial Departments of Health

Resources will be needed for

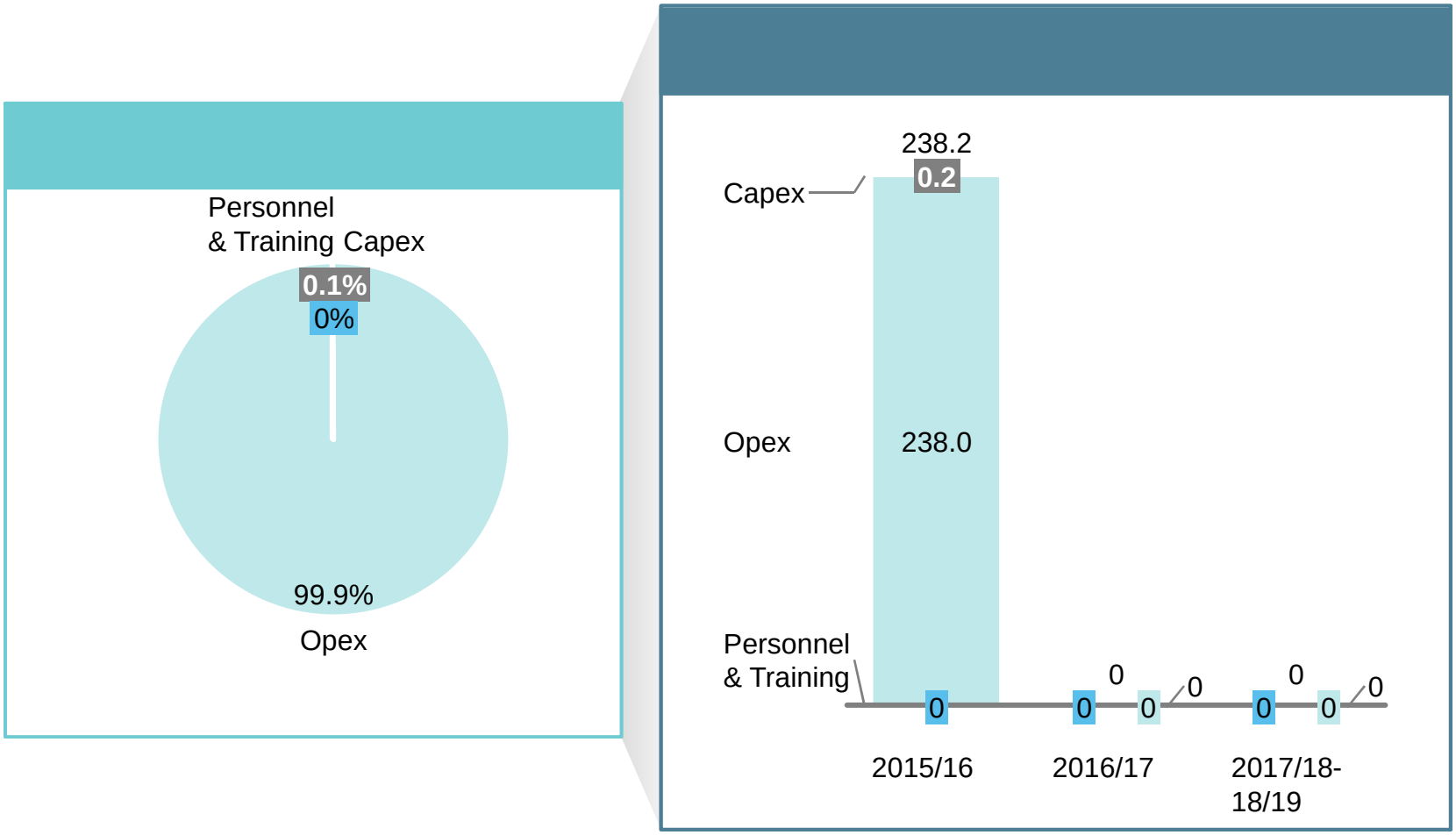
- Human Resource

Risks

- Under allocation of budget
- Shortage of Personnel

2 Budget overview – Demand forecasting

Total budget
R million



INITIATIVES

2 Demand forecasting to push standard supplies to the clinics (1/6)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1	**Develop standardized demand management framework per category of product**	…	…	…
1.1	Develop standard procedures to collect and interpret consumption information / demand history	12/1/2015	1	NDoH (SWP)
1.1.1	Develop and disseminate standard operating procedures to collect consumption information from existing systems	12/1/2015	1	NDoH (SWP)
1.1.2	Collect all relevant records per facility and tabulate per standard item per district	19/1/2015	2	DM
1.1.3	Consolidate all information into relevant format: standard stock items, requirements per facility	19/1/2015	2	DM
1.2	Develop standard procedures for replenishment for individual facilities per (sub)district		0	DM
1.2.1	Develop guidelines for replenishment in consultation with all provincial SCM & Pharmaceutical Services and disseminate recommended models	12/1/2015	7	NDoH (SWP)
1.2.2	Conduct situation analysis for all facilities: procurement pathways, staffing, storage capacity, existing systems, current supply interval & dispensing models	12/1/2015	7	DM
1.2.3	Interpret situation analysis and recommend pathways for inventory management and replenishment per facility	12/1/2015	7	DM
1.2.4	Use existing system where applicable	1/3/2015	1	DM
1.2.5	Prepare standard operating procedures for each facility for inventory management and replenishment pathway	14/2/2015	4	DM
1.3	Define Safety stock levels according to categorisation	1/3/2015	1	
1.3.1	Categorize all meds according to VEN system	15/1/2015	1	PPTC
1.3.2	Develop guidelines for safety stock levels for SSIs	12/1/2015	7	NDoH (SWP)
1.3.3	Determine recommended safety stock levels per item for adoption or adjustment depending on facility circumstances (storage space, accessibility, distribution interval & lead time)	12/1/2015	7	(Sub)DM

INITIATIVES

2 Demand forecasting to push standard supplies to the clinics (2/6)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
1.4	Define required service levels for product category and criticalilty	8/3/2015	2	
1.4.1	Develop guidelines for service levels by product category, distribution model and facility indicators	8/3/2015	2	NDoH (SWP)
1.4.2	Review each facility according to recommended replenishment model and capacity to determine service levels in line with guidelines	8/3/2015	2	(Sub)DM
1.4.3	Determine stockholding parameters per item per facility	8/3/2015	2	(Sub)DM
1.5	Prepare guidelines for stock held in the clinics outside designated stores, e.g. consulting rooms	12/1/2015	7	NDoH (SWP)
1.5.1	Determine appropriate stock levels to be maintained in consulting or treatment rooms according to dispensing model per facility	1/3/2015	1	(Sub)DM
1.5.2	Prepare SOPs for replenishment of stock and inventory reporting from the facility	7/3/2015	3	NDoH (SWP)
1.5.3	Prepare SOPs for replenishment and management of stock used by mobile units and outreach teams	7/3/2015	3	NDoH (SWP)
1.6	Develop Demand forecast plan per product	1/3/2015	4	
1.6.1	Prepare guidelines for demand forecasting	14/2/2015	2	NDoH (SWP)
1.6.2	Prepare provisional demand forecast per standard product for each clinic in district according to demand history	14/2/2015	2	(Sub)DM
1.6.3	Consolidate all forecasting information per item per facility and determine cost implications per category - Provisional demand	14/2/2015	2	(Sub)DM

