



NMS
MEDICAL LOGISTICS
Passionate about your Life

NATIONAL MEDICAL STORES

Passionate about Your Life

***ANNUAL PERFORMANCE REPORT
(JULY 2017- JUNE 2018)***

FY 2017-2018

Vision

A population with adequate and accessible quality Medicines and Medical Supplies

Mission

To effectively and efficiently supply Essential Medicines and Medical Supplies to Health Facilities in Uganda

Core Values.

Customer Focus
Operational Excellence
Teamwork
Accountability
Integrity

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ABBREVIATIONS

BCM	-	Business Continuity Management
CSR	-	Corporate Social Responsibility
EMHS	-	Essential Medicines and Health Supplies
LMD	-	Last Mile Distribution
MIS	-	Management Information System
MoFPED	-	Ministry of Finance, Planning and Economic Development
MoH	-	Ministry of Health
NMS	-	National Medical Stores
FY	-	Financial Year
PERD Act	-	Public Enterprises Reform and Divestiture Act.

OUR ADDRESSES

PRINCIPAL PLACE OF BUSINESS.

Plot 4-12, Nsamizi Road
P.O. Box 16
Entebbe.

REGIONAL CUSTOMER CARE OFFICES.

GULU REGION

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KAMPALA REGION

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MOROTO REGION

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AUDITORS

The Auditor General
Office of the Auditor General
P.O. Box 7083
KAMPALA.

SOLICITORS

K & K Advocates
SRK House, Plot 67 Lugogo Bypass
P.O. Box 6061
Kampala.

1.0 BOARD CHAIRMAN'S FOREWORD

The Financial Year 2017/18 had a few challenges, mainly availability of enough funds to Procure, Store and Distribute Essential Medicines and Health Supplies (EMHS).

The introduction of the HIV "Test and Treat" Policy, without corresponding provision of resources continues to be a challenge.

At the beginning of the Financial Year, 12 targets were set in the Operating Plan. The Performance against these targets by the close of the financial year was satisfactory.

Given that majority of the challenges encountered in FY 2016/17 had been resolved going into FY 2017/18, performance for this Financial Year has greatly improved. However, the proposed migration to full use of Integrated Financial Management System (IFMS) in the FY 2018/19, without due consideration of the peculiar circumstances and operations of the Corporation can adversely affect future service delivery. Case in point is the requirement to spend only through IFMS without taking into consideration service charges which are receivable from Development Partners through Commercial Banks. This is in addition to lack of a Development Budget Appropriation by Parliament for Infrastructure Development.

The Board, Management and Staff of National Medical Stores undertake to double our efforts so as to continue improving Service Delivery FY 2018/19.



Dr. Christine D. J Ondo
FOR: BOARD CHAIRMAN

2.0 BOARD OF DIRECTORS AND MANAGEMENT STRUCTURE

2.1 The membership of the Board of Directors during the reporting period was comprised as follows:-

- | | | |
|---------------------------------|---|--|
| 1. Dr. Philip B. Byaruhanga | - | Board Chairman. |
| 2. Mr. Justinian Niwagaba | - | Chairman Public Relations,
Human Resource and Administration
Committee / Board Member. |
| 3. Mr. George Omunyokol | - | Chairman Audit & Risk
Management Committee / Board
Member. |
| 4. Dr. Alfred Driwale | - | Chairman Technical,
Planning and Development
Committee / Board Member. |
| 5. Dr. Patrick Kerchan | - | Chairman Finance, Procurement,
Marketing and Logistics Committee
/Board Member. |
| 6. Ms. Pamela Purity E. Blessed | - | Board Member. |
| 7. Ms. Sarah Nyombi Nansubuga | - | Board Member. |
| 8. Dr. Patrick Tusiime | - | Board Member. |
| 9. Mr. Emmanuel Osuna | - | Board Member. |
| 10. Mr. Laban Mbulamuko | - | Board Member |
| 11. Ms. Naome Kibaaaju | - | Board Member. |
| 12. Mr. Simplicious Wagaba | - | Board Member. |
| 13. Mr. Moses Kamabare | - | Board Member/General Manager. |

2.2 The Management of the Corporation was comprised as follows:-

- | | | |
|-------------------------------|---|--|
| 1. Mr. Moses Kamabare | - | General Manager and Chief Executive Officer. |
| 2. Mr. Apollo Newton Mwesigye | - | Secretary to the Board. |
| 3. Mrs. Edith N. Kakuba | - | Chief Finance and Accounts Officer. |
| 4. Mr. Johnny Byohangiirwe | - | Chief Human Resource and Administration Officer. |
| 5. Mr. Paul Okware | - | Chief Stores and Operations Officer. |
| 6. Mr. Anthony Ddamba | - | Chief Client Services Officer |
| 7. Mr. Alfred Natamba | - | Chief Procurement Officer. |
| 8. Mr. James Masawi | - | Chief Internal Auditor |
| 9. Mr. Kakwemeire Atanasius | - | Chief Pharmacist. |

3.0 CORPORATE GOVERNANCE

- 3.1 National Medical Stores (NMS) is a Statutory Corporation set up under the National Medical Stores (NMS) Act (CAP 207) with the mandate to Procure, Store and Distribute Essential Medicines and other Medical Supplies of good quality, primarily to the Public Health Facilities. Section 8 of the NMS Act vests the Governance of the Corporation in the Board of Directors.

3.2 Board of Directors

3.2.1 The Board of Directors bears the ultimate responsibility for the organization and administration of the Corporation. Its work and responsibilities are governed by the National Medical Stores Act, the Public Enterprise Reform and Divestiture Act (PERD Act) and the Corporate Governance Best Practices. During the period, the Board was comprised of Thirteen (13) members including the General Manager/Chief Executive Officer. Apart from the General Manager/Chief Executive Officer, all the other Directors are independent and non-executive.

3.2.2 Secretary to the Board

Section 12 of the NMS Act provides for the position of the Secretary to the Board. The Secretary to the Board takes custody of the seal of the Corporation and provides both Secretarial and Logistics Support to the Board of Directors. The Secretary to the Board also ensures timely provision of information to all Directors, drawing and serving notices of meetings, drawing Board Work Plans and taking of minutes at all Board and Board Committee meetings.

