

Results-Based Financing to Strengthen Central Medical Store Performance in Mozambique

Rena Eichler, PhD

Broad Branch Associates

* Slides adapted and adopted from Kevin Pilz, USAID
Mozambique

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Incentives to strengthen central medical store performance in Mozambique

- What?
 - “Government to Government” grant between USAID and the Central Medical Store, CMAM
- Why?
 - Long term & significant USG investments in commodities and supply chain TA
 - Evidence of improvements in performance indicators not clear

Same old strategy was not working!



Where do breakdowns in developing country public supply chains occur?

- 1) Planning
- 2) Procurement
- 3) Receive at the port
- 4) Central store
- 5) Distribution
- 6) Sub-national level store
- 7) Service Delivery Point
- 8) User



Photo by Maria Miralles, Angola 2010

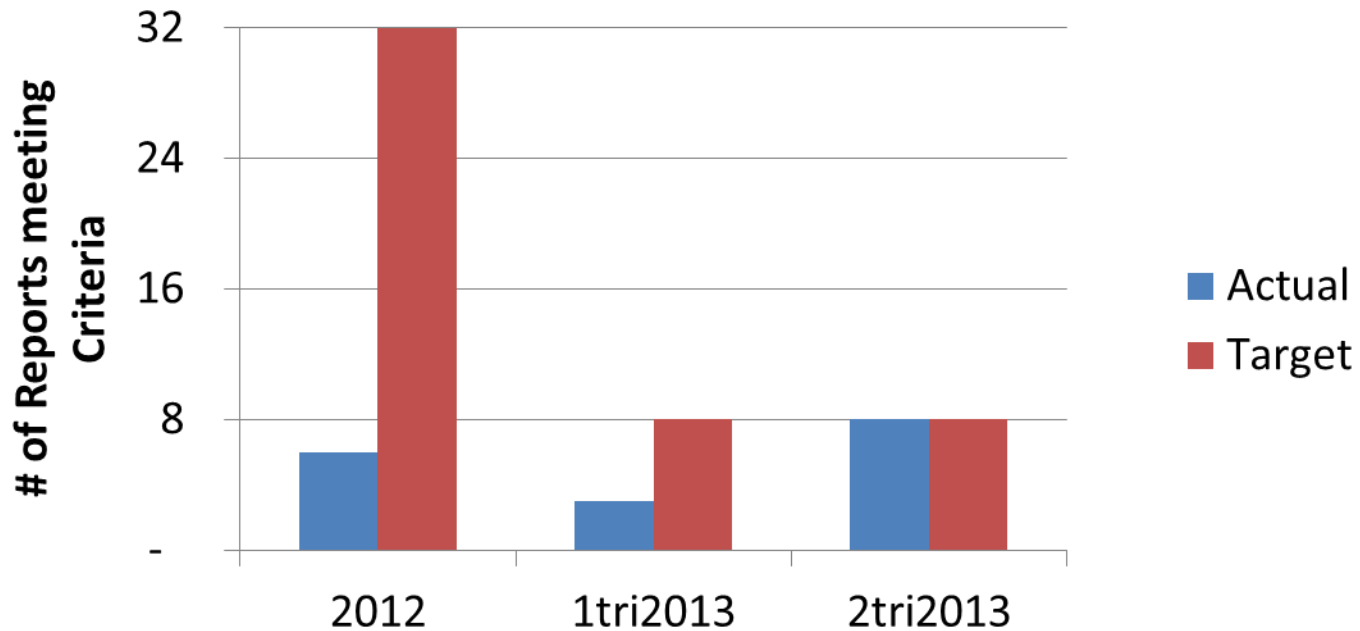
Design process

- RBF and supply chain experts facilitated a design workshop that:
 - Explained the concept of RBF
 - Explained the USAID grant mechanism (FARA)
 - Supported functional teams in CMAM to develop indicators and performance targets.
- Develop into a grant agreement which included: payment terms, performance baselines and targets, and documentation for verification.