2 Demand forecasting to push standard supplies to the clinics (3/6)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1.7	Align the Demand Plan to Annual Performance Plan, District Health Expenditure review, District Health Plan, Operational plans and the budget allocation	1/4/2015	2	DM
1.7.1	Involve DMT, M&E, Budget planning, district pharmacist and other relevant roleplayers in review of the demand plan and agree on adjustments where required	1/4/2015	2	DM
1.7.2	(Sub) District procurement unit to adjust Demand Plan according to recommendations and communicate to facilities	1/4/2015	2	(Sub)DM
1.7.3	Consolidate demand forecast at district / provincial level where applicable for communication to suppliers and national office	1/4/2015	2	PDoH
1.8	Review demand forecast quarterly according to expenditure (DHER) and inventory figures	1/7/2015	143	DM
1.8.1	Adjust and communicate revised demand forecast to suppliers, DM, PDoH, facility managers	1/7/2015	143	(Sub)DPU
1.9	Develop and implement training plan for (sub) DMPU officers	1/2/2015	8	NDoH (SWP)
1.9.1	Conduct training on Demand forecasting	1/2/2015	8	NDoH (SWP)
2	**Define and implement electronic inventory management system**			
2.1	Define user requirement specifications (URS) for electronic inventory management according to interoperative requirements of standard systems.	12/1/2015	15	NDoH (SWP)
2.1.1	Convene meeting at national level to indicate basic user requirements	30/1/2015	1	NDoH (SWP)
2.1.2	Establish expert task team to draft URS	7/2/2015	5	NDoH (SWP)
2.1.3	Consult and agree on recommended URS	15/3/2015	7	NDoH (SWP)

INITIATIVES

2 Demand forecasting to push standard supplies to the clinics (4/6)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.2	Review existing stock management systems against defined system requirements and make recommendations	1/6/2015	9	NDoH (SWP) w partners
2.2.1	List existing inventory management systems currently in use for medicines or other supplies	1/6/2015	1	NDoH (SWP) w partners
2.2.2	Evaluate functionality of listed systems against URS and make recommendations	6/6/2015	8	NDoH (SWP) w partners
2.3	Adjust existing systems to meet requirements if approved	1/8/2015	22	NDoH (SWP)
2.4	Identify or procure equipment requirements	1/4/2016	13	PDoH
2.4.1	Analyse current status of all clinics and sub-districts w.r.t. network coverage, availability of suitable computers, printers, scanners	1/4/2016	13	DM
2.4.2	Map out all requirements per facility and develop a procurement plan	1/4/2016	13	DM
2.4.3	Secure funding for all hardware requirements	1/4/2016	13	DM
2.4.4	Advertise and award inventory management software according to URS if required	1/4/2016	13	DM
2.4.5	Procure and install computer hardware as required.	1/4/2016	13	DM
2.5	Implement electronic stock management system	1/4/2016	52	PDoH
2.5.1	Recruit and employ support staff	1/4/2016	52	PDoH
2.5.1	Train all staff on the use of the inventory management system	1/4/2016	52	PDoH
2.6	Define user requirement specifications (URS) for mobile inventory scanning and reporting system	12/1/2015	11	NDoH (SWP)

INITIATIVES

2 Demand forecasting to push standard supplies to the clinics (5/6)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.7	Confirm barcoding on all items on catalogue	15/1/2015	11	NDoH (SWP)
2.7.1	Identify whether all items (Medicines, medical supplies and SSIs) have barcodes and list all items with relevant barcodes	15/1/2015	11	DM
2.7.2	Identify all items without barcodes and seek to obtain barcodes for these items	15/1/2015	11	NDoH (SWP)
2.8	Determine most suitable placement of inventory management according to facility capacity (Push/pull)	15/1/2015	11	NDoH (SWP)
2.9	Procure equipment and software for mobile inventory scanning and reporting system	1/4/2015	17	NDoH (SWP)
2.9.1	Advertise and award system to monitor and report inventory, including mobile scanning devices	1/4/2015	17	NDoH (SWP)
2.9.1	Include monthly airtime requirement into procurement plan	1/4/2015	17	NDoH (SWP)
2.10	Implement inventory management system at sub-district levels	1/4/2015	52	
2.10.1	Where systems are in place, ensure functionality and implement inventory management system at sub-district	1/4/2015	52	(Sub)DM
2.10.2	Expand inventory management to other areas as software and hardware becomes available	1/4/2015	52	(Sub)DM
2.11	Implement inventory reporting system at all levels	1/8/2015	35	NDoH (SWP)
2.11.1	Where systems are in place, ensure functionality and implement inventory reporting system at all clinics	1/8/2015	35	NDoH (SWP)
2.11.2	Expand inventory reporting system to other areas as software and hardware becomes available	1/8/2015	35	NDoH (SWP)

INITIATIVES

2 Demand forecasting to push standard supplies to the clinics (6/6)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
3	**Establish District Procurement Units at district level**			
3.1	Establish a District Medicine Procurement unit to manage pharmaceutical procurement in each province	1/4/2015	52	NDoH (SWP)
3.1.1	Identify suitable venue to set up DMPU with network connectivity, computers and relevant personnel	1/4/2015	52	PDoH
3.1.2	Set up software to allow communication with all required facilities	1/4/2015	52	PDoH
3.1.3	Train staff and ensure electronic connection with facilities to be served	1/4/2015	52	PDoH
3.2	Determine items for PHC which can be procured through specific distribution models	15/1/2015	63	NDoH (SWP)
3.3	Define scope of the DMPU unit	1/4/2015	52	NDoH (SWP)
3.4	Identify staffing requirements of this unit & deploy relevant staff members	1/4/2015	52	NDoH (SWP)
3.5	Structure & conduct training	1/4/2015	52	NDoH (SWP)
3.6	Devolve model to each district / subdistrict level and for all items	1/4/2016	104	Prov DoH

INITIATIVES

2 Implementation timeline: Demand forecasting to push standard supplies to the clinics

1000-feet plan

	2015-2016	2016-2017	2017-2018
Main activities: To develop a proper Demand Management Forecast Plan	▪ Develop standardized demand management framework per category of product ▪ Define and implement electronic inventory management system	▪ Establish District Medicine Procurement Units (DMPUs) at district level	
Targets/ milestones	▪ Completion of guidelines ▪ Procurement of software and hardware	▪ % of all supply SKUs integrated in the system ▪ Number of DMPUs established ▪ Number of DMPUs trained ▪ Number of facility managers trained	