3.2.3 Functions of the Board

The functions of the Board are spelt out in Section 10 of the NMS Act. These are:-

- a. to formulate and review the policy of the Corporation having regard to its purposes as set out in this Act;
- b. to set targets for the annual performance of the corporation both in terms of public service and financial results;
- c. to appraise and evaluate the performance of the management of the Corporation;
- d. to make recommendations to the Minister regarding the appointment, performance and dismissal of the general manager of the Corporation and the terms of his or her appointment;
- e. to appoint, appraise and discipline senior members of the staff of the Corporation;
- f. subject to the limitations of this Act, to determine the organizational structure and staffing of the Corporation;
- g. to establish its own procedures and to approve an operations manual for the internal operation of the Corporation on the basis of a draft submitted by the management committee and to approve proposals for modifications to the operations manual;
- h. to perform any other functions relating to the above functions as the Minister may direct

3.2.4 Duties and Conduct of the Board

The Board exercised high standards of integrity and ethical conduct in carrying out its functions. To this end, each Board members ascribed to a Code of Conduct as a conformation to his/her commitment to ethical conduct. The Code of Conduct articulates the following obligations for each Director:-

- a. To act in the best interests of the Corporation.
- b. To act within his/her powers and not act Ultra vires.
- c. To preserve and protect the confidentiality of the information entrusted to him /her by the Corporation.
- d. To disclose immediately any contractual interests whether direct or indirect.
- e. Not to divert to his advantage any business opportunity the Corporation may be pursuing.
- f. At all times, to act with utmost good faith towards the Corporation.
- g. Not to accept any benefits from Third Parties.
- h. To exercise reasonable care and skill in the performance of his duties.
- i. To exercise independent judgment and oppose any decision or act that may jeopardize the interests of the Corporation.

3.2.5 Meetings of the Board

The Board exercises its Powers through Board Meetings. A Scheduled full Board Meeting is held each quarter. Special Board Meetings are held as and when there is business that cannot wait for the scheduled Board meeting. During the FY 2017/18, four (4) Scheduled Board meetings were held and five (5) Special Meetings were held. Attendance by each Board Member was as follows:-

No.	Board Member	Scheduled Board Meetings (out of 4) attended	Special Board Meetings (out of 5) attended
1.	Dr. Philip B. Byaruhanga	4/4	5/5
2.	Dr. Patrick Kerchan	4/4	4/5
3.	Dr. Alfred Driwale	3/4	2/5
4.	Mr. George Omunyokol	3/4	5/5
5.	Mr. Justinian Niwagaba	4/4	4/5
6.	Mrs. Sarah Nyombi Nansubuga	4/4	4/5
7.	Ms. Pamela Purity Blessed	4/4	5/5
8.	Mr. Simplicious Wagaba	4/4	5/5
9.	Mr. Laban Mbulamuko	3/4	2/5
10.	Mrs. Naome Kibaaaju	4/4	5/5
11.	Dr. Patrick Tusiime	4/4	2/5
12.	Mr. Emmanuel Osuna	4/4	5/5
13.	Mr. Moses Kamabare	4/4	3/5

3.2.6 Board Committees

The Board's work is complimented by Board Committees. During the period, the Board had the following Committees:-

- a. Audit and Risk Management Committee.
- b. Technical, Planning and Development Committee.
- c. Public Relations, Human Resource and Administration Committee.
- d. Finance, Procurement, Marketing and Logistics Committee.

3.2.7 Remuneration of the Directors

The remuneration of the Non-Executive Directors was in accordance with their appointment instruments. The Board Chairman was paid a gross sum of Ug. sh. 2,500,000/= per month, and each Director was paid a gross sum of Ug.sh. 2,000,000/= per month, as Retainer. This sum was subjected to taxation in accordance with the law.

3.2.8 Achievements of the Board

During the period, the following achievements were, among others, registered:-

- a. Adopted the Annual Performance Report for the Financial Year 2016/17.
- b. Adopted the Financial Statements for the Financial Year ended 30th June 2017.
- c. Held the Ground Breaking Ceremony for the Construction of a Modern 30,000 pallet location National Medicines Warehouse in Kajjansi, Wakiso District. Construction works commenced and works are going on as planned.
- d. Attained 90% Stock availability for EMHS and 86% for Tracer items. This was against a target of 75% set by Ministry of Health for the FY 2017/18.
- e. Received a Certificate from UNICEF as a Recognition of exceptional achievement for improvement in EVM [Effective Vaccine Management] Criteria Scores (the highest Score in Africa) and Infrastructure Capacity & Quality. This was a second time.
- f. Provided free Yellow Fever Vaccination to over 90,000 Ugandans as part of NMS' Corporate Social Responsibility (CSR).

3.2.9 Internal Control

The Board ensured that a sound control function was in place to safeguard the Corporation's assets and business. This was done by:-

- a.** Strengthening laid down internal procedures and regulations. Policy documents were reviewed, updated and approved to be used as governance instruments in the operations of the Corporation.
- b.** Strengthening the independent Internal Audit function, which reports directly to the Audit and Risk Management Committee of the Board. The Internal Audit continued to review internal control

systems and reporting on their effectiveness and recommending areas of improvement.

3.2.11 Risk Management

Within the framework of the Corporation's operating activities and functions, an Enterprise Risk Management Framework was continually implemented. Procedures aimed at identifying and evaluating the risks that may affect internal control were enacted and implemented. Risk Champions were facilitated to spearhead their respective departments in risk identification and management.

3.2.12 Business Continuity Management

National Medical Stores (NMS) is committed to continuous supply of Essential Medicines and Medical Supplies to all Public Health Facilities in Uganda at all times, including during times of crisis, through the best use of available resources, proper planning and in accordance with legislative requirements. The Board put in place a framework to ensure that in the event of service interruption, essential services are maintained and normal services restored as soon as possible.

The Board monitored the effectiveness of the approved Business Continuity Policy and Business Continuity Plan. The Policy communicates Business Continuity Management (BCM) framework, responsibilities and guiding principles for NMS to effectively prepare for, and achieve its strategic BCM aim, through times of major crises, service interruption or a disaster.

