

**Logistics Management Division
Department of Health Services/MoHP**

**A Three-day Retreat Programme on
Supply Chain Communication**

Programme Completion Report

Submitted to:

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1. Background of the Retreat Programme

With a very success story of the Nepal Health Sector Programme-1 implemented from July 2004 to mid-July 2010, the Ministry of Health and Population (MoHP) - with the assistance of external development partners (EDPs) - designed a second phase of Nepal Health Sector Support Programme (NHSSP) 2010-2015 aiming to improving the health services for the people of Nepal. The NHSSP recognizes that procurement is a critical governance and health systems issue and if it is not well managed, it will inhibit governance of the whole health sector. However, over the years, many changes and development have been seen at MoHP and Department of Health Services (DoHS). A brief overview of the changes and development appeared at the MoHP and DoHS has been given in Annex 1.

Currently, Logistics Management Division (LMD) – a division of DoHS - is responsible for the majority of goods procurement, contract management, warehouse storage across all levels – central, regional and district - and onward distribution to more than 4000 health facilities with its nearly 200 staff members, staff about 70-80 are at Teku and the remaining are at regional and district warehouses/store facilities.

Recently LMD has been restructured and four different Units namely, Procurement, Contract Management, Warehouse and Bio-Medical Units which are directly involving in the supply chain activities have been set up. The reason for restructuring LMD was to ensure coordination and communication among concerned units/sections, departments, divisions and centres involved in the supply chain. The Procurement Unit conducts needs assessment, forecasts and plans for actual procurement and drafts contracts. The Contract Management Unit prepares contracts, opens LCs, performs bidding activities, arranges/ prepares the necessary documents for advanced payments and payments for shipments, re-schedules the date for the shipments, prepares and submits documents for final payments and informs the regional warehouses about the shipments. Warehouse staffs are responsible for receiving goods and assuring the quality, properly storing the commodities, managing warehouse stock and ensuring delivery to the selected third party distributors and/or arranging for distribution by LMD's own as well as outside vehicles. Recommending for acceptance of delivered goods is the responsibility of the Bio-Medical Unit with the support of warehouse managers as per the pre- shipment/ post shipment reports and specifications of the products/commodities. Currently, information among the four main groups are not properly communicated using information communication technology (ICT).

While most of the goods pass through the central warehouse and then onwards – some consignments are delivered directly to the regional warehouses and a limited quantity of goods goes from central to district warehouses or directly to end-users. No study has been done on the dis/advantages and implications of such direct deliveries mentioned above.

Although certain non-codified procedures are followed, there are limited written guidelines underpinning the supply chain process and transparent real-time data are not fully available.

With these caveats, LMD with the help of NHSSP organized a retreat programme on 'Supply Chain Communication' for the contract managers and central and regional warehouse managers to understand behavioural relationship, develop harmonized working relationship and create conducive environment between contract managers and warehouse managers so that quality goods can be delivered to the right place at the right time. To conduct the

retreat programme, NHSSP decided to hire an external consultant to facilitate the entire programme and report to the Senior Procurement Adviser (the ToR of the Consultant is given in Annex 2).

2. Objectives of the Programme

The main objectives of the retreat programme were to (a) review and develop a clearer insight on roles and responsibilities of the staffs involved in the contract management and central and regional warehouse management thus leading to more effective communication, improved warehouse/storage, minimized storage problems, efficient distribution systems to service delivery points, availability of health commodities, and (b) identify basic requirements for ICT systems to be put in place and technical solutions for goods identification, which will allow the warehouse managers and the end-users to identify when their goods will be received, delivered, planned and managed accordingly.

3. Scope of the Retreat Programme

In order to achieve these objectives, the programme covered and focused on the following areas:

- Improvements of physical and communication flows in the supply chain from contract signing to receipt of the goods by the end-user.
- Behavioural change and relationship building within and between the contract management and the warehouse groups of LMD.
- Improvements in the communication between the LMD contract management group and the DoHS's finance section.
- The requirements for an ICT system for contract management.

4. Retreat Programme Methodology

At the initial stage of the programme Dr. Astrid Thygesen, the Senior Procurement Adviser (SPA) briefed about the retreat programme to the facilitator. The facilitator also met and discussed with Mr. K. B. Chand, the Deputy Director of LMD; Ms. Nirupama Rai, the AID Development Program Assistant, Office of Health and Family Planning/USAID; Mr. Umesh Gupta, Program Officer of USAIDDELIVER PROJECT and Mr. Yogendra Neupane, Contract Manager of LMD about the major challenges/gaps experienced so far with regard to supply chain communication, particularly between contract management unit and warehouse management units at all levels: central, regional and district. Based on the findings of the review meetings and with the help of SPA, a draft sketch for supply chain processes basically from contract signing to commodities acceptance at the bottom level, i.e., health/sub-health posts was prepared in order for discussion and to better understand both the communication and commodities flows at the supply chain process. The programme was organized from April 6 to 8 2013 at Dhulikhel Lodge Resort, Kavrepalanchowk (programme schedule is given in Annex 3).

5. Retreat Programme Proceedings

Day One

Deputy Director of LMD Mr. K. B. Chand inaugurated the programme and highlighted the objectives of the programme. In the beginning, all participants (a list of participants is provided in Annex 4) introduced among themselves and their contribution to, and expectations from, the programme were discussed and recorded. After the introduction the facilitator explained his roles (to systematically facilitate group discussions, to encourage participants to put and share their views and experiences, and to manage time for discussions), participants' roles (to be punctual on time, to actively participate in the discussion, to listen actively), and some group norms (to respect to each other, to put own views with respecting other's views, not interrupting in between the interaction, giving positive feedback first, etc) were agreed to be followed during the entire sessions and discussions. The facilitator also set a climate to make ease for the participants and briefly explained the importance of 'building trust and working in teams'.