INITIATIVES

3 Rationalized distribution through direct delivery, cross-docks and warehouses

Objective: Improve the delivery of facility inventory by leveraging both the private sector and pharmaceutical supply chains

Key actions/ deliverables required for implementation after the lab	Deadline
▪ Analyze private sector "reach" (how many clinics can be serviced through the private sector i.e. direct deliveries)	Feb 2015
▪ Analysis of all clinics – capacity to receive direct deliveries as well as storage capacity (what is in this analysis)	Jun 2015
▪ Network optimization study needs to be done to determine cross dock/Depot location	Aug 2015
▪ Categories the distribution model according to clinic geographical location	Nov 2015
▪ Agree on Nominated Delivery Days – how often do we deliver	Jan 2016
▪ Develop a RFP per province/district distribution	Apr 2016
▪ Develop and review a costing model for the direct delivery distribution	Oct 2015
▪ Analyze and determine if cross dock will be through current DoH facilities or through private sector	Feb 2016
▪ Implication of warehouse closures / rationalization and conversions -(who does it – public works?)	Jun 2017

Owner (department/role)

- Chief Director Supply Chain

Key stakeholders identified

- Treasury
- Directorate of Sector Wide procurement
- Provincial SCM department
- Private sector distribution companies
- NGO's

Resources will be needed for

- IT integration
- Cross Dock IT platform
- Cross Dock training
- Network Optimization study
- Costing exercise for various models

Risks

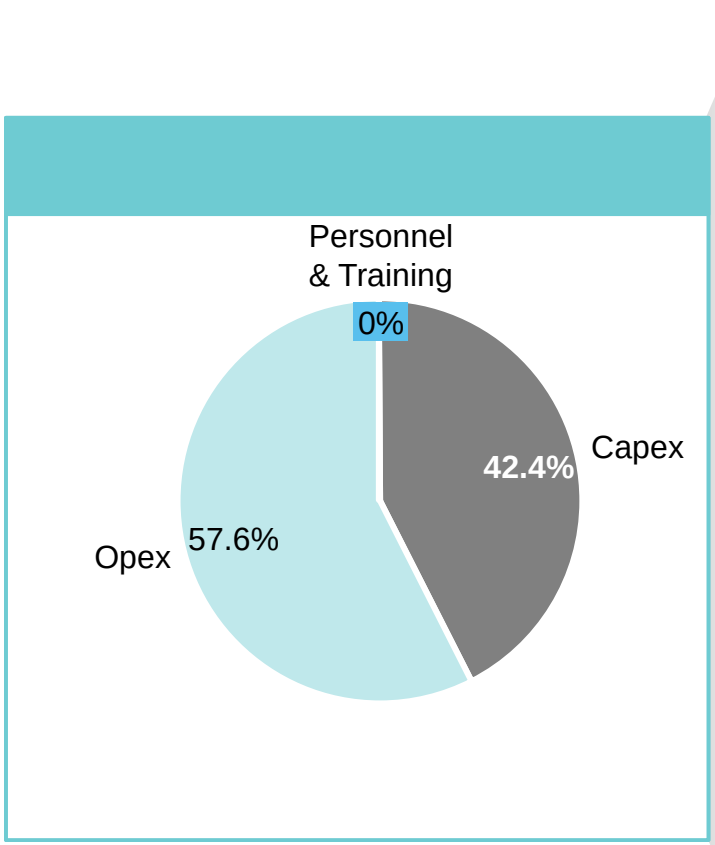
- Slippage of Implementation timeline
- Union
- Current contractual obligations
- Budget implications if required

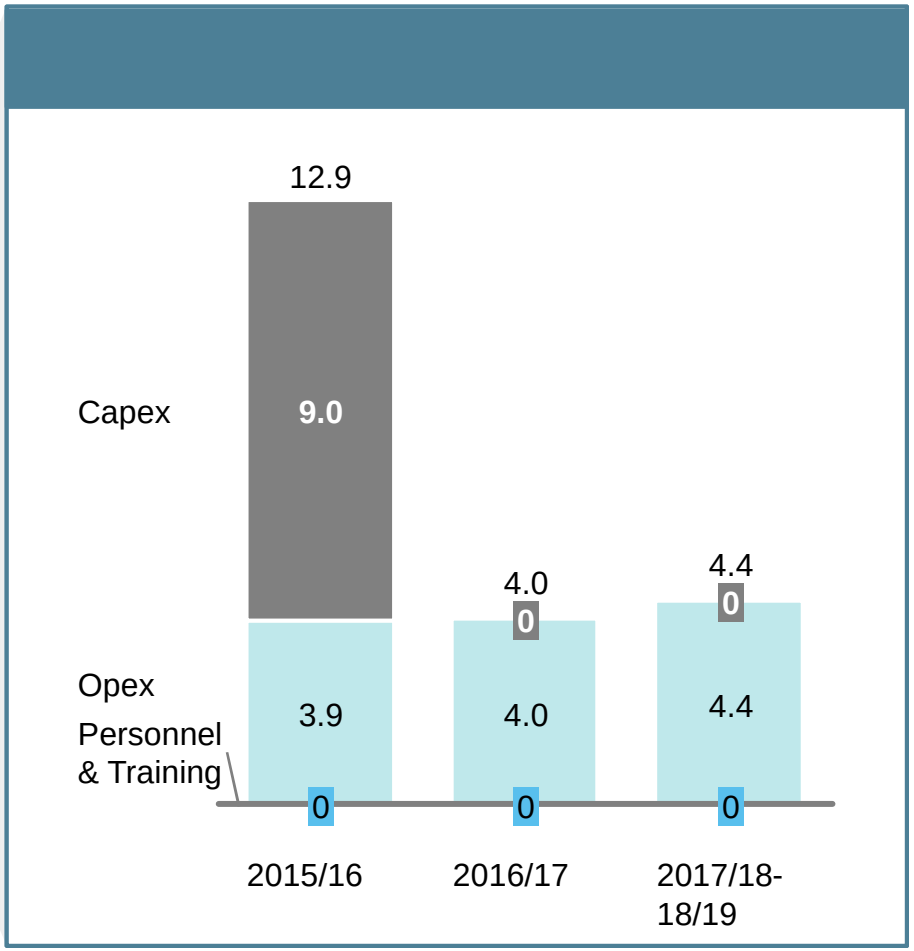
Level of implementation

- Clinic/sub-district/district/provincial/national?