4.0 FINANCIAL PERFORMANCE

In line with the requirements of the NMS, PERD and PFMA Acts, the Corporation kept proper accounts and records of all its transactions and affairs.

4.1 The financial statements of the Corporation were prepared, in accordance with the International Public Sector Accounting Standards (IPSAS). The following accounting policies were used:

a) Basis of accounting

The Financial statements were prepared under the historical cost convention as modified by the revaluation of assets.

b) Revenue recognition

Revenue comprised the value of medicines and medical supplies dispatched to health facilities. For a fee, Services of the Corporation were offered to the Government of Uganda and the Development Partners.

c) Property, Plant and Equipment

The property, plant and equipment were stated at cost or valuation less accumulated depreciation. Depreciation was calculated on a straight line basis to write-off the assets over their estimated useful live in accordance with the matching concept. The annual rates used for this purpose are as indicated below:

Freehold land	0%
Leasehold land	Amortized over lease term
Buildings	5%
Motor vehicles	25%
Office Equipment	20%
Computers & Software	33.3%
Furniture & Stores equipment	12.5%

d) Inventory

Inventory was stated at the lower of cost and net realizable value. Cost was determined on weighted average basis comprised all costs of purchase and other costs incurred in bringing the inventory to its present location and condition.

d) Provisions

Provisions were recognized where the Corporation had a legal or constructive obligation as a result of past events and it was probable that an outflow of resources would be required to settle the obligation that could be reliably measured.

e) Foreign currencies

Assets and liabilities expressed in foreign currencies were translated into Uganda shillings at rates ruling at the balance sheet date. Transactions denominated in foreign currency were converted at the rates ruling at the dates of the transactions. The resulting differences from translation were posted to the Statement of Financial Performance in the period in which they arose.

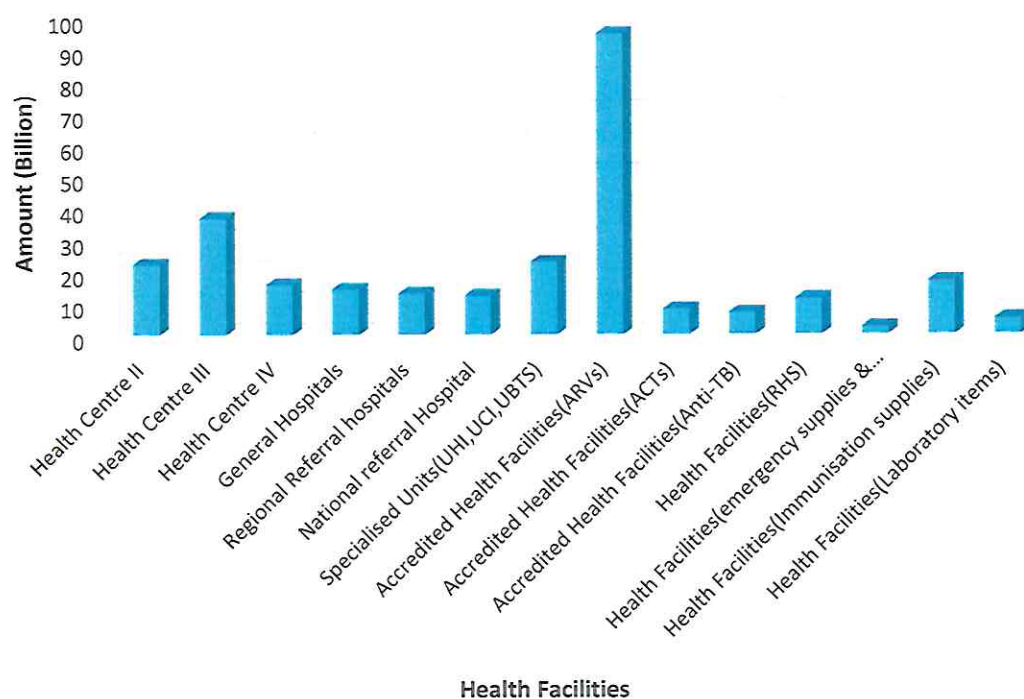
4.2 OPERATING PERFORMANCE INDICATORS.

The Board of Directors, at its **9th Special meeting of the 7th Board of Directors on 21st April 2017** adopted Budget Estimates for 2017-2018 (Operating Plan). The budget was approved by the Ministry Of Finance, Planning & Economic Development on **4th July 2017**.

The table below shows the focus and target areas in accordance with Vote outputs.

HEALTH FACILITIES	AMOUNT UGX (Billion)
Health Centre II	22.3
Health Centre III	36.7
Health Centre IV	15.9
General Hospitals	14.45
Regional Referral hospitals	13.02
National referral Hospital	12.36
Specialised Units(UHI,UCI,UBTS)	23.1
Accredited Health Facilities(ARVs)	94.8
Accredited Health Facilities(ACTs)	8.1
Accredited Health Facilities(Anti-TB)	7.00
Health Facilities(RHS)	11.4
Health Facilities(emergency supplies & donated items)	2.5
Health Facilities(Immunisation supplies)	17
Health Facilities(Laboratory items)	5

TARGET AREAS IN ACCORDANCE WITH VOTE OUTPUTS



4.3 OPERATING PERFORMANCE INDICATORS

The funds appropriated to the Corporation under Vote 116 for the FY 2017/18 amounted to UGX 283 billion. The original amount budgeted for EMHS was UGX 237 billion but later an additional UGX 41billion was availed to cover part of the outstanding payables. UGX 5billion was to cater for UBTS Supplies and UGX 20billion was for domestic arrears. The funds were allocated according to levels of health care aligned to the health sector referral system.

4.4 STATEMENT OF FINANCIAL PERFORMANCE

4.4.1 Revenue

The revenue from Government of Uganda contribution towards medicines and health services registered UGX282 billion. This was 99.46% performance when comparing the actual performance to the adjusted budgeted revenue of UGX 283 billion at the end of the FY 2017/18. The Corporation dispatched Third party medicines and health supplies amounting to UGX 544billion during the financial year.