After the introductory session, a brief introduction to the supply chain process was given to the participants to warm-up their mind and to prepare them ready for the group discussion. All participants were asked to form in three groups: contract managers, central warehouse managers, and regional warehouse managers. All group members were requested to discuss and identify their current roles/key functions, major issues/challenges/gaps for performing a good job, and present their group works in the plenary session. However, due to the long discussion in the groups the presentation of group works could not be done on the first day. Therefore participants were requested to prepare in the evening to present their group works for the next day. Thus, the facilitator closed the first day session with the announcement of reception in the evening.

Day Two

The second day session was started with the review of the previous day activities by two participants followed by the group work presentation. Each group, in turn; presented their group works on current roles/key functions, major issues/challenges/gaps in the plenary session followed by the floor discussion (please see Annex 5 for detailed roles, functions, and tasks identified by each group). After group presentations Dr. Astrid Thygesen, Mr. Umesh Gupta, Ms. Nirupama Rai, and Mr. Narendra Shrestha briefly presented about the contribution and future plan of NHSSP, USAID|DELIVER PROJECT, USAID's upcoming project Health for Life Logistics (H4L Logistics), and UNICEF respectively. Further, Dr. Astrid Thygesen and Mr. Umesh Gupta briefly presented the supply chain thinking with indicators of MDG, NDHS and SLTHP and participants were divided into three mixed groups among contract managers, central warehouse managers and regional warehouse managers. Then the groups were asked to discuss and develop a map of LMD supply chain system from the contract is signed to the commodities arrival at the service delivery points.

The groups were also asked to discuss and identify which issues/challenges/gaps they find on the supply chain map that they developed, and which solutions and changes they would like to address. The mixed groups presented their group findings in terms of major challenges/gaps and what needs to be done in order to harmonize and coordinate with each other for supply chain activities with their sections and units. Participants discussed on all presentations, provided feedback and suggestions, and made necessary changes to each

other's presentations (please refer Annex 6 for the challenges and gaps on the supply chain map and solutions and changes suggested by the participants).

Day Three

Day three activities were also begun with the previous day's review by the participants. The participants were asked to assemble in their first day's three groups: contract managers, central warehouse managers, and regional warehouse managers to develop a plan of actions to be implemented to bring changes in their units. Three groups developed their plans of actions based on the challenges and gaps they identified in the previous day's exercise and presented in the plenary session. The implementation plans presented by each group were thoroughly discussed and finalized (Annex 7 presents the implementation plans prepared by the participants).

After the presentation of the implementation plans by the groups, the Deputy Director of LMD Mr. Chand shared the supply chain model and experience of Tanzania where he recently attended a training programme on "Overview of Supply Chain Management". He also showed some photos of Medical Store Department (like RMS of Nepal) of Tanzania.

In the context of experience sharing, Mr. Heem Shakya, Team Leader from USAID DELIVER Project briefly presented and highlighted the assistance provided by the USAID for improving service delivery, trainings for DoHS/LMD staffs for capacity development, training for inventory management, and so on. He also briefly informed about the development of Master Plan for the overall improvement of supply chain management system and service delivery in the health sector, support for coordination and communication among programme components, monitoring and evaluation system design, and so on. Similarly, Mr. Rabin Regmi from USAID DELIVER Project briefly shared with the participants the present status of Logistic Management Information System (LMIS) and explained how it is currently working.

Mr. Narendra Shrestha from UNICEF shared his experience and successes of designing and implementing a supply chain model of Nigeria and measures which can be considered in the Nepalese context too.

Finally, Dr. Astrid Thygesen, the Senior Procurement Adviser reinforced the importance of defining and developing insight in, and mutual understanding of, key roles and functions of all units of LMD involved in the supply chain process that eventually help in avoiding conflict of interest among the LMD sections. She briefly shared major findings of her recent field visit to TWH, Pathalaiya and RMS /District Store Hetauda. Further, she presented a supply chain management model from international perspective for input to develop an ideal supply chain. She also emphasised the need to improve the demand forecasting and to inform the staffs involved in the supply chain about the consolidated annual procurement plan.

At the end of the last session, the facilitator arranged for and conducted the closing ceremony. In the closing event, on behalf of participants Mr. Laxmi Shrestha, Regional Medical Store, Dhangadi thanked to the programme organizer and expressed his views that it would be better if few things learnt from the programme could be implemented positively. He showed his commitment to implement as per the implementation plans prepared in the programme. In turn, Mr. Narendra Shrestha from UNICEF appreciated for the action plans developed by the participants and said he is ready to help in any stage of

implementing the plan of actions. Similarly, Mr. Heem Shakya from USAID DELIVER Project requested all participants to move ahead as per the plans developed keeping end-users/beneficiaries in the centre.

The Senior Procurement Adviser Dr. Astrid Thygesen highly appreciated for the active participation of the participants. She said that the programme remained highly successful and achieved more than what was expected. She also indicated the need to work together by all EDPs and support DoHS/LMD in order to bring synergic impact in improving basic health service delivery in Nepal.

At the end of the closing event, Mr. K. B. Chand, the Deputy Director of LMD said that the programme (a) fully achieved its objectives, (b) provided opportunity to discuss and identify their issues/challenges/gaps in their service delivery, and (c) helped think ways to improve their performance. He further added that they would achieve their objectives if they applied their learning in their job. He assured the participants that he would request LMD Director and other programme divisions to create environment where all EDPs would come in and support in LMD's mission. At last, he thanked all involved in the programme design to implementation. Thus, the programme ended with warm aura.

6. Major Findings

Although participants of the retreat programme put their mixed views on the current practices of supply chain communication, efforts have been made to analyze information and draw following findings based on the outputs of the group discussions¹.