3 Budget overview – Distribution

Total budget
R million





INITIATIVES

3 Rationalized distribution through direct delivery, cross-docks and warehouses (1/4)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1	**Develop distribution model to Clinics according to geographic allocation**			
Outbound Distribution				
1.1	Create survey sheet to assess clinic capabilities /capacity	1/15/2015	2	NDoH (SWP),DM
1.2	Meet with provincial HOP's managers to agree on survey to determine the ability of all clinics to receive direct/cross dock deliveries	1/29/2015	2	NDoH and PDoH
1.3	Discuss with District Management regarding the surveyto be done by service provider	2/12/2015	2	PDoH
1.4	Get approval from HoD on survey	2/26/2015	1	PDoH
1.5	Select dervice provider on 3 quotation	3/5/2015	2	PDoH
1.6	Carry out survey and collect survey data and collate	3/19/2015	4	PDoH
1.7	Identify from survey data ALL facilities unable to receive direct deliveries/ctross dock based on resource constraints	4/16/2015	1	PDoH
1.8	Collect as part of survey data from facility regarding storage capacitry	4/23/2015	1	PDoH
1.9	Collect as part of survey size of pharmacy and store for each facility	4/30/2015	1	PDoH
1.1	Provide standardized list of pharmaceuticals and non pharmaceuticals to determine forecasted distribution volume	5/7/2015	1	PDoH
1.11	Provide estimate monthly consumption per facility to determine forecaste distribution volume	5/14/2015	3	PDoH
1.12	Provide patient monthly statistic per fcility to detrminine forecasted distribution volume	5/14/2015	2	PDoH

INITIATIVES

3 Rationalized distribution through direct delivery, cross-docks and warehouses (2/4)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1.1.3	Select service provider to carry out Network Optomisation study, per province, to identify depot/cross dock locations and ability to meet 3 day turnaround time	5/28/2015	2	NDoH (SWP) and PDoH
1.1.4	Carry out Network optomisation study	6/11/2015	12	Service Provider
1.1.5	Draft Request for Information document for private sector distribution capacity and hub location	5/14/2015	2	NDoH (SWP) and PDoH
1.1.6	Issue RFI to private sector	5/28/2015	3	NDoH (SWP) and PDoH
1.1.7	Receive responses and review data	6/18/2015	3	NDoH (SWP) and PDoH
1.1.8	Based on network optomisation study and RFI results identify ALL clinics able/unable to be supplied via direct/cross dock	7/9/2015	6	NDoH (SWP) and PDoH
1.1.9	Analyze data and review the areas that cannot be serviced	8/20/2015	1	NDoH (SWP)
1.2	Identify delivery frequency based on storage capacity data	8/27/2015	1	NDoH (SWP),DM
1.2.1	List the facility for direct delivery	9/3/2015	1	NDoH (SWP),DM
1.2.2	Liist the facility for cross dock	9/3/2015	2	NDoH (SWP),DM
1.2.3	List the facility those may obtain from ware house	9/3/2015	2	NDoH (SWP),DM
1.2.4	Identify and finalise possible cross dock and depot locations (outsourced private sector or current depots)	9/17/2015	2	NDoH and PDoH
1.2.5	Obtain financial data per province (distribution, warehousing, resources)	10/1/2015	4	NDoH , PDoH,DM
1.2.6	Obtain cost data, quotes, from service providers regarding cross docking/diret delivery	5/14/2015	4	NDoH , PDoH,DM
1.2.7	Workshop with NDoH and provincial DoH's	10/1/2015	2	NDoH and PDoH
1.2.8	Draft business plan for HOD approval	10/15/2015	2	PDoH
1.2.9	Sign off with NDoH and HoD on proposed business plan	10/29/2015	2	PDoH

3 Rationalized distribution through direct delivery, cross-docks and warehouses (1/4)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
1.3	Tender process for cross docks/direct delivery to private sector	…	…	…
1.3.1	Award cross dock/dircet delivery tender	…	…	…
1.3.2	Form a "Cross Dock implementation" team consisting of DoH and external specialist advisors	…	…	…
1.3.3	Draw up implementation plan for depots/sub depots that need to be converted to cross dock facilities	…	…	…
1.3.4	Engage with union regrads changing of job roles	…	…	…
1.3.5	Implement "Depot to Cross Dock" plan	…	…	…
Inbound Distribution				
1.3.6	Inform market of intention to appoint preffered service providers for inbound distribution	1/15/2015	8	NDoH (SWP)
1.3.7	Determine criteria for inbound service providers (IT visibility, Geographical reach, 24 hour commitment, MCC regulations, quality, price etc)	3/12/2015	2	NDoH (SWP)
1.3.8	Develop RFP for selection of prefered inbound service providers	3/26/2015	4	NDoH (SWP)
1.3.9	Issue RFP	4/23/2015	6	NDoH (SWP)
1.4	Receive responss	6/4/2015	2	NDoH (SWP)
1.4.1	Evaluate responses	6/18/2015	4	NDoH (SWP)
1.4.2	Select and appoint prefetred service providers	7/16/2015	2	NDoH (SWP)
1.4.3	Notify external ,market on selection of prefered service providers and	7/30/2015	1	NDoH (SWP)
1.4.4	Align conditions of contracts to inform suppliers of supplying through preffered service providers	8/6/2015	1	NDoH (SWP)
1.4.5	Link preferred service providers IT systems (stock status, open orders) to district, provincial and national control towers	8/13/2015	24	NDoH (SWP)

INITIATIVES

3 Rationalized distribution through direct delivery, cross-docks and warehouses (1/4)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
2	**Implement track and trace system (IT System) with visibility to clinics**			
2.1	Develop a user requirement specification for track and trace system (order status, clinic order visibility, supplier order acceptance, track and trace)	2/16/2015	4	NDoH (SWP), PDoH
2.2	User requirement Specification for stock visibility signed off by NDoH SWP	2/17/2015	1	NDoH (SWP), PDoH
2.3	Distribute user requirement document to all provinces	2/18/2015	3	NDoH (SWP), PDoH
2.4	Review current systems in commercial market place and donor developed systems	2/19/2015	2	NDoH (SWP), PDoH
2.5	Develop and issue RFP	2/20/2015	3	NDoH (SWP), PDoH
2.6	Award track and trace system tender	2/21/2015	3	NDoH (SWP), PDoH
2.7	Implement tarck and trace system	2/22/2015	20	NDoH (SWP), PDoH
2.8	Training of facilities and DMPU on system	2/23/2015	16	NDoH (SWP), PDoH

INITIATIVES

3 Implementation timeline: Rationalized distribution through direct delivery, cross-docks and warehouses

1000-feet plan

	2015-2016	2016-2017	2017-2018
Main activities	▪ Analyze private sector “reach” (how many clinics can be serviced through the private sector i.e direct deliveries) ▪ Analysis of ALL clinics – capacity to receive direct deliveries and storage capacity (what is in this analysis) ▪ Network optimization study needs to be done to determine cross dock/Depot location ▪ Categories the distribution model according to clinic geographical location ▪ Develop and review a costing model for the direct delivery distribution	▪ Agree on Nominated Delivery Days – how often do we deliver ▪ Develop a RFP per province/district distribution ▪ Analyze and determine if cross dock will be through current DoH facilities or through private sector	▪ Implement track and trace system (IT System) with visibility to clinics ▪ Implication of warehouse closures and conversions (who does it – public works?)
Targets/ milestones	▪ Reduced supply chain costs ▪ Improved OTIF ▪ Forecasted supply chain cost	▪ Reduced distribution costs ▪ Reduced supply chain costs ▪ Improved supplier delivery ▪ 60% Direct Deliveries	▪ Improved data availability ▪ Improved Turn around times ▪ 80% Direct Deliveries ▪ 15% Reduction in distribution costs