4.4.2 Charges for Services Delivered

- a. Charges for services delivered yielded UGX 26 billion. Performance level of 124% was registered when compared to the budgeted level of UGX 20.9billion anticipated for the year. This reflects the level of activity that was handled by the Corporation in form of third parties supplies. Most Supplies that were handled were those procured by Uganda Global Fund. Other third party partners included Clinton foundation, UNFPA, CHAI, SCMS and DFID.
- b. During the year, Global fund commodities were front loaded to mitigate the possible stock out of critical items like ARVs. This explains a higher performance by the revenue stream.

4.4.3 Other Revenue

The Corporation registered other revenue of UGX 1.9 billion and most of it was made up of exchange gain of UGX 1.5 billion. The rest was earned from sale of bid documents at UGX 153 million.

4.5 PROCUREMENT OF MEDICINES

The Corporation incurred an amount of UGX 261 billion for procurement of medicines and health supplies. This represents 100% level of performance when compared to the adjusted budgeted amount of UGX 261 billion. This performance was proportionate to the budgeted amount for cost of procurement during the year under review but collates to the performance mark of revenue to which it relates.

4.6 ADMINISTRATIVE AND OPERATIONAL EXPENSES

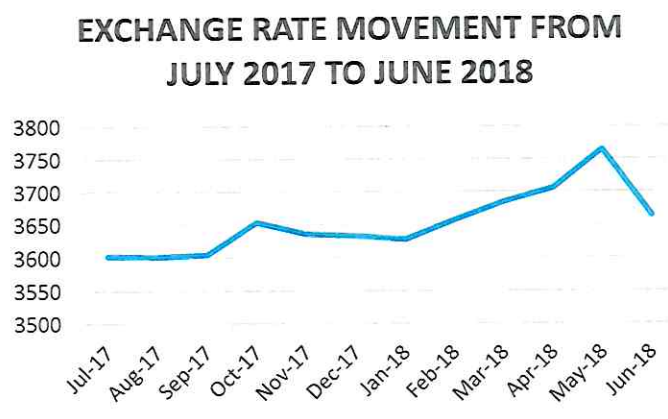
These expenses include Staff expenses, Motor Vehicle expenses, Storage Packaging Distribution, Rent and rates, Utilities, Marketing and Public relations and others. An amount of UGX 41billion including paper expenses like depreciation of assets was incurred in expenses for the year under review.

Most of the expenses kept within the confines of the budget. Performance against the Budgeted accounts can be summarized as follows:-

S/NO.	ITEM	% OF THE BUDGETED SUMS
1.	Staff expenses at	90%
2.	Motor Vehicle expense	119%
3.	Storage Packaging and Distribution	73.78 %
4.	Administration costs	86%
5.	Rent, Utilities and maintenance	86%
6.	Marketing and publications	76%
7.	Professional fees	183%

During the period July 2017- June 2018, the exchange rate of the Shilling oscillated at an average of UGX 3662.08/= per dollar and this caused the registered exchange loss of UGX 774 million.

EXCHANGE RATE MOVEMENT FROM JULY 2017 TO JUNE 2018



MONTH	AVERAGE
Jul-17	3601.32
Aug-17	3600.38
Sep-17	3603.32
Oct-17	3652.46
Nov-17	3634.92
Dec-17	3632.08
Jan-18	3626.13
Feb-18	3655.79
Mar-18	3682.96
Apr-18	3704.21
May-18	3763
Jun-18	3662.08

4.7 SURPLUS

The Corporation registered a surplus amounting to UGX 7.4billion (including depreciation and amortization which are paper expenses).

This favorable variance was because the actual performance was more than the budgeted amounts, in the case of revenue.

An illustration of the Corporation's financial performance which compares the actual performance against the budgeted performance and registers an appropriate variance and the level of performance attained for the FY 2017/18 is relayed in the table below:-

4.7.1 STATEMENT OF FINANCIAL PERFORMANCE AS AT 30TH JUNE 2018

PARTICULARS	ACTUAL AMOUNT	BUDGETED AMOUNT	VARIANCE	LEVEL OF PERFORMANCE
REVENUE	UGX	UGX	UGX	%
Contribution From GOU	282,441,711,318	283,964,466,336	-	99%
Contribution from T/Party	544,614,528,340	400,000,000,000	144,614,528,340	136.15%
Charges For Services Delivered	26,047,385,623	20,934,285,715	5,113,099,908	124%
Other Revenue	1,943,063,266	230,000,000	1,713,063,266	845%
TOTAL REVENUE	855,046,688,547	705,128,752,051	149,917,936,496	1069%
Cost Of Procurement Of EMHS	261,520,103,072	261,247,309,029	-	100%
Cost of Donated Items	544,614,528,340	400,000,000,000	144,614,528,340	136.15%
Staff Expenses	15,940,750,888	17,634,185,225	1,693,434,337	90%
Motor Vehicle Expenses	2,980,225,719	2,501,672,628	-	119%
Storage and Packaging	3,813,689,591	5,168,858,000	1,355,168,409	73.78.%
Quality Assurance Expenses	107,941,107	270,000,000	162,058,893	40%
Administration Expenses	6,777,791,163	7,899,437,400	1,121,646,237	86%
Rent, Utilities & Maintenance expenses	1,168,853,598	1,319,130,000	189,215,952	86%
Marketing & Public Relations	2,155,853,708	2,838,000,000	682,146,292	76%
Professional Fees	787,076,953	430,000,000	-	183%
Incineration Costs	172,121,600	400,000,000	227,878,400	43%
Exchange Losses	774,628,745	2,250,000,000	1,475,371,255	34%
Bank Charges	24,415,091	30,000,000	5,584,909	81%
Depreciation	3,383,253,418	2,539,998,067	-	133%
Non-viable stock	3,458,000,788	-	3,458,000,788	
Operational expenses	41,544,602,368	43,281,281,320	3,371,543,476	92.34.89%
Total Expenses(including cost of medicines	847,679,233,780	704,528,590,349	142,842,156,852	90%
NET SURPLUS FOR THE YEAR	7,367,454,766	600,161,702		

The figure for the total expenses includes cost of procurement of EMHS (NMS stock), depreciation, non-viable stock and exchange loss of UGX 261,520,103,072/=, UGX 3,383,253,418/=, UGX 3,458,000,788/= (NMS and Third party stock) and UGX 774,628,745/=respectively.