The participants of the retreat programme revisited their key roles, functions and tasks for Contract Management, Central Warehouses (Teku and Pathalैया), and Regional Medical Stores (RMSs). The main roles and functions of Contract Management Section were seen to include contract sending, opening and closing Letter of Credit (LC) and settling individual contract, re-scheduling and time extension, management of bid and performance security, coordination with warehouses, etc. Central Warehouses' (in Teku and Pathalैया) main functions are receiving of goods, commodities, equipment, etc. as planned, quality assurance, preparing entry reports, supply management of drugs and commodities as per the programme division's distribution list.

Similarly, Regional Medical Stores (RMSs) receive and store commodities, supply commodities as per the pull and push systems, supervise and monitor district medical stores, manage overstocked drugs in the district stores, and inspect and control quality (post-shipment). The detailed roles, functions and tasks of LMD's Contract Management Unit and Warehouses (central and regional) are presented in Annex 5. The discussions in the groups and in plenum recognized the need to clearly define the roles and responsibilities of managers involved in the supply chain management process.

In a separate mixed groups' discussion participants developed a map of LMD supply chain management steps starting from the contract signing to the commodities arrival at the service delivery points.. They also identified major issues/challenges/gaps that have prevented them from being effective and doing good jobs and solutions for changes.

¹ All the outputs of the group discussions are put in the annexes in details.

The supply chain management map was developed showing the flows of commodities and information communication. Based on the developed supply chain management map, major issues/challenges/gaps related to physical infrastructure and communication improvement, behavioural change and positive attitude development, ICT, concerned programme divisions, warehouse management, finance and procurement, and staff motivation and capacity development were diagnosed and identified.

Among the issues mentioned few issues were more related to tasks done from other sections, such as the procurement section, under LMD. These included (a) less involvement in the demand forecasting, (b) less knowledge of the Consolidated Annual Procurement Plan, and (c) mostly lacking information on changes in expected deliveries. Unnecessary challenges and constraints in the supply chain process also included the time delays which occur as a consequence of delayed appointments of pre-shipment and post-shipment inspection agents by the procurement section.

Similarly, the groups also suggested issues/problems-wise measures/solutions for improvement. The main issues/challenges of LMD's supply chain management and their measures/solutions for improvement are presented in Annex 6. Of these, the main suggestions focus on the need for capacity enhancement, but suggestions for IT databases, one-door supply systems and improved supply chain planning were key suggestions frequently mentioned.

On the last day's group discussion three functional groups (contract managers, central warehouse managers, and RMS managers) developed their plan of actions based on the challenges and gaps they identified in the previous day's exercise in order to bring changes in and improve their performance. Annex 7 presents the implementation plans prepared by the groups. The plans, developed by the participants, show that there is engagement and a keen interest among the participants in taking part in improvement of the communication in the supply chain.

In total, the retreat programme remained highly successful in terms of awareness building of the participants and knowledge and mutual understanding of the key roles and functions of the Contract Managers and Warehouse Managers, as well as of communication and cooperation gaps, which require attention in the future. Similarly, the programme largely contributed in clarifying and identifying issues/challenges/gaps faced by the warehouse managers and contract managers.

The issues raised in the retreat programme were related to (a) clear and specific staff motivation and capacity development plan, (b) clear job description, (c) positive attitudes for harmonized coordination among the LMD sections, (d) clear written guidelines for supply chain management, and (e) inter-sectional coordination among LMD sections and between LMD sections and DoHS's divisions/centers.

7. Recommendations

With reference to above findings, this programme completion report has the following recommendations:

- Key challenges of LMD at present are the staff motivation and enhancement of their professional capacity. In order to address this, the LMD is strongly suggested to conduct a training need assessment followed by a plan that ensures that the capacity

enhancement is implemented and a clear and specific human resource development (HRD) policy developed. For this, it is suggested to organise workshops, retreat programmes, seminars, and on-the-job training programmes. It is also recommended to exposure visits to other countries to share and gain experience.

- The work plans, developed by the participants with a great enthusiasm during the retreat, show that they are keenly interested in taking part in developing their own job areas. In order to better implement the work plans developed by the participants, LMD may require technical backstopping guidance and support.
- Establishment of an increased level of inter-sectional coordination among LMD sections and between LMD sections and DoHS's divisions/centers is also suggested with the purpose of improved coordination in the supply chain. Here, a series of workshops and retreat programmes for concerned DoHS/LMD staffs are suggested.
- Written guidelines to all steps of the supply chain, including the responsibilities for quality assurance, communication and commodities flows are highly desirable.

8. Ways to Move Forward

It is suggested that LMD organize a range of workshops between the Contract Management staffs and staffs working in the procurement section, DoHS divisions, and DoHS finance section to improve internal coordination mechanism (focusing on developing feedback mechanism, timely sending contracts and receiving payment documents, monitoring warehouses) at LMD.

In addition to this, a series of regular meetings should be organized to basically share knowledge and discuss about the problems/issues the managers faced and find out solutions to those problems. This will not only improve internal cooperation and coordination but also develop team spirit which will eventually help develop LMD as a 'learning organization'².

Finally, LMD should be supported by EDPs in designing of job descriptions of contract management unit involved in the supply chain management. If LMD keeps it in the priority, this can be linked and developed simultaneously with the guidelines for the one-door supply chain management system.

² 'Learning Organization' is an organizational environment which provides managers opportunities to constantly grow and develop their career.

Annexes:

Annex 1: A Brief Overview of the Changes and Development at the MoHP and DoHS³

In 1993, MoHP's most of the vertical programmes were integrated under the umbrella of the DoHS, and LMD under DoHS was established to timely provide quality commodities to the Nepalese people. However, LMD only provides support to those divisions directly under DoHS, while MoHP's other departments, divisions and centres carry out their own procurement.