INITIATIVES

4 Standardized catalogue for supplies and services

Objective: To have a standardized supplies and services procurement catalogue in all PHC facilities

Key actions/ deliverables required for implementation after the lab	Deadline
1. Collate all available Procurement Catalogues on medicines, supplies and services in various provinces and National Department.	Dec 2014
2. Conduct market price research on the final list of supplies and services	May 2015
3. Set minimum specs and maximum price for all (N)SSIs	June 2015
4. Inclusion in Rx Solutions/Light	Oct 2015

Owner (department/role)

- Chief Financial Officer

Key stakeholders identified

- SCM National Office
- Treasury- Procurement Office
- District/ Sub District Managers
- Service providers
- Pharmaceutical Services (National, Province and Districts)

Resources will be needed for

- Investment (R500k): Price analysis R100k, Printing R200k and Training R200k.

Risks

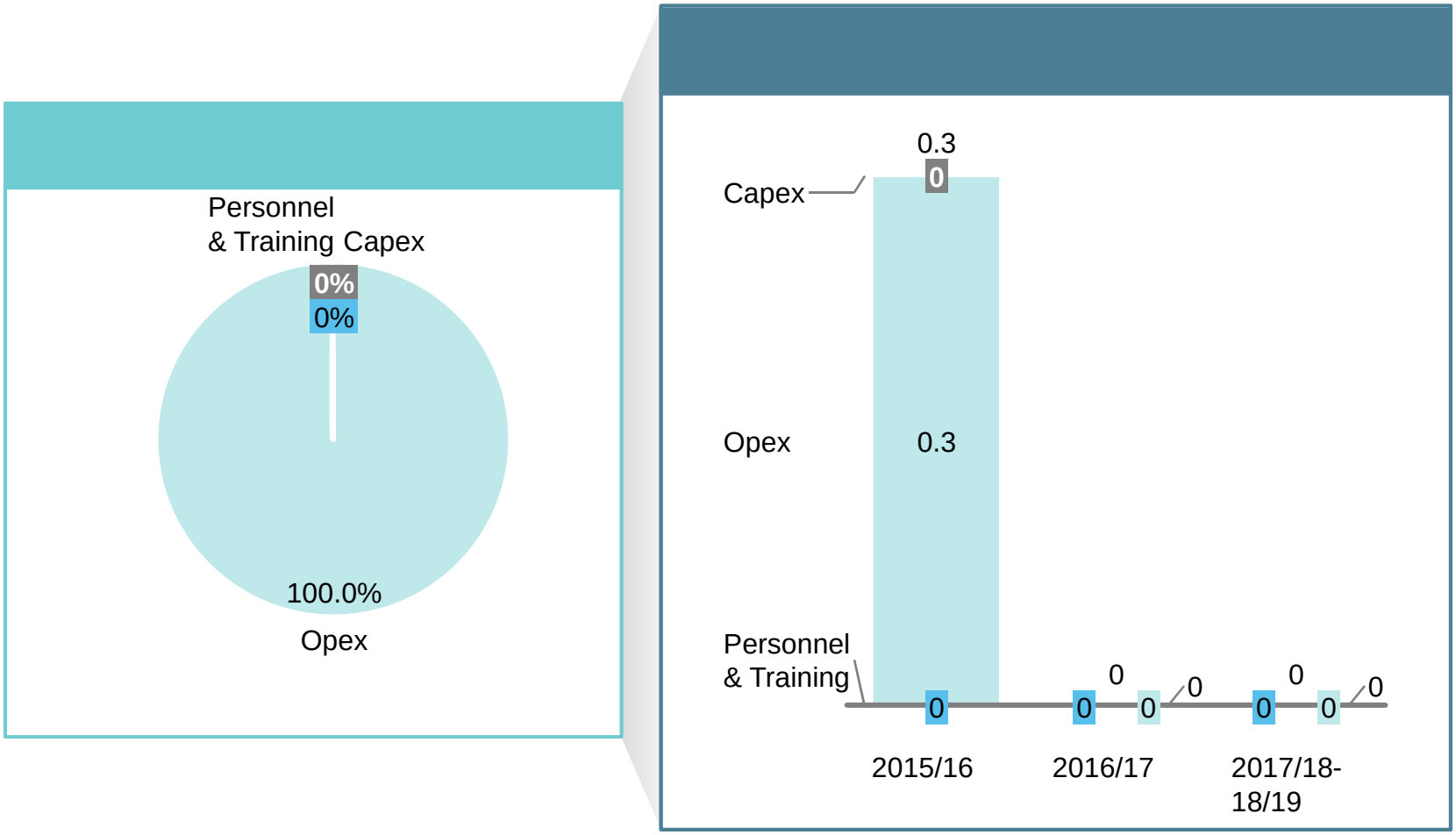
- Items price fluctuations VS Fixed budget for a year

INITIATIVES

4 Budget overview – Catalogue

Total budget

R million



4 Standardized catalogue for supplies and services (1/5)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
1	**Collate all available Procurement Catalogues on supplies and services in various provinces and National Department to develop Catalogue**			
1.1	Send communiqué to all provinces requesting submission of Procurement Catalogues on supply and service items	2/12/2014	0	Chief Director: SCM National
1.1.1	Draft memo to Provinces to request procurement catalogues	2/12/2014	0	Chief Director: SCM National
1.1.2	Send memo for approval	2/12/2014	0	Chief Director: SCM National
1.1.3	Fax or e-mail memo to all provinces	2/12/2014	0	Chief Director: SCM National
1.1.4	Receive catalogues from provinces	2/12/2014	0	Chief Director: SCM National
1.2	Appoint a catalogue task team	8/12/2014	2	Chief Director: SCM National
1.2.1	Draft memo for appointment of team members	8/12/2014	-	Chief Director: SCM National
1.2.2	Send memo for of approval	9/12/2014	-	Chief Director: SCM National
1.2.3	Fax/ email the memo to provinces	12/12/2014	-	Chief Director: SCM National
1.2.4	Receive names and compile final list	16/12/2014	0	Chief Director: SCM National
1.2.5	Write individual appointment letters	19/12/2014	-	Chief Director: SCM National
1.2.6	Orientation of the committee	5/1/2015	-	Chief Director: SCM National