4.7.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

PARTICULARS	Note	30/06/2018	30/06/2017
		UGX'000	UGX'000
Non-Current Assets	1	28,692,206	29,832,630
Current Assets			
Cash & Bank	2	33,534,232	18,578,786
Receivables	3	9,817,931	11,825,660
Prepayments and other receivables	4	8,641,323	14,762,866
Inventories(NMS Stock)	5	99,309,062	88,008,571
Inventories(TPT Stock)	5	214,216,175	256,013,731
CDC Balance	10	8,091,650	9,609,915
Total Current Assets		373,610,373	398,799,530
Total Assets		402,302,579	428,632,160
Equity & Liabilities			
Accumulated surplus	6	65,449,864	36,967,118
Revaluation Reserve	7	16,480,112	15,353,832
Capital Grants	8	3,264,379	4,269,240
Government Subventions	9	7,089,751	7,089,751
		92,284,106	63,679,941
Non-current liabilities			
Staff Gratuity Fund	11	746,418	274,423
		746,418	274,423
Current Liabilities			
Payables	12	77,905,927	93,134,334
Deferred Revenue	13	10,442,932	15,529,731
Third Party Stock to dispatch	5	214,216,175	256,013,731
Advance Deposits		6,707,021	
Current Liabilities		309,272,055	364,677,796
Total Liabilities		310,018,473	364,952,219
Total Equity & Liabilities		402,302,579	457,769,180

From the above, the financial position of the Corporation as at 30th June 2018 had a net worth standing at UGX 92 billion.

4.9 ABSORPTION OF FUNDS ON VOTE 116

The Corporation received an amount of UGX 283,964,466,336/= under Vote 116 recurrent budget during the FY 2017/18 and UGX 20,110,430,664/= broken down as in the table below:-

No	Vote output code	Description	Amount Received UGX	Amount spent UGX
1	085906	Supply of EMHS to HC 11 (Basic Kit)	22,326,473,942	22,326,473,942
2	085907	Supply of EMHS to HC 111 (Basic Kit)	36,720,000,000	36,720,000,000
3	085908	Supply of EMHS to HC IV	15,984,000,000	15,984,000,000
4	085909	Supply of EMHS Orders to General Hospitals	14,456,000,000	14,456,000,000
5	085910	Supply of EMHS Orders to Regional Referral Hospitals	13,024,000,000	13,024,000,000
6	085911	Supply of EMHS Orders to National Referral Hospitals	12,365,600,000	12,365,600,000
7	085913	Supply of EMHS to Specialized Units	23,103,629,836	23,103,629,836
8	085914	Supply of Emergency and Donated Medicines.	2,500,000,000	2,500,000,000
9	085915	Supply of Reproductive Health Items.	11,484,763,000	11,484,763,000
10	085916	Immunization Supplies Including Hepatitis B Vaccine	17,000,000,000	17,000,000,000
11	085917	Supply of Laboratory Commodities	5,000,000,000	5,000,000,000
12	085918	Supply of ARVs to accredited facilities	94,891,375,000	94,891,375,000
13	085919	Supply of Anti-Malarial medicines to accredited facilities	8,108,625,000	8,108,625,000
14	085920	Supply of TB medicines to accredited facilities	6,999,999,558	6,999,999,558
		Total Recurrent Release	283,964,466,336	283,964,466,336
	085999	Domestic arrears	20,110,430,664	20,110,430,664
		TOTAL	304,074,897,000	304,074,897,000

Budgets were prepared and monitored using the Programme budgeting system (PBS). The execution was, however, done on the Integrated Financial Management System (IFMS) and all the fifteen outputs for Vote 116 were in accordance with the distinct health care deliverables. **The vote absorption rate at the end of 30th June 2018 was at 100%.**

4.8 DEBTORS MOVEMENT SUMMARY AS AT 30TH JUNE 2018

DEBTORS	CHARGE RATE	BAL B/F 1-JUL-2017	CHARGES	COLLECTIONS	BAL C/F 30-June-2018
UNFPA	10.0%	400,769,832	0	0	400,769,832
CLINTON HEALTH ACCESS INITIATIVE	8.0%	0	194,538,822	(42,957,556)	151,581,267
MINISTRY OF HEALTH	10.0%	7,943,426,507	0	0	7,943,426,507
UGANDA GLOBAL FUND	8.5%	7,745,265,734	20,206,712,198	(22,153,450,668)	5,798,527,264
THE AIDS SUPPORT ORGANISATION	8.5%	0	3,057,561,528	(3,057,561,528)	0
USAID	10.0%	0	2,003,174,713	(2,003,174,713)	0
UGANDA AIDS COMMISSION	10.0%	89,671,401	0	(14,486,379)	75,185,022
UNICEF	8.5%		585,398,362	(585,398,362)	0
NMS GENERAL BRANCH	MEDICINES	205,315,961	0	0	205,315,961
CDC PROJECT	22.5%	8,775,551,759	0	0	8,775,551,759
TOTAL		25,160,001,194	26,047,385,623	(27,857,029,205)	23,350,357,611

5.0 CUSTOMER SERVICE

5.1 In its Customer Service Delivery, the Corporation purposed to:-

- a. Identify and rationalize the priority (XV) items to procure, store and distribute.
- b. Establish and maintain effective procurement planning systems at all levels of care.
- c. Satisfy customers with respect to their needs by segments
- d. Adhere to delivery schedules.
- e. Build capacity of regional offices with the aim of:
 - i. Optimizing speed and quality of customer responsiveness
 - ii. Undertaking targeted, individual and value-adding facility field visits
- f. In collaboration with Ministry of Health (Pharmacy Division), build capacity of facilities on the selection, quantification, procurement and inventory management of EMHS.
- g. Offer advisory services to the government with regard to the needs of EMHS.
- h. Participate, advocate and keep abreast of strategic initiatives in the management of strategic public health programs.