In 1994, the Ministry of Health and Population (MOHP), with technical assistance from JSI, USAID and other external donors, began a process to institutionalize an effective health logistics system for the public sector. The Logistics System Improvement Plan (LSIP) was jointly developed by MoHP, JSI, USAID, and CDC in early 1994. Under the LSIP, the storage infrastructure was improved, distribution rationalized, a Logistics Management Information System (LMIS) developed and put in operation, and logistics standards and procedures established at central, district, and sub-district levels. By 2006, stock outs had declined to below seven percent (from 40 percent in 1994) and this increased availability of health commodities improved service quality and gained Nepal recognition as having successfully established an effective health logistics system. Since 2002, NFHP, NFHP-II and USAID|DELIVER PROJECT has continued to provide technical assistance to support the MoHP's overall logistics system.

LMD has a well functioning, integrated, and robust LMIS that is reliable, effective, and being used for logistics decision-making, forecasting, inventory management, pipeline monitoring, procurement and prevention of stock-outs up to the health facility level. Monitoring and using LMIS data for informed decision-making ensures availability of health commodities. The web-based LMIS and IMS have been introduced up to the district store level since 2008.

Commodities storage practice helps ensure the quality of drugs and other commodities and improves their distribution to service delivery sites. At present 54 district storerooms and one cold room have been constructed with the support from KfW and 5 storerooms have been constructed with DFID support.

Training on pull system (demand-based system) has been conducted in all 75 districts as well as below the district level.

NFHP, NFHP-II and USAID|DELIVER PROJECT with close coordination with National Health Training Center (NHTC) and LMD have worked to institutionalize logistics and LMIS training for health personnel including FCHVs. Trainers from NHTC and LMD were trained. NHTC and RHTC (Regional Health Training Centers) have been conducting logistics training for all staffs.

³ Provided by the LMD

Annex 2: ToR of the Consultant

TERMS OF REFERENCE FOR A SHORT TERM EXPERT TO IMPROVE THE CONTRACT MANAGEMENT ACTIVITIES IN LMD

1. BACKGROUND

The Government of Nepal is committed to improving the health status of its citizens and has made impressive health gains despite conflict and other difficulties. The Nepal Health Sector Programme-1 (NHSP-1), the first health sector-wide approach (SWAp) in Nepal, ran from July 2004 to mid-July 2010. It was very successful and brought about many health improvements. Building on these successes, the Ministry of Health and Population (MoHP) and its external development partners designed a second phase of the programme (NHSP-2, 2010-2015), which began in mid-July 2010. NHSP-2's goal is to improve the health status of the people of Nepal. Its purpose is to improve the utilisation of essential health care and other services, especially by women and poor and excluded people.

Technical assistance to NHSP-2 is being provided from pooled external development partner (DFID, World Bank, AusAID) support through the Nepal Health Sector Support Programme (NHSSP). NHSSP is a three-year programme (2010–2013) funded by DFID and managed and implemented by Options Consultancy Services Ltd and partners, with the possibility of a further two-year extension. NHSSP is providing technical assistance and capacity building support to help MoHP deliver against the NHSP-2 Results Framework.

The following are the key areas of NHSSP support:

- Health policy and planning;
- Health systems and governance;
- Human resources for health;
- Health financing;
- Gender equality and social inclusion;
- Essential health care services;
- Procurement and infrastructure;
- Monitoring and evaluation;
- Aid effectiveness.
-

2. SPECIFIC BACKGROUND

The Logistics Management Division (LMD) was established under the Department of Health Services (DoHS) in 1993 for the purpose of integrating all of MoHP's health logistics systems within one division. Currently, however, LMD only provides support to those divisions directly under DoHS, while MoHP's other departments, divisions and centres carry out their own procurement.

LMD is responsible for the majority of goods procurement, contract management, warehouse storage and onward distribution to more than 4000 health facilities. Annual procurement conducted by LMD in 2012-13 is expected to exceed NPR 1 billion (GBP 7 million). Of LMD's nearly 200 staffs members, 70-80 are based in Teku and the remainder at regional and local warehouses/store facilities.

LMD has four main groups of staff members at Teku directly involved in the supply chain activities: procurement staffs, contract management staffs, biomedical engineers and warehouse staffs. The procurement team's responsibilities include needs assessment, the actual procurement activities and contract drafting. The contract management team's responsibilities include arranging for advanced payments, payments on shipment, final payments, and general contract management. Warehouse staffs are responsible for receiving goods, managing warehouse stock and ensuring delivery to the chosen third party distributor or arranging transport by LMD's and MoHP's own vehicles. Recommendation for acceptance of delivered goods is the responsibility of the biomedical engineer(s). Currently, communication between the four main groups is mainly verbal with limited use of IT integration tools.

The finance unit under DoHS is also crucially involved in the supply chain through disbursing: advanced payments, on-shipment payments and on-acceptance payments to the suppliers. Payments frequently create problems with the suppliers and can cause delay or non-delivery of the commodities. There are limited written guidelines underpinning the supply chain process and, although certain non-codified procedures are followed, there is a lack of real-time data and transparency that requires immediate attention.

LMD manages two central warehouses, Teku and Pathalaiya, as well as five regional warehouses. The contract managers are in frequent contact with all warehouses and act as a point of information for the warehouse managers in regard to amounts to be delivered and time of delivery. Whilst most of the goods pass through the central warehouse and then onwards – some consignments are delivered directly to regional warehouses and a limited quantity of goods goes from central to district warehouses or directly to end-users. No analysis has been recorded institutionally that measures the size, content, or challenges related to these aggregated flows and no strategy seems to have been developed to perform this critical monitoring task.

3. RATIONALE

Several reports prepared under NHSP-2 show that end-users (clinics and hospitals) frequently lack essential drugs and equipment, including the STS-2012. A number of reasons contribute to this including: poor management, lack of oversight, deliberate strategies for personal gain, and poor communication between warehouse staffs and LMD's contract management group. There does not appear to be any type of IT system in place to support reporting, management and analyses of the flow of goods from contract signing to the end of the distribution chain. This assignment seeks to improve communication between warehouse staffs and LMD's contract management group.