INITIATIVES

4 Standardized catalogue for supplies and services (2/5)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
1.3	Set minimum specifications for supplies and services	2/2/2015	1	Procurement Catalogue Committee
1.3.1	Develop draft activity schedule	2/2/2015	1	Procurement Catalogue Committeee
1.3.2	Collate all available Procurement Catalogues on (N)SSI in various provinces and National Department	2/2/2015	1	Procurement Catalogue Committee
1.3.3	Analyse and develop the final list of (N) SSI to be used nationally	2/2/2015	1	Procurement Catalogue Committee
1.3.4	Develop criteria for standard items on catalogue and adhoc items.	2/2/2015	1	Procurement Catalogue Committee
1.4	Develop first draft master catalogue for Supplies and Services	9/2/2015	0	Procurement Catalogue Committee
1.4.1	Prepare a memorandum for procurement of Venues and facilities	2/2/2015	-	Procurement Catalogue Committee
1.4.2	Procure Venues and Facilities including accomodation	2/2/2015	1	Procurement Catalogue Committee
1.4.3	Invite task team member to a workshop	10/2/2015	-	Procurement Catalogue Committee
1.4.3	Conduct a workshop	16/2/2015	2	Procurement Catalogue Committee
1.4.4	Gather information required to prepare cataloque	17/2/2015	-	Procurement Catalogue Committee
1.4.5	Prepare a cataloque of Supplies	16/2/2015	2	Procurement Catalogue Committee
1.4.6	Prepare a report on the outcome of the workshop	27/2/2015	-	Procurement Catalogue Committee
1.4.7	Send a workshop report and draft procurement cataloque	27/2/2015	-	Procurement Catalogue Committee

4 Standardized catalogue for supplies and services (3/5)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
…	Set maximum price for all NSSIs and SSIs	16/2/2015	1	Procurement Catalogue Committee
1.5.1	Obtain markert price index	16/2/2015	1	Procurement Catalogue Committee
1.5.2	Use CPI and Supply Chain Guidenlines to determine maximum prices	16/2/2015	1	Procurement Catalogue Committee
1.5.3	Include finalised prices in the catalogue	16/2/2015	1	Procurement Catalogue Committee
1.6	Develop second draft master catalogue for Supplies and Services	23/2/2015	0	Procurement Catalogue Committee
1.6.1	Prepare a memorandum for procurement of Venues and facilities	2/2/2015	-	Procurement Catalogue Committee
1.6.2.	Procure Venues and Facilities including accomodation	2/2/2015	1	Procurement Catalogue Committee
1.6.3	Invite task team member to a workshop	10/2/2015	-	Procurement Catalogue Committee
1.6.3	Conduct a workshop	16/2/2015	2	Procurement Catalogue Committee
1.6.5	Review a draft cataloque of Supplies	16/2/2015	2	Procurement Catalogue Committee
1.6.6	Prepare a report on the outcome of the workshop	27/2/2015	-	Procurement Catalogue Committee
1.6.7	Send a workshop report and final draft procurement cataloque	27/2/2015	-	Procurement Catalogue Committee

INITIATIVES

4 Standardized catalogue for supplies and services (4/5)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1.7	Consultation on Draft Master Catalogue for final input	2/3/2015	5	Procurement Catalogue Committee
1.7.1	Approve Master Catalogue	6/4/2015	0	DG National Health
1.7.2	print approved catalogue	10/4/2015	3	Procurement Catalogue Committee
1.7.3	Distribute Master Catalogue for implementation	4/5/2015	4	Chief Financial Officer: National Health
1.7.4	Monitor implementation of approved Master Catalogue	1/6/2015	43	Procurement Catalogue Committee
2	**Conduct market price research on the final list of supplies and services**			
2.2	Appoint a sub-committee to conduct market price analysis	8/12/2014	2	Sub-committee
2.2.1	Draft memo for appointment of team members	8/12/2014	-	Chief Director: SCM National
2.2.2	Send memo for of approval	9/12/2014	-	Chief Director: SCM National
2.2.3	Fax/ email the memo to provinces	12/12/2014	-	Chief Director: SCM National
2.2.4	Receive names and compile final list	16/12/2014	0	Chief Director: SCM National
2.2.5	Write individual appointment letters	19/12/2014	-	Chief Director: SCM National
2.2.6	Orientation of the committee	5/1/2015	-	Chief Director: SCM National

4 Standardized catalogue for supplies and services (5/5)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.2	Conduct market price analysis based on draft Master Cataloque	16/2/2015	1	Sub-committee on Price
2.2.1	Gather information on commodities for markert price analysis	16/2/2015	1	Sub-committee on Price
2.2.2	Request price analysis from Statistics South Africa	16/2/2015	1	Sub-committee on Price
2.2.3	Make research from the price for commodities in draft catalogue	16/2/2015	1	Sub-committee on Price
2.2.4	Request established suppliers for price lists on commodoties	16/2/2015	1	Sub-committee on Price
2.3	Prepare a report with recommendations to the Procurement Catalogue committee	23/2/2015	0	Sub-committee
2.3.1	Prepare a report and Price index on catalogue	23/2/2015	0	Sub-committee on Price
2.3.2	Prepare a report to the Procurement Catalogue Committee	23/2/2015	0	Sub-committee on Price

INITIATIVES

4 Implementation timeline: Standardized catalogue for supplies and services

1000-feet plan

	2015-2016	2016-2017	2017-2018
Main activities	1. Collate all available Procurement Catalogues on medicines, supplies and services in various provinces and National Department. 2. Conduct market price research on the final list of supplies and services 3. Set minimum specs and maximum price for all (N)SSIs 4. Inclusion in Rx Solutions/Light		
Targets/ milestones	▪ Draft catalogue – February 2015 ▪ supplies and services – February 2015 ▪ Develop specifications for SSI and medical items – February 2015 ▪ Final Catalogue National/Provincial – Apr 2015 ▪ Final Catalogue District – May 2015 ▪ Uploading of Catalogue to Rx Solution ▪ Orientation of manager s on Rx Solution		

INITIATIVES

5 Transversal convenience contracts to capture procurement savings

Objective: To ensure savings in the procurement of supplies and services

Key actions/ deliverables required for implementation after the lab	Deadline
1. Establishment of a Contract Management unit at Provincial level (Sector Wide Procurement Unit)	▪ April 2015
2. Develop different procurement contracts through which supplies and services can be procured	▪ Sept 2015
3. Facilitate adherence/ compliance to contract M&E framework	▪ Sept 2015
4. Establishment of National sector Wide Procurement Forum	▪ June 2015
5. Establish a process of implementing new contracts and managing existing contracts	▪ June 2015

Owner (department/role)