5.2 ASSESSMENT OF FACILITY REQUIREMENTS

5.2.1 Quantification & Procurement Planning FY 2018/19

The Quantification and Planning Cycle commenced as an extension of the FY2017/18 Quantification Report, that identified the following key recommendations:

- i. Promote the rational use of EMHS.
- ii. Determine how to best utilize increasingly scarce budgets.
- iii. Determine the Extra Vital (XV) list of items to plan for, procure and deliver.

5.2.2 To achieve the three above, NMS developed a Morbidity Based EMHS Quantification Tool (EMHS-QT). The objectives of this tool are to:-

- a. Assist Health Facility (HF) managers more objectively and accurately plan for EMHS.
- b. Assist HF managers more objectively and accurately order for EMHS.
- c. Assist Health Facility managers, Ministry of Health and other stakeholders better account for EMHS.
- d. Ensure HF adhere to standard treatment guidelines thus promoting rational EMHS use.
- e. Help determine at HF level and nationally the priority Extra Vital (XV) items to plan for.

5.2.3 After its development, the Tool was:

- a. Tested extensively with Key Stakeholders including Health Facilities, Ministry of Health and Senior Consultants.
- b. Rolled-out and used for the FY2018/19 Procurement Planning exercise.

5.3 NEEDS ANALYSIS (PROCUREMENT PLANNING) FY 2018/19

NMS facilitated the Quantification, by health facilities, for Individual Health Facility needs for the FY 2018/19. The process involved consolidating and costing individual Health Facility Procurement Plans to develop the NMS Procurement Plan and Stock List that is in accordance with the budget appropriated by Parliament plus the contribution of Uganda's Development Partners. Accordingly, the NMS Stock List FY2018/19 consisting of **462 Regular XV** and **975 Special XV** items was developed.

5.4 ORDER MANAGEMENT (RECEIPT AND ENTRY OF FACILITY ORDERS)

132,490 orders (a total of **1,234,913** order lines) were processed in FY2018/19 as follows:

PROGRAMME	Nº of Orders	Nº of Order Lines	% By Orders	% By Order Lines
Third Party Commodities	64,287	229,476	49%	19%
Credit Line Commodities	38,541	886,554	29%	72%
Central Budget Line Commodities (ARV's, ACT's, RH Items)	15,357	25,552	12%	2%
Credit Line Commodities (Laboratory Items)	6,159	61,836	5%	5%
MoH Emergency Budget Lines	5,658	24,159	4%	2%
Vaccines	2,435	7,034	2%	1%
GRAND TOTAL	132,437	1,234,611	100%	100%

- Orders from Clients were scrutinized at Regional offices prior to their encoding at Head Office in order to adhere to facility procurement plans.
- Orders submitted in full and on time were 98% over the period **(98% against 95% target in the NMS Corporate Plan)**

5.5 COMPLAINT AND FEEDBACK MANAGEMENT

Handling of Customer/ Health Facilities complaints were as indicated below:-

- Nº of **registered** complaints - **1,684**
- Nº of **closed** complaints - **1,675** **(99%)**
- Nº of **unresolved complaints** in investigation - **9** **(1%)**
- Discrepancy rate** 1,684/132,437 (1% vs target of 4.5% in the NMS Client Services Manual)

It took an average of 6.1 days taken to resolve complaints in the period. This was against a 30days target that was set in the Strategic Plan.

6.0 PERFORMANCE AGAINST THE PROCUREMENT PLAN

6.1 Procurement of Essential Medicines and Medical Supplies

Requirements for all Essential Medicines and Medical Supplies were on framework contracts and stock was delivered by issuing of Call-off Orders as and when stock was required.

The summary of the actual procurements:-

CATEGORY	VALUE (UGX)
Medicines	15,787,196,465
Sundries and Laboratory Supplies	17,425,408,917
NMS Operational Items	7,662,874,497
TOTAL	40,875,479,879

6.2 Compliance with the “Buy-Uganda-Build-Uganda” Policy

NMS complied with the PPDA guidelines on Reservation Schemes for Local Manufacturers. All locally manufactured items were sourced directly from the manufacturers. Suppliers were encouraged to update NMS whenever new items were introduced in their product portfolio.

The Table below shows the values of orders made to Local Manufacturers:-

No.	MANUFACTURER NAME	VALUE OF STOCK DELIVERED
1.	Abacus Parenteral Drugs Limited(APDL)	12,990,163,480
2.	ASTEL Diagnostics Ltd	962,493,760
3.	Cipla Quality Chemical Limited	118,239,339,777
4.	Kampala Pharmaceutical Industries Ltd	8,807,308,900
5.	RENE Industries Ltd	10,041,041,435
6.	Saraya Manufacturing (U)Limited	58,913,040
7.	Mutuma Commercial Agencies	1,093,542,000
8.	Southern Range Nyanza Ltd	3,299,854,000

No.	MANUFACTURER NAME	VALUE OF STOCK DELIVERED
9.	Kwality AfroAsia Ltd	215,817,060
10.	MANS Plastics Ltd	348,375,500
	TOTAL	156,056,848,952
	<i>% of the total value of stock received in FY 2017/2018 that was from Local manufacturers.</i>	55%

7.0 AVAILABILITY AND DISTRIBUTION OF EMHS

7.1 Stock Availability

The Corporation purposed to ensure that through the regular monitoring of stock levels, adequate quantities of medicines were available at all times.