4. PURPOSE AND OBJECTIVES OF THE ASSIGNMENT

This assignment will provide insight into the challenges in cooperation between the contract management group and the warehouse management group of the LMD. It will also provide the contract managers with useful insights into the operational procedures (both formal and informal) of warehouses and what the warehouse managers' expectations are of contract managers. This assignment will improve the warehouse managers' knowledge of what the key tasks and responsibilities of the contract management group are and identify gaps in communication and knowledge.

The short term consultant shall facilitate this workshop and ensure that participants obtain knowledge and understanding of each other's' tasks as well as agree on how cooperation can be improved. The facilitator shall be added by expertise from a variety of technical advisors in attendance. Furthermore, the consultant will facilitate a half day workshop with contract managers and their cooperation partners from the DoHS finance unit to discuss whether and how cooperation can be improved.

Based on the workshop retreat and recommendations from technical advisors, a further objective will be to agree the requirements of an open IT system for contract management, which will allow the warehouse managers and the end-users to identify when their goods will be received and delivered and allow them to plan/mitigate accordingly.

The retreat will focus on:

Improving the physical and communication flows in the supply chain from contract signature to receipt of goods by the end-user through establishing written procedures to be followed, identifying IT systems to be put in place and technical solutions for providing goods identification.

Behavioural change within and between the LMD contract management and the LMD warehouse groups.

Improvements in the communication between the LMD contract management group and the DoHS's finance unit to ensure efficient payment to suppliers, thereby avoiding delays in delivery.

The requirements for an IT system for contract management.

Through these focus areas; the retreat aims to provide clarification of the task/roles of: the contract management group; different warehouse management groups (central, regional and district warehouses); and partners involved in the supply chain (user-entities, biomedical engineers, quality assurance laboratories, distributors, district warehouses, and health facilities).

5. TASKS

The assignment will involve four main groups of activities and the consultant will have an active role in the facilitation/implementation in all four:

Preparation of a draft for supply chain processes, including written procedures, from contract signing to acceptance by the end-user, including communication with suppliers, finance unit, biomedical engineers, distributors and other relevant partners.

Planning and implementing with the Crown Agents' (CA) team and USAID representatives of a two-night/three-day retreat/workshop for the contract management and warehousing group to:

Re-define the supply chain processes from the draft created;

Establish the requirements for an IT system to facilitate the link between contract management and warehouse/distribution;

Identify equipment and technology that is required to provide operational processes and procedures, from LMD contract managers to end-users, such as barcodes, phone-apps;

Create work procedures agreed to by both groups.

Develop an implementation plan with action points for improved communication between contract management group and warehouse management groups.

A half day external workshop for LMD's contract management group and DoHS's finance unit, where the two groups can identify problems in their cooperation and agree on improved work processes.

All activities will take place in close cooperation with one of the CA's Senior Procurement Advisers (SPAs), a USAID supply chain management specialist and UNICEF Procurement & Supply Chain Manager.

6. DELIVERABLES

The external consultant will take upon her/him the following tasks:

Interview around 15 participants in Kathmandu (Teku) based on a semi-structured questionnaire developed by the SPAs. The purpose is to obtain understanding of the work challenges of the interviewees and to gather suggestions for how it can be improved;

Write a report (in English) summing up on the finding from the interviews, discuss these findings with the SPA and based on the findings prepare the facilitation of the retreat;
Facilitate/manage the retreat according to programme. The facilitator shall ensure that the input required is obtained and that all participants are allowed to come up with relevant issues important to them. The facilitator should ask questions and 'lead' the participants based on the knowledge obtained from the interviews.
Draft a report (in English) based on the findings from the interviews, the change processes suggested/required and the findings at the retreat, including suggestions for actions points, which LMD's management can build on.
Prepare and conduct one half day workshop for the contract management group and finance unit. Afterwards write a brief report (in English) on the challenges for the two groups' cooperation and suggest ways forward.

The consultant will work closely with LMD's Deputy Director Chand and Crown Agents' Senior Procurement Officer, Astrid Thygesen, as well as participate in one pre- and one post retreat meeting with UNICEF's Procurement & Supply Manager, Narendra Shrestha, and consultant Umesh Gupta from Deliver, USAID.

7. TIMEFRAME

A total of 13 days are available for this assignment. The assignment is scheduled to take place in April 2013.

8. REPORTING

The consultant will report to the CA SPAs, David Hepburn on administrative matters and Astrid Thygesen for technical direction. The consultant will work closely with USAID staff and Astrid Thygesen in all steps of the task.

The consultant will be briefed at the outset of the assignment by the CA team, and provided with relevant reports about the current situation in LMD regarding contract management, warehousing and distribution.

9. QUALIFICATIONS, COMPETENCIES AND SKILLS REQUIRED

The successful candidate will be a qualified facilitator with vast experience from conducting research and workshops for Nepali public sector government staff. The candidate will hold a higher level education in public sector management and training/education. The consultant should be fluent, in Nepali and English both written and spoken.

Annex 3: Programme Schedule

SUPPLY CHAIN COMMUNICATION *Contract Managers / Warehouse Managers*

Programme

6th April 2013

11.00 Departure LMD

13.00 Lunch

14.30 *Welcome the dignitaries on the dais, Deputy Director to LMD Mr. K.B. Chand*

Self introduction of all

Introduction to the background for the programme

15.45 Coffee / Snacks

16.00 *Brief introduction to the supply chain,*

Group Exercise: Make a presentation of the group's work area. Point to the main challenges for performing a good job.