- Chief Financial Officer

Key stakeholders identified

- Treasury
- Provinces

Resources will be needed for

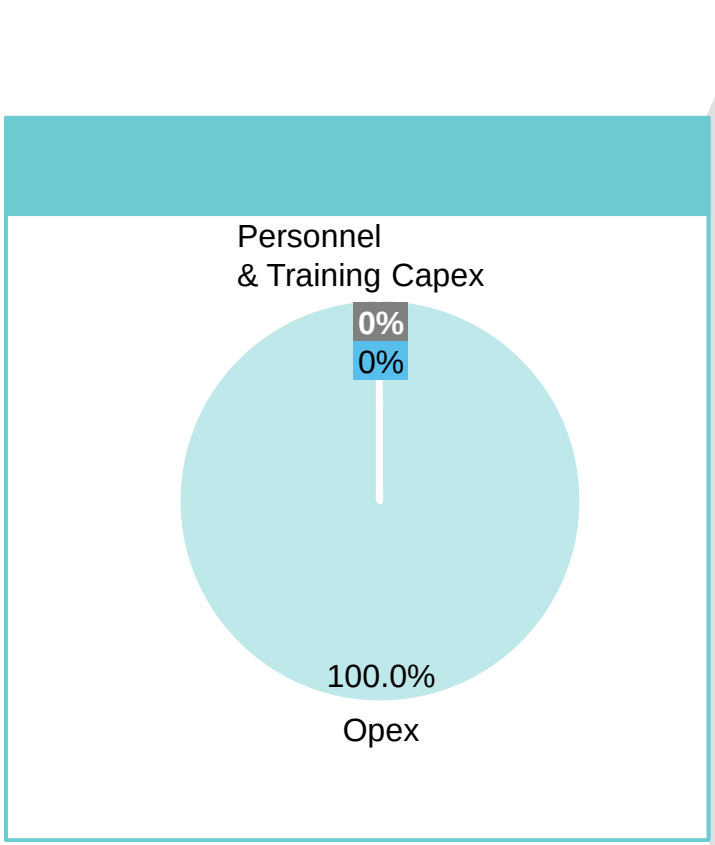
- Human Resource
- Office space (accommodation)

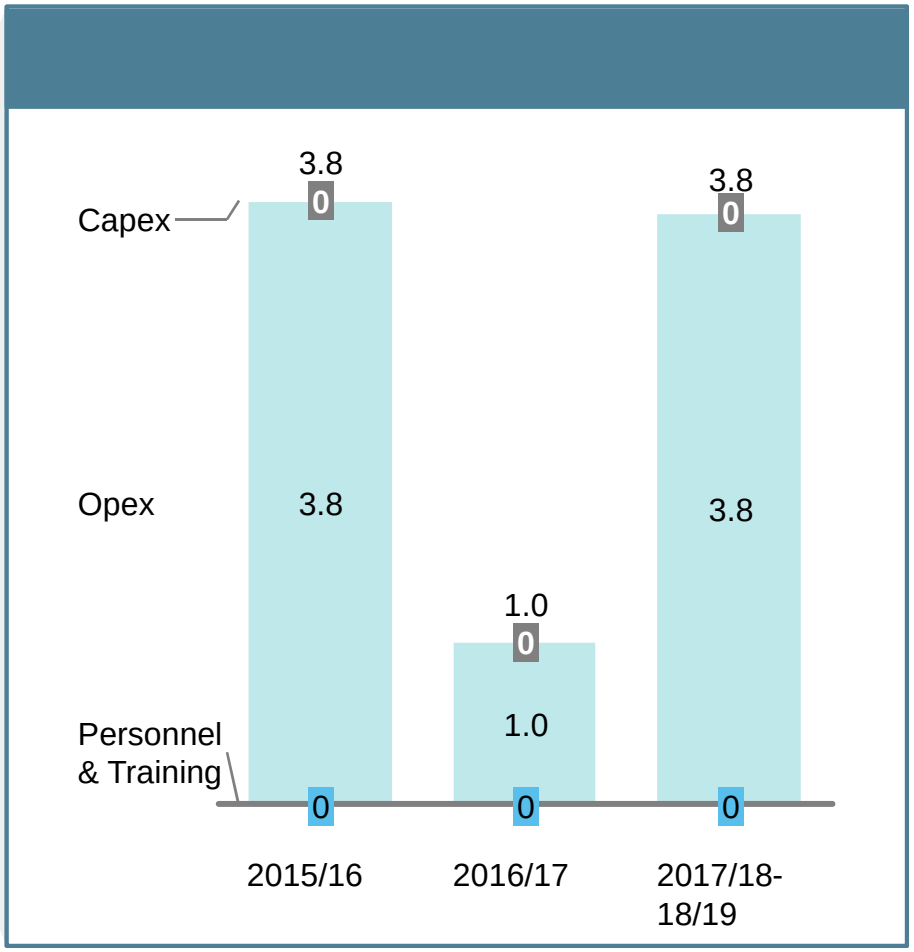
Risks

- Existing contract termination costly
- Benefits of the SCM system may not be realized in the short term
- Buy in from stakeholders

5 Budget overview – Transversal contracts

Total budget
R million





5 Transversal convenience contracts to capture procurement savings (1/4)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
1	**Establishment of a Contract Management unit at Provincial level Sector Wide Procurement Unit (SWPU)**			
1.1	Determine the scope of work of the SWPU	1/1/2015	30	National W/study
1.1.1	Consultation with provinces through a survey on what is on the ground	1/1/2015	15	
1.1.2	Analyze data/ information from provinces into a report	4/1/2015	15	
1.2	Determine a Nationally approved Organisational structure for the SWPU	1/1/2015	30	NDoH DDG - HRM
1.2.1	Prepare draft structure for the provincial SWPUs	1/2/2015	3	
1.2.2	Have a consultation meeting with provinces to agree on the draft Org. structure	1/26/2015	1	
1.2.3	Seek approval of final draft Org. Structure submission to DPSA	2/1/2015	27	
1.3	Secure office accommodation for the SWPU	7/1/2015	13	Prov corpate Serv
1.3.1	Advertise for office space	7/1/2015	2	
1.3.2	Adjudicate to appoint service providers at Provinces	7/20/2015	1	
1.3.3	Procure office furniture and equipment for each provincial office	7/27/2015	10	
1.3.4	Procure communication connectivity infrastructure and devices			
1.3.5	Procure software systems and applications			
1.3.6	Procure office consumables			
1.4	Appointment of personnel	7/1/2015	13	Provincial HRM
1.4.1	Advertise posts for the offices	7/1/2015	3	
1.4.2	Shortlist candidates	7/27/2015	3	
1.4.3	Conduct interviews	8/17/2015	4	
1.4.4	Appoint successful candidates	9/15/2015	3	

5 Transversal convenience contracts to capture procurement savings (2/4)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2	**Develop provincial (N)SSI transversal procurement contracts through which supplies can be procured**			
2.1	Co-ordinate the development of contract management guidelines for procurement contracts and SLAs.	9/1/2015	26	Prov Head-SWPU
2.1.1	Appoint a national task team to draft national guidelines	9/1/2015	2	
2.1.2	Draft national guideline	9/22/2015	15	
2.1.3	Have consultations with provinces on the draft guideline	12/22/2015	3	
2.1.4	Finalize guideline	1/19/2016	4	
2.1.3	Seek approval of national guideline	2/16/2016	2	
2.2	Co-ordinate the development of supplies procurement specifications	9/1/2015	17	Prov Head- SCM
2.2.1	Appoint coordinating national forum on contract management	9/1/2015	3	
2.2.2	Syndication of coordinating national forum with national committee on the master catalogue	9/22/2015	3	
2.2.3	Determine catalogue items for procurement on transversal national tender with concomitant specifications	10/13/2015	10	
2.2.4	Seek approval for identified catalogue items (N)SSIs	12/22/2015	1	

