1. Background and Introduction

This poster reports progress with a performance-based financing (PBF) program aimed at strengthening the supply chain, specifically the performance of the central medical store in Mozambique. The central medical store (Centro de Medicamentos e Artigos Médicos—CMAM) plays the key roles of procurement, warehousing, and distribution of medicines and health supplies for the public sector supply chain. CMAM receives significant US government support for both health commodities and technical assistance. This has led to significant process improvements, but evidence for improvements in performance indicators is not clear.

In January 2013, USAID entered into a year-long government to government grant arrangement that conditions disbursement of tranches of USAID support on specific results at CMAM. The disbursements would take the form of a fixed amount reimbursement award (FARA) of up to $125,000 per quarter ($500,000 per year) if CMAM could demonstrate meeting quarterly targets on six performance indicators. These results were related to planning, distribution, and warehouse management. The aim of the PBF program is to spur innovation and hard work, reduce pilferage, and improve warehousing practices and management.

2. Theory of Change

We hypothesized that the FARA incentive would lead to improved supply chain performance through three pathways:

1. Improved staff motivation and morale due to individual or group bonus payments
2. Improved collaboration between and within CMAM departments due to the need for cooperation among departments in order to achieve the performance targets, and
3. Increased targeted investments in infrastructure, systems and human resources, due to the additional funds available to CMAM through the grant. (See Graphic below)

3. Results

Results of the first year of the PBF program are promising. CMAM consistently achieved performance targets related to planning and distribution, and also made progress on indicators related to warehouse operations.

**PBF M&E Conceptual Framework for Mozambique FARA**

*Performance Indicators*

- Updated quarterly supply plan that meets 3 predetermined quality criteria, for each product group (8 plans per quarter)
- Order processing time for distribution is 15 calendar days or less for essential medicines orders to all 18 Central and Provincial clients of CMAM
- Improved order packing accuracy. (That all items packed and ready for dispatch match packing lists)
- Number of days from receipt of orders to delivery for essential medicines orders to the 18 Central + Provincial clients is 35 days or less
- Improved stock accuracy. (That the stock status of randomly selected health products on the warehouse shelf matches the quantity posted in the computerized warehouse management system)

**Distribution Planning Time**

This indicator was used to monitor the duration from receipt of orders to the availability of a distribution plan for all commodities ordered. The performance target was set at 15 days, and this was met in the 1st quarter of 2013 and exceeded in the subsequent quarters.

**Annual quantification and quarterly update reports for supply planning**

Previously, few forecasting and supply plan reports were regularly updated by CMAM. This indicator led to CMAM providing leadership and ownership of these processes and better collaboration with other stakeholders.

**Order Preparation – Dispatch Time**

This indicator shows that at baseline, it took approximately 60 days for orders to be dispatched from CMAM. Following process changes, there was steady progress on this indicator in 2013, and the performance target was finally achieved in the 3rd quarter.