Groups are:

The five contract managers

Teku and Pathalaya central warehouse manager

The five regional warehouse managers

17.00 *Presentation in plenum*

Presentation of the projects assisting LMD:

NHSSP

USAID/DELIVERPROJECT

Upcoming project from USAID: H4L

Unicef

19.00 Reception

20.00 Dinner

7th April 2013

09.00 *Summing up and introduction to this morning's programme*

Introduction to the supply chain thinking

Astrid Thygesen

Umesh Gupta

Group Exercise: Develop a map of LMD's supply chain from the contract is signed until the commodities arrive at the Health Posts. Show in the mapping:

The flows of the commodities

The flows of information / communication

Remember to map the relations with the suppliers and the transporters

The groups are mixed groups each with at least one contract manager, one from central warehouse, and one from the regional warehouses

Presentation in plenum

10.30 Coffee / Snacks

11.00 *Presentation in plenum continued.*

13.00 Lunch

14.15 *Ideas from international projects for input to develop an ideal supply chain*

Brief presentations by Narendra Shrestha and Astrid Thygesen

Exercises in mixed groups:

Based on the supply chains developed during the morning session, the groups discuss which challenges they see in the present supply chains and which solutions and changes they would like to see.

16.00 Coffee / Snacks

16.15 *Presentation in plenum from each group followed by discussion*

19.30 Dinner

8th April 2013

09.00

Summing up and introduction to this morning's presentations.

Brief presentation of the LMIS

Plenum – questions and discussion about LMIS

Presentation of the ideas to design a Contract Management IT system and discussion

on what it should include

10.30 Coffee / Snacks

10.45 *Plenum discussion: Which action points do each of us take with us home*

12.00 *Summing up of discussions during the workshop and how we go forward*

Closure of the workshop

13.00 Lunch

14.30 Departure

Annex 4: List of Participants

SN	Name of the participants	Position/ Work Area	Location
1	Mr Bharat Shah	Incharge	RMS,Biratnagar
2	Mr Raman Jha	Incharge	RMS,Hetauda
3	Mr Buddhi Raj Kafle	Incharge	RMS,Butwal
4	Mr Narad Prasad Sahani	Incharge	RMS,Nepalgunj
5	Mr Laxmi Kumar Shrestha	Incharge	RMS,Dhangadhi
6	Mr Yogendra Neupane	Contract Management	LMD, Teku
7	Mr Shankar Prasad Kandel	Contract Management	LMD, Teku
8	Mr Satya Deo Yadav	Contract Management	LMD, Teku
9	Mr Ashesh Regmi	Contract Management	LMD, Teku
10	Mr Gobind Bista	Storekeeper	LMD, Teku
11	Mr Krishna Upreti	Storekeeper	LMD, Teku
12	Mr Chitra B Chauhan	Computer Officer/IT- Contract Management	LMD, Teku
13	Mr Surya Bahadur Khadka	Incharge	TWH, Pathalaiya
14	Mr Mohan Shah	Storekeeper	TWH, Pathalaiya
15	Mr Bishnu Baskota	Med. Equipment Store	LMD, Teku
16	Mr Ram Babu Bhandari	Store Keeper	LMD, Teku
17	Mr Krishna Pd. Subedi	Cold Chain Store	LMD, Teku
18	Mr Mahendra Prasad Lakaul	Store Keeper	LMD, Teku
	Facilitators		
19	Dr Dil Prasad Shrestha	Consultant (Facilitator)	NHSSP
20	Mr K B Chand	Deputy Director	LMD, Teku
21	Dr Astrid Thygesen	Senior Proc. Adviser	NHSSP
22	Mr Umesh K. Gupta	Program Officer	USAID DELIVER PROJECT
23	Mr Narendra Shrestha	Head of Proc & Supply	Unicef
24	Ms Nirupama Rai	AID Development Program Assistant	USAID/ Nepal
	Just for lunch/dinner first day		
25	Mr David Hepburn	Senior Proc. Adviser	NHSSP
26	Bhim Raj Angdembey	Driver	NHSSP
	Just for lunch last day		
27	Mr Rabin Regmi	Program Officer/LMIS	USAID DELIVER PROJECT
28	Mr Heem S. Shakya	Team Leader	USAID DELIVER PROJECT

**Annex 5: Current Roles/Key Functions and Tasks of LMD Contract Management Unit,
Central Warehouses and Regional Medical Stores (RMSs)**