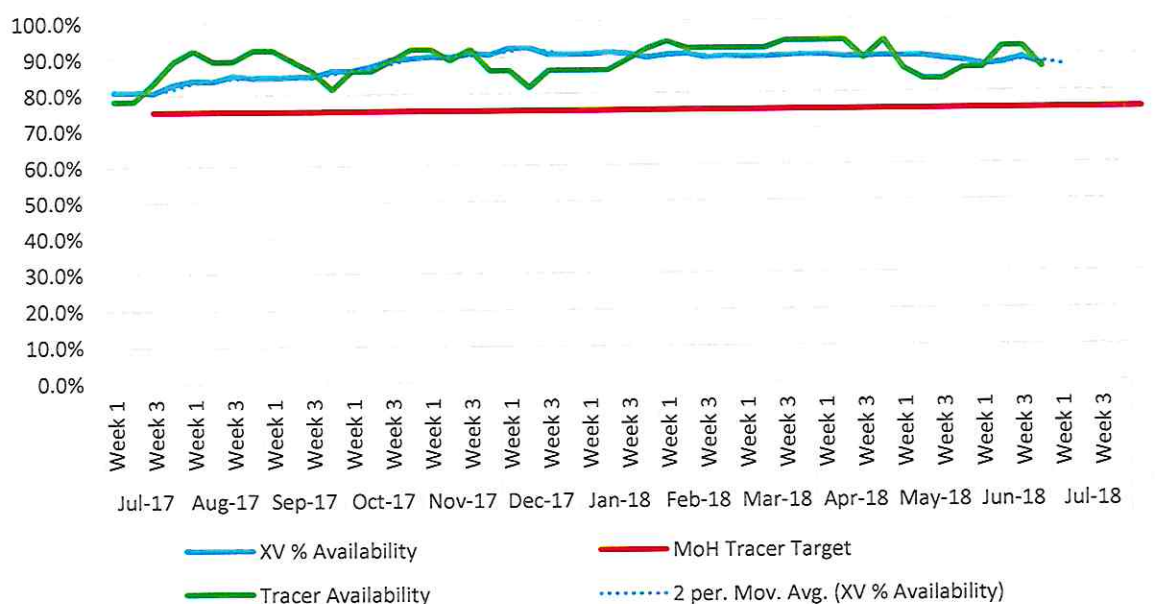
Availability of EMHS was based on the consolidated procurements plans of all public health facilities in the country and stock replenishment, based on minimum stock levels that's must be maintained to ensure a continuous supply of medicines.

The National Pharmaceutical Sector Strategic Plan III 2015/16-2019/20 set targets for stock availability for 41 tracer items at the central level as follows:-

Period	Target		Average achieved by Quarter			
			Q1	Q2	Q3	Q4
FY 2015 / 2016	65%		65.6%	72.8%	80.2%	66.7 %
FY 2016 / 2017	70%		73.4 %	78.0 %	85.3 %	80.6 %
FY 2017 / 2018	75%	MoH Tracer Availability	87.0%	86%	91.3%	88.3%
	NMS EMHS Target 80%	XV Availability	83.4%	90.5%	90.1%	88.6%
FY 2019 / 2020						

Availability however was above the set targets as shown below:-

Stock Availability Trend – Q1-Q4 FY 2016/2017



7.2 Delivery Schedule

Distribution of Medicines and Health Supplies to public health facilities was done on a scheduled basis every 2 months. Adherence to this schedule was a key focus area. During the period EMHS were delivered as indicated below:

Delivery Cycle	HC-II to General Hospitals	Regional Referrals to National Referrals
Cycle 1	Delivery 17 days behind Schedule	ON TIME
Cycle 2	Zone 1 – Late by 14 Days Zone 2 - On Going	ON TIME
Cycle 3	Delivered 3 weeks ahead of schedule	ON TIME
Cycle 4	Delivered 1 week ahead of schedule	ON TIME
Cycle 5	Delivery 11 days behind Schedule	ON TIME
Cycle 6	Delivery 14 days behind Schedule	ON TIME

The delay in delivery in the last two cycles was due to late orders from Health facilities [uniform orders were most affected].

7.3 Distribution Fleet

The NMS fleet comprises of 21 distribution trucks. Given the increased volume of business [550bn in FY 2014/2015 to 975bn FY 2016/2017 an increase of 77%], the ideal number of distribution trucks to match the business needs for FY 2017-2018, to ably carry out the distribution mandate, is 30 Distribution trucks.

With the support of the Global Fund four (4) Distribution trucks are being procured for NMS through TASO. Delivery was expected in the 2nd quarter of FY 2018/19. This would still have a deficit of 5 trucks.



7.4 Last Mile Delivery (LMD)

One Third Party Logistics Firm had been contracted to undertake Last Mile Delivery and ensure that medicines were delivered to the door of every Public Health Facility in the country.

In an effort to strengthen LMD, 112 cross-dock containers [shipping containers] were installed at districts so as to improve the chain of custody throughout the supply chain. The shipping containers were transported to Districts using funding from USAID.

Nine (9) extra shipping containers have also been procured for delivery to new districts created in Financial Year 2018/19. USAID have indicated that they would support the transportation of the 9 new containers and have included this activity in their work plan.

7.5 Vaccines Logistics

- a. NMS had been engaged in vaccine logistics since July 2012 and distributed vaccines on a monthly basis to all Districts in the country ever since.
- b. Vaccines Coverage Forecasts and targets were developed by UNEPI, UNICEF, WHO and NMS. Distribution of the regular vaccines for FY 2017/ 2018 was as follows:

Vaccine	Doses		%	
	Planned Supply	Actual deliveries		
BACILLUS CALMETTE-GUERIN (BCG)	6,375,450	5,138,000	81%	
MEASLES VACCINE	1,927,711	3,207,600	166%	
POLIO ORAL BIVALENT (BOPV)	7,239,402	4,366,000	60%	
TETANUS & DIPHTHERIA VACCINE (TT /Td)	4,476,882	5,935,300	133%	
HUMAN PAPILOMA VIRUS (HPV)	1,050,390	881,580	84%	
INACTIVATED POLIO VACCINE (IPV)	2,120,994	3,175,800	150%	
PENTA VACCINE (DPT-HEPB-HIB)	5,292,132	1,911,000	36%	

Vaccine	Doses		%
	Planned Supply	Actual deliveries	
PNEUMOCOCCAL CONJUGATE (PCV)	4,746,747	3,323,800	70%
ROTA VACCINE	3,788,677	1,060,800	28%
ORAL CHOLERA VACCINE (OCV)	721,300	721,300	100%

Colour Coding: Green – Target Archived, Amber – more than 70% target achieved, Red – less than 70% achieved

c. Achievement in Vaccine Logistics

Following a recent EVM [Effective Vaccine Management] assessment by UNICEF / GAVI, Uganda [NMS] for the second year running received an award as the best managed Central Vaccine Store.



d. LMD for Vaccines

- i. NMS and the Ministry of Health [UNEPI] conducted a pilot study for the Last Mile Delivery of vaccines with the aim of optimizing the distribution of vaccines to health facilities in Uganda. The study commenced in Q4 of FY 2017-2018 in the 3 districts of Wakiso, Nakaseke and Nakasongola.