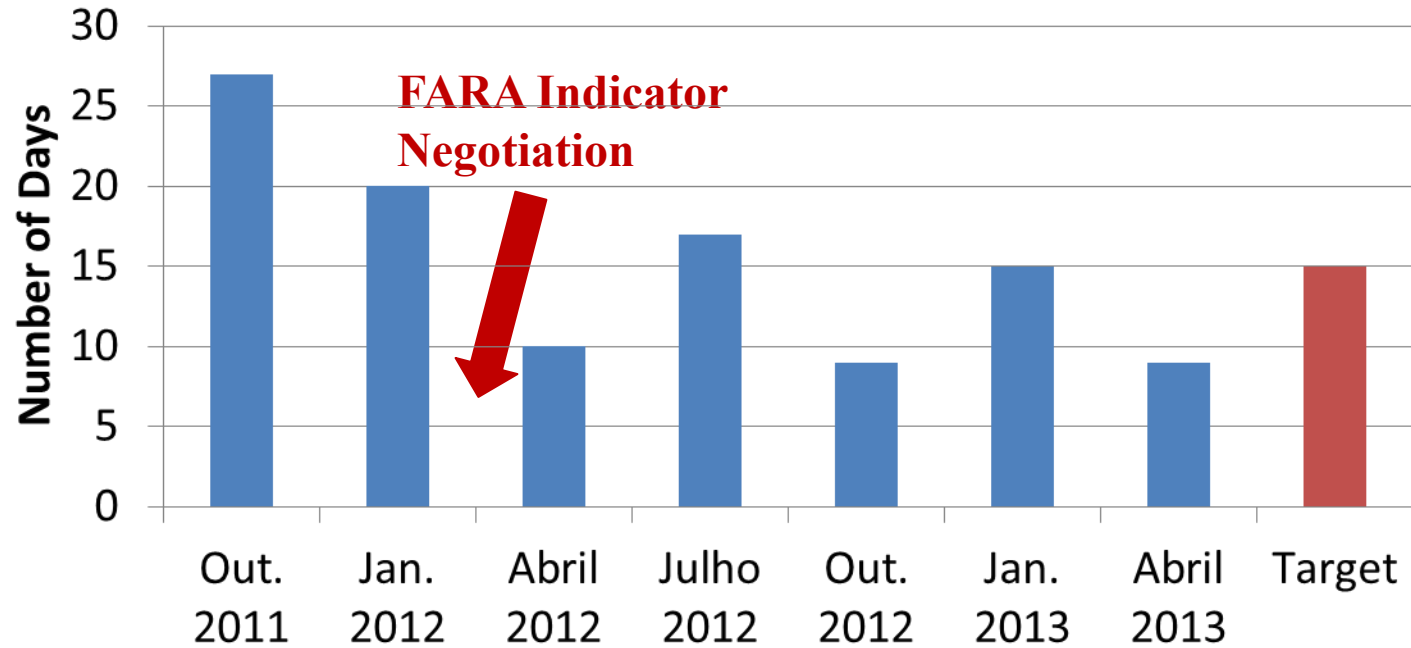
How is the grant structured?

- 1 year grant with 4 quarterly cycles
- Possibility to earn up to \$125,000 per cycle
- 5 indicators with targets (each worth \$25,000):
 1. Annual quantification of supply needs and quarterly updates for supply planning meet predetermined criteria
 2. Order cycle time to analyze orders and plan distribution is 15 days or less (efficiency)
 3. Time to prepare and dispatch products is 35 days or less (efficiency)
 4. Order packing accuracy is 90% +.
 5. Stock Accuracy target increases each quarter (from 75% to 84% by Q4).

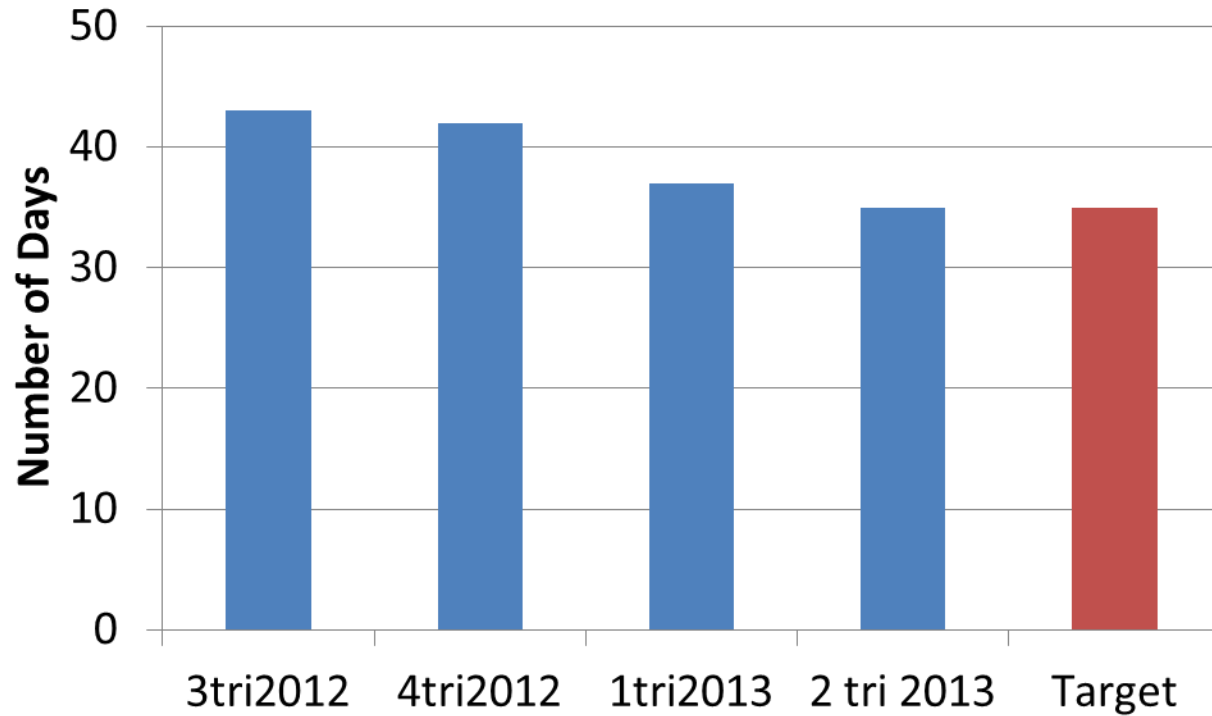
Annual quantification and quarterly update reports for supply planning