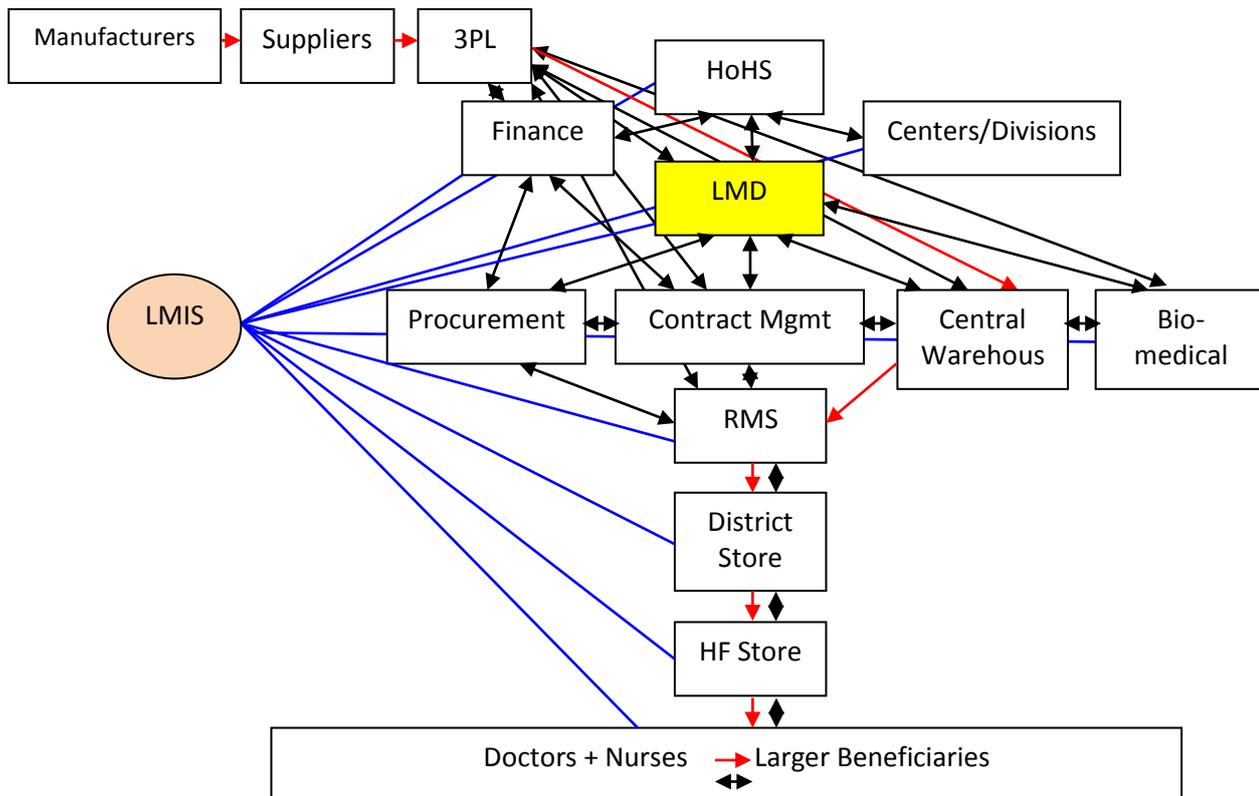
LMD Section/Unit	Key Roles, Functions and Tasks
Contract Management Section	<ul style="list-style-type: none"> • Perform contract • Information about pre-shipment agent • Contract sending • LC opening • Re-scheduling and time extension • Management of bid and performance security • Collection, examination and forward of Dakhila, invoice and other customs duties related documents. • LC close and settlement of individual contract • Coordination with warehouses
Central Warehouse (Teku and Pathalaiya)	<ul style="list-style-type: none"> • Receiving of goods, commodities, equipments • Quality assurances • Prepare Dakhila reports (receipt notes) • Storage of commodities as per storage guidelines • Supply management of goods, commodities • Distribution of goods as per program division's distribution list
Regional Medical Stores (RMSs)	<ul style="list-style-type: none"> • Receive and store commodities • Supply commodities as per the pull and push systems • Supervise and monitor district medical stores • Manage overstocked drugs in the district stores • Timely packaging of drugs/commodities • Timely reporting and recording • Quality inspection and control (post-shipment)

Annex 6: LMD's Supply Chain Management, Challenges/Gaps on the Supply Chain and Solutions and Changes Suggested by the Participants

LMD's Supply Chain Management (Commodities and Information Flows)

Legends:

- Flow of Commodities
- ↔ Two-Way Flow of Information
- Direct Link with LMIS



Major Issues / Challenges	Solutions/Suggestions for Improvement
Contract Management Section	
<p>For improving the physical and communication flows:</p> <ul style="list-style-type: none"> • Unclear job description of contract management staff • Uncomfortable working rooms and environment • Lack of active roles on forecasting, demand collection and preparation of procurement plan • No timely appointment of pre-shipment and post-shipment inspection agent • Lack of well co-ordination between procurement section, contract management and warehouses (Central+RMS) 	<ul style="list-style-type: none"> • Provide clear Job description for CM staffs and procurement staff. • Take active participation in forecasting, demand collection, product selection and procurement plan • Appoint pre and post shipment agent in time • Establish a well coordination channel among procurement section, contract management and warehouses (Central+RMS). • Plan with related stakeholders (central, RMS, district, EDPs, and others)

<ul style="list-style-type: none"> • Lack of well planning • No evidence-based needs assessment and forecasting (procurement related) • Poor coordination and communication among related sections/units 	
<p>Relations development (positive attitude development) related:</p> <ul style="list-style-type: none"> • Lack of skills development training and updated knowledge for related procurement and contract management (capacity building of staff) • No provision of motivational activities for staff 	<ul style="list-style-type: none"> • Organize regular skills development training programmes and update knowledge of all supply chain level staff • Organize observation visits and other motivational activities for central and regional warehouse staff.
<ul style="list-style-type: none"> • Inadequate communication between contract management section and finance section • Problem in timely LC opening • Controversial provision in/between tender documents and Public Procurement Act 	<ul style="list-style-type: none"> • Budget should be released in time • Dialogue with Nepal Rastra Bank should be done to reduce the LC opening process • Clarify and make correction of controversial clauses of Public Procurement Act
<p>IT system related:</p> <ul style="list-style-type: none"> • Lack of database system for contract management • inadequate IT Staff 	<ul style="list-style-type: none"> • Design immediately a database system for contract management section • Provide IT Staffs for technical support
<p>Concerned programme divisions and warehouse related issues:</p> <ul style="list-style-type: none"> • Lack of coordination with concerned divisions (No authorized focal person in each programme division) • Problem in re-scheduling and extension of delivery period • Incomplete documents received from warehouses (Dhakhila, invoice) 	<ul style="list-style-type: none"> • Nominate a focal person in each programme division • Clear and complete documents should be sent from the concern warehouses and stores • A task-force team should be formed to strengthen coordination, communication and supply chain systems
Central Warehouse (Teku and Pathalaiya)	
<ul style="list-style-type: none"> • No information about procurement planning and whole year contract • Need assessment of procurement not known to warehouse managers • No coordination among procurement, contract, and warehouse • Problem of space management due to lack of coordination while receiving goods • Distribution list does not reach in time from programme divisions • Insufficient budget for repacking, transportation and maintenance • Lack of enough manpower for loading/unloading • No one-door supply system exists • Poor monitoring and evaluation from centre 	<ul style="list-style-type: none"> • Good coordination between HoHS/LMD procurement section and central warehouse about procurement needs assessment • Information should be shared with central warehouse managers • Supply should be done through one-door system and through RMS • Sufficient budget should be provided in time for repacking, transportation and maintenance
Regional Medical Stores (RMSs)	
<p>Overall problems:</p> <ul style="list-style-type: none"> • Lack of store space • Lack of one door supply system 	<ul style="list-style-type: none"> • District plan should be applied • Implement one-door supply system • Timely supply of commodities