INITIATIVES

5 Transversal convenience contracts to capture procurement savings (3/4)

	Detailed Activities	Planned start date	Length of activity Wks	Responsibility
2.3	Develop procurement contracts for identified (N)SSIs supplies	1/1/2016	13	Prov Head-SWPU
2.3.1	Advertise National and provincial contracts for all approved (N)SSIs items	1/1/2016	2	
2.3.2	Hold briefing sessions to share relevant info with prospective service providers	1/18/2016	1	
2.3.3	Adjudicate on shortlisted suppliers	1/25/2015	4	
2.3.4	Appoint ucessful service providers	2/22/2016	1	
2.3.5	Develop transversal contracts on all items identified for national and provinces	3/1/2016	7	
2.4	Facilitate finalization of provincial Service Level Agreements (SLAs).	1/1/2016	13	Provl Head-SWPU
2.4.1	Determine what services will require SLAs at the provinces	1/1/2016	4	
2.4.2	Advertise for potential service providers to bid	2/1/2016	2	
2.4.3	Conduct briefings to and share all relevant ifnformation to prospective service providers	2/15/2016	3	
2.4.4	Adjudicate on shortlisted service providers	3/7/2016	4	

5 Transversal convenience contracts to capture procurement savings (4/4)

Detailed Activities		Planned start date	Length of activity Wks	Responsibility
2.5	Conduct monitoring and evaluation of all contracts and SLAs	1/1/2016	N/A	Prov Head-SWPU
2.5.1	Set up a data collection tool on the utilzation of contracts	…	N/A	…
2.5.2	conduct facility and district offices for support and M&E	…	N/A	…
2.5.3	Analyze data and generate reports monthly	…	N/A	…
2.5.4	Determine procurement contract performance trends.	…	N/A	…
3	**Coordination of Contract Management nationally**			**A3**
3.1	Establish a National Contract Management forum	1/1/2016	8	National SWPU
3.1.1	Request provinces to submit nominations for candidates for appointment	1/1/2016	2	
3.1.2	NDoH appoints members of the National coordinating committee	2/1/2016	2	

INITIATIVES

5 Implementation timeline: Transversal convenience contracts to capture procurement savings

1000-feet plan

	2015-2016	2017-2018
Main activities	1. Establishment of a Contract Management unit at Provincial level (Wide Sector Procurement Unit) 2. Develop different contracts through which supplies and services can be procured 3. Establish the existence of a framework for contract adherence/ compliance and M&E by the DoH	4. Determine which contracts are to be agreed at NDoH and Provincial levels 5. Establish a process of implementing new contracts and managing existing contracts
Targets/ milestones	1. Number of established functional Units at provinces 2. Number of contracts that meet the procurement needs of the clinic	3. Policy framework for compliance and or M&E 4. List of items contracted at different levels (NDoH or Province) 5. Guideline developed to manage the interfacing of contracts

Contents

Key Performance Indicators to track progress of the initiatives (1/2)

				Target					
	#	KPI description	Base-line	2014/15	2015/16	2016/17	2017/18	2018/19	KPI Owner
	Initiative specific Key Performance Indicator								
Procurement	1.1	Turnaround time for procurement of NSSIs per province/district	42 days	30	21	11	11	11	Chief Financial Officer, NDOH
	1.2	Turnaround time for procurement of Services and Equipment per province/district	63 days						
	1.3	% of total Number of primary health care facilitiy managers with SCM and financial delegations	0	0	500	3507	3507	3507	CFO, NDOH
	1.4	Percentage of PHC Facilities per province/district with R2000.00 petty cash	0	0	500	3507	3507	3507	CFO, NDOH
	1.5	Number of PHC facility managers per province/district trained on SCM and PFMA							CFO, NDOH
Demand forecasting	2.1	Percentage of Clinics with Demand Forecast aligned with the Budget	None	10%	50%	80%	90%	100%	DM, District
	2.2	Percentage of Clinics within the District with electronic inventory management system	None	10%	60%	90%	95%	100%	DM, District
	2.3	Percentage of Clinics per District receiving medicine and standard stock items through a push system and non-standard items through the sub-district procurement unit	None	0	50%	75%	80%	90%	DM, District
	2.4	Percentage of Clinics per District with medicine availability visible	None	15%	60%	90%	100%		DM, District
	2.5	Percentage of Clinic orders per district for non-standard stock items not processed through the sub-district procurement unit	100%	90%	50%	10%	5%	5%	DM, District
	2.6	% Availability of non-negotiable standard stock items per facility	85%	85%	85%	85%	85%	85%	Fac Man, Facility
	2.7	% availability of medicine items per faciities	90%	90%	90%	90%	90%	90%	Fac Man, Facility

Key Performance Indicators to track progress of the initiatives (2/2)

				Target					
	#	KPI description	Base-line	2014/15	2015/16	2016/17	2017/18	2018/19	KPI Owner
	Initiative specific Key Performance Indicator								
Distribution	3.1	% of all Clinics (with the capacity -staffing, storage space, receiving area and geographical location) who are receiving deliveries of medicines and standard stock items directly from suppliers	5%	25%	50%	75%	85%		Chief Director (SWP-NDOH), DoH
	3.2	% of all Clinics where all medicine supplies are still supplied exclusively from a warehouse/depot)	95%	75%	50%	25%	15%		DM, DoH
	3.3	% of all Clinics receiving all supplies through a cross-docking facility	0	10%	15%	25%	50%		Chief Director (SWP-NDOH), DoH
	3.4	Distribution costs as a percentage of value of goods supplied to all facilities in the district	5% of value of goods delivered	5%	5%	4%	4%	4%	FM, DoH
	3.5	% of orders delivered on scheduled date	50% on time deliveries	80%	90%	90%	90%	90%	DM, DoH
	3.6	% of facilities able to track progress of all procurements	0	0%	10%	25%	40%	50%	DMPU, Chief Director (SWP-NDOH)
Catalogue	4.1	% of standard and non-standard items procured included in the national catalogue	0	10	10	10	10	10	CFO, NDOH
	4.2	% of SSIs and NSSIs not covered in contracts for which maximum prices have been determined not more than 12 months ago	0	1	1	1	1	1	CFO, NDOH
Contracting	5.1	Number of provinces with established functional Sector Wide Procurements Unit (SWPU).	0	0	9	9	9	9	Head of National SWPU, NDOH
	5.2	% of high-spending goods and services for which contracts have been awarded.	0	0	40%	80%	100%	100%	Head of SWPUs, Provinces + NDOH