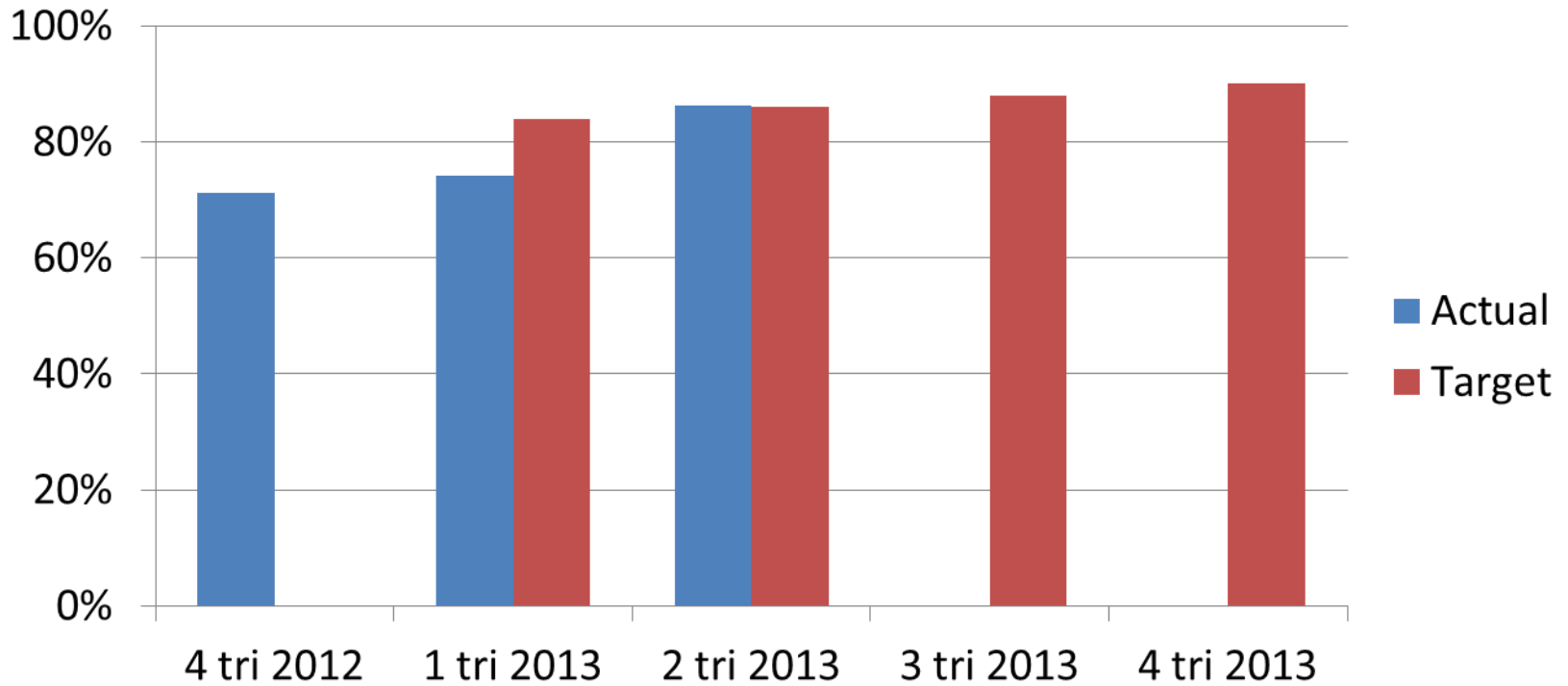
Distribution Planning Time



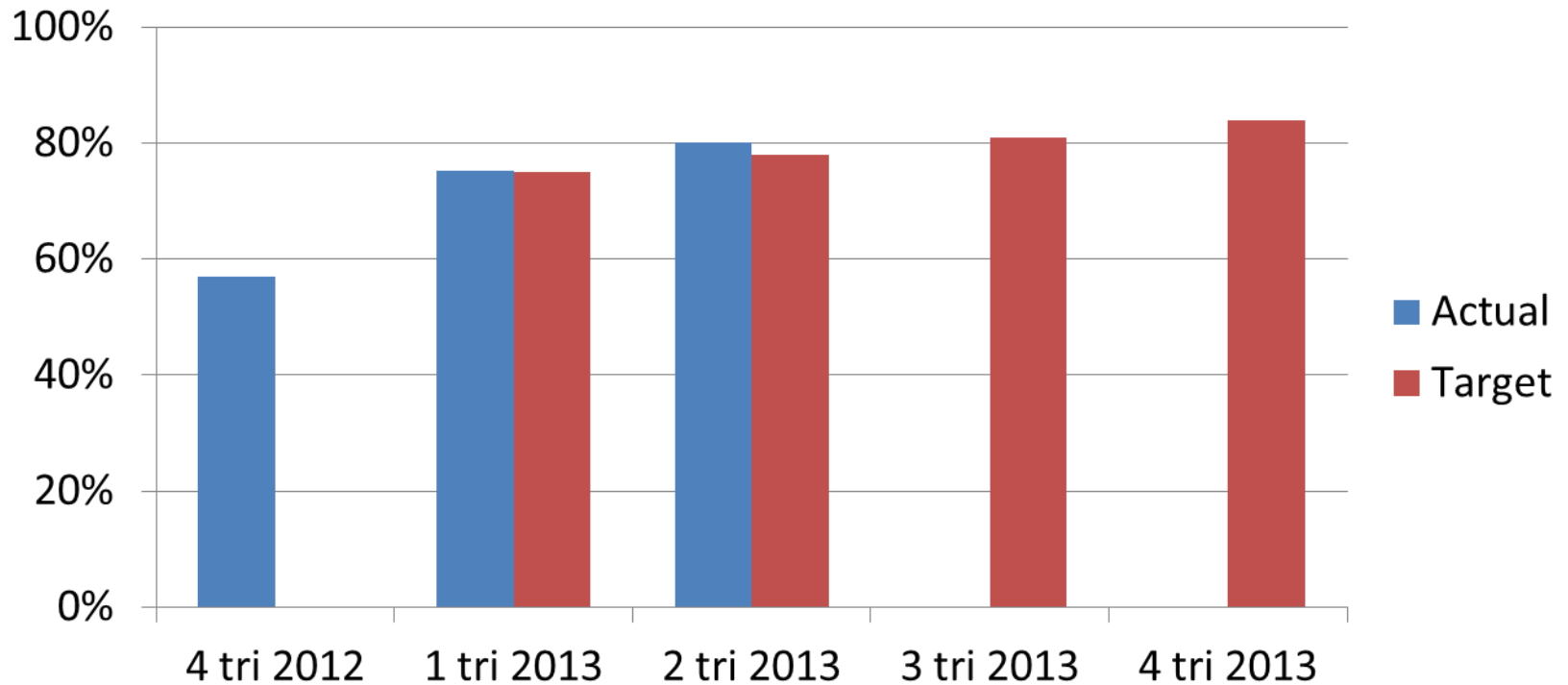
Dispatch Time



Pick Accuracy



Stock Accuracy (within 1% tolerance)



How is CMAM using the performance payment?

- FARA provides flexibility and autonomy to the grant recipient. No reporting on spending required, just on results.
- CMAM Management Committee decided on use with approval by Director
- In Q1 funds were used for:
 - Infrastructure/Security improvements to warehouses
 - Purchase of supplies and materials (e.g., laptops, network hardware)
 - Travel costs (accompany Global Fund in assessment/data verification)
 - Staff Salary Incentives
 - Workforce Environment Improvements

Impact at Staff Level

- CMAM staff are more motivated
 - Frequent discussion of FARA at all levels of organization
- CMAM staff highly focused on FARA indicators
 - Prioritized within CMAM Monitoring Plan
- Breaking “culture of excuses”
 - First quarter “excuses”: “Explain that we didn’t meet the target because of X, which was *beyond our control*”
 - *Trucks didn’t arrive on time*
 - *Provinces didn’t sent requisition on time*
 - *Distribution Sector got pack sizes wrong*
- Staff striving for results with concrete deadlines

Impact at Organizational Level

- Establishment of formal Monitoring and Evaluation Unit in CMAM
- Single harmonized supply chain monitoring plan
- CMAM institutional interest in Performance Management and Improvement
- Greater financial flexibility – able to fill long-awaited needs
- Fill part of financing gaps
 - Estimated gap for 2013 for CMAM operations - \$1.7 million

Next Steps

- FARA for 2014 is being designed.
- Program learning in early 2014 to assess benefits and challenges in current FARA
- Complement the World Bank coming supply chain strengthening project.

Over to Saul...