<ul style="list-style-type: none"> • Drugs/commodities not supplied timely by the suppliers • Delay in release of annual budget and authorization letter (Akhtirari patra) • Lack of support staff for web-based reporting • Poor coordination among contract management, delivery/supply, distribution list from LMD • No opportunity for capacity development • Extension of delivery period 	<ul style="list-style-type: none"> • Timely release budget, authorization and release letters • Supportive staff for IT • Timely available of supply contract/ delivery supply and district lists from LMD • Opportunity for capacity development should be provided, e.g., exposure visit, job related skills development, etc. • Extension of delivery period should be prohibited in multi-year contracts
<p>Finance related:</p> <ul style="list-style-type: none"> • Delay in budget release, authorization letter, opening LC, decision making, 	<ul style="list-style-type: none"> • Timely release of budget • Identify alternate bank and negotiate for LC opening • Timely decision by LMD committee
<p>Divisions related:</p> <ul style="list-style-type: none"> • Delay in making procurement plan • Distribution plan not prepared in time 	<ul style="list-style-type: none"> • Timely coordination • Timely prepare and make it available to LMD
<p>Procurement related:</p> <ul style="list-style-type: none"> • Delay in preparing annual procurement plan, receiving no objection letter (NOL), evaluation process 	<ul style="list-style-type: none"> • Timely action by the concerned divisions • Request for shortening NOL process • Active participation by Exe. Committee
<p>Operational level related:</p> <ul style="list-style-type: none"> • No clear job description • No skills development opportunity • Delay appointment of pre-shipment. agent 	<ul style="list-style-type: none"> • Review and revise job description of all LMD staff • Organize an exposure visit for capacity development • Completely filing up entry (dakhila) report by the stores • Timely appointment of pre-shipment agent
<p>Teku, RMSs and Dist. Stores related:</p> <ul style="list-style-type: none"> • Poor coordination • Lack of adequate storing space • Lack of mobilization/transportation budget • No provision of un/loading during rainy season • No provision for overtime • No provision of renting for storage 	<ul style="list-style-type: none"> • Well coordination among focal persons and with stakeholders • Provision of renting for storage • Budget allocation for vehicles • Construction of sheds for un/loading during rainy season

Annex 7: Implementation Plan Prepared by the Participants

For Contract Management

Action	Timeframe		Responsibility	Resources Needed	Support From	Remarks
	Start	Complete				
1. Organize workshop for procurement section, different divisions, finance section, consultants to improve internal coordination	April 3 rd week	(3 days)	Yogendra Neupane Shankar Pd. Kandel	DFID, USAID DELIVER PROJECT, Government	LMD Director	In all programmes Dr. Astrid and Mr. Chand will support us in technical matters
2. Create environment for physical facilities as well as capacity building						
Room management	Last week of April 2013	May 2013	Ashesh Regmi Satya Deo Yadav	DFID, USAID DELIVER PROJECT Government	LMD Director	
Revision of job description	Last week of April 2013	July 2013				
Identify opportunity for skills development	Last week of April 2013	October 2013				
3. Improve coordination and relations with warehouses (through developing feedback mechanism, timely sending contracts and receiving payment documents, visiting warehouses)	2 nd week of April 2013	Continue	Yogendra Neupane	DFID, USAID DELIVER PROJECT, Government	LMD Director	
4. Arrange exposure/exchange visit)	2 nd week of June 2103	Continue	Ashesh Regmi	DFID, USAID DELIVER PROJECT Government	LMD Director	

For Central Warehouse (Teku and Pathalaiya)

Action	Timeframe		Responsibility	Resources Needed	Support From	Remarks
	Start	Complete				
1. Planning with stakeholders	1 st week of Aug 2013	3 rd week of Aug 3013	G. BC/Chitra	10,000.00	LMD Director/D. Director	
2. Needs assessment (of equipment)	3 rd week of July 2013	3 rd week of Aug 3013	Bishnu Baskota	50,000.00	LMD Director/D. Director	
3. Implement one-door supply system	3 rd week of July 2013	Regular	S. B. Khadka	-	LMD Director/D. Director	
4. Monitor and evaluate stores down to region	3 rd week of July 2013	Regular	K. B. Upreti	50,000.00	LMD Director/D. Director	
5. Experience sharing visit (foreign countries)	July 2013	July 2014	M. P. Lakaul	tbc	LMD Director/D. Director	
6. Quality assurance up to HF level	July 2013	Regular	Govind Bista	500,000.00	LMD Director/D. Director	

For Regional Medical Stores (Short-term)

Action	Timeframe		Responsibility	Resources Needed	Support From	Remarks
	Start	Complete				
1. Receive drugs information (contracts, distribution list, etc)	July 2013	Aug 2013	RMS Chief	-	LMD	
2. Receive drugs	1 st QTR of FY	1 st QTR of FY	RMS Chief	-	LMD	
3. Distribution Plan/Repacking	Aug 2013	Sept 2013	Storekeeper	-	RMS Chief	
4. Supply commodities	Oct 2013	Nov 2013	Storekeeper	-	RMS Chief	
5. Supervision and reporting	Monthly	Continue	RMS Chief	-	-	
6. Maintenance of RMS	Yearly	Continue	RMS Chief	tbc	LMD	

For Regional Medical Stores (Long-term)

Action	Timeframe		Responsibility	Resources Needed	Support From	Remarks
	Start	Complete				
1. Implement one-door supply system	2014	-	RMS Chief	-	LMD Director	
2. Need-based quantification/forecasting	2014	Continue	RMS Chief	-	LMIS	
3. Reconstruct store building	2014	2016	LMD	tbc	DoHS	
4. Skills development, exposure, exchange visit in foreign countries	2013	continue	LMD	tbc	DoHS	



Group Picture of the Three-Day Retreat Programme