ii. The Objectives of the Study were:

- Ensure Equitable Allocation of Vaccines to Facilities
- Maintain Vaccine Quality during distribution
- Create a Sustainable & Timely Vaccines Distribution Process
- Implement an End-to-End Visibility System

iii. The study is to be funded by GAVI and is to be executed by FiT [Freight in Time] a subsidiary of UPS a leading global logistics firm. It is envisaged that the study shall borrow from best practice in the private sector as a means to optimize the vaccines distribution supply chain within districts.

iv. The study aims to address issues that were raised in the recently conducted EVM [Effective Vaccine Management] in the country especially in the areas of vaccine management at the district level of the supply chain. These include;

- Maintenance of cold chain equipment and vehicles
- Stock management systems and procedures
- Distribution between each level in the supply chain
- Information systems and supportive management functions.

e. Delivery of Vaccine Orders

Vaccines orders were received and delivered on a monthly basis. The districts were responsible for placing orders to stock the DVS (District Vaccine Stores) from where health facilities in the district [Public, Private for Profit and Not for Profit] place orders and receive supplies.

Delivery Cycle		Comments
Jul-17	-	Delivered on Time
Aug-17	-	Delivered on Time
Sep-17	-	Delivered on Time
Oct-17	-	Delivered on Time
Nov-17	-	Delivered on Time
Dec-17	-	Delivered on Time
Jan-18	-	Delivered on Time
Feb-18	-	Delivered on Time
Mar-18	-	Delivered on Time
Apr-18	-	Delivered on Time
May-18	-	Delivered on Time
Jun-18	-	Delivered on Time

7.6 Construction of the New Warehouse

- i. The Contractor for the Design and Build of the New NMS warehouse, China National Complete Plant Import & Export Corporation [COMPLANT] JV Oubuntu Consulting Limited, commenced work at the site immediately after the ground breaking ceremony held on November 2017. **The project was expected to be completed within 22 months.**
- ii. The current status of the works at the Site are depicted by:





8.0 HUMAN RESOURCES

8.1 The staff establishment was kept within the optimum levels as indicated in the table below:-

GRADE	ESTABLISHMENT	CURRENT STRENGTH	VACANT POSITIONS
Executive	1	1	0
Grade 1	1	1	0
Grade 2	7	7	0
Grade 3	9	8	1
Grade 4	30	30	0
Grade 5	3	2	1
Grade 6	59	49	10
Grade 7	7	7	0
Grade 8	4	3	1
Grade 9	2	2	0
Grade 10	68	63	5
Grade 11	26	25	1
Grade 12	25	24	1
Total	242	222	20

9.0 MANAGEMENT INFORMATION SYSTEM (MIS)

Management Information System is key to the operations of NMS. NMS was run on MACs/SAGE, which was donated by the United States Government. Procurement of a new Enterprise Resource Planning (ERP) System commenced and currently both the Procurement of the Hardware and software are at Award of Contract. Implementation is expected to commence before end of 2018.

10.0 STAKEHOLDER INTERACTION

As part of accountability, the Board took a deliberate Policy to identify and forge a close relationship with Key Stakeholders. This is a continuous process. The aim was to identify, understand and respond to stakeholder concerns, as well as explaining to the stakeholders, NMS' decisions, actions and performance.

During the period, stakeholder engagements were held with:-

- Local leaders from Mbale and the near east on 27th July 2017.
- Local leaders from Karamoja region in Moroto on 29th July 2017.
- Courtesy visit/meeting to the RDC office for Mbale and Moroto respectively on 28th of July 2017. (A brief meeting was conducted between Representatives of the DHOs, stores person and DISO's office).
- Committee of Parliament on Public Service Accounts on 6th October 2017.
- District local authorities from both Kalangala and Buvuma islands on 11th December 2017.
- Stakeholders from Mbarara Local Government Council on 14th September 2017.
- The US Ambassador Ms Deborah Malac and her team on 7th September, 2017.
- Clinton Health Access Initiative global team at NMS offices on 7th September, 2017.
- Hosted a team from USAID and they took a warehouse/ cold chain room tour with the General Manager on 30th January 2018.
- A team from the World Bank was hosted by General Manager at Kajjansi new warehouse site on 6th April 2018.
- Hosted a team from the Global Fund on 20th May 2018.



11.0 CORPORATE SOCIAL RESPONSIBILITY

The Board and Management are conscious of the environment and society. Specific programs were designed, undertaken and finalized to promote a healthy environment. The following Corporate Social responsibility activities were undertaken during the first half of the financial year 2017/18:-

- i. NMS continues to collect and incinerate Expired Medicines and Medical Supplies from Government Health Facilities, to the extent of funds available for this activity. An agreement has been reached between Ministry of Health, National Medical Stores, Joint Medical Stores and National Drug Authority to partner, as part of CSR, and incinerate all expired EMHS from all Health Facilities, both Public and Private..
- ii. Construction of sanitation facilities for 3 police primary schools (Kibuli, Kireka and Soroti) respectively is ongoing.



- iii. Mass yellow fever vaccination campaigns that benefitted over 90,000 Ugandans in the months of November / December 2017.



- iv. NMS donated 3500 Hepatitis B test kits towards the NSSF Customer Connect week in February 2018.
- v. Contributed food stuffs to the Muslim community in Entebbe on Idicerebrations on 15th June 2018

12.0 PREVENTIVE HEALTH CARE

Initiated and continued to campaign for Preventive Health Care. This campaign will be continued in the FY 2018/19. It's the Board's conviction that Preventive Health Care has the potential to significantly decrease Government Expenditure on Essential Medicines and Health Supplies (EMHS).



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13.0 COMPLIANCE

During the Period, the Board was conscious of its responsibilities to all NMS' stakeholders. The Board complied with the law, conducted its affairs in accordance with the best principles and Practices of Corporate Governance, and to the best of knowledge of the Board and Management, no person, employee or agent acted on behalf of the Corporation with the knowledge or authority of the Board or Management, committed any offence under any law or indulged in any unethical behavior or any practice or activity contrary to national laws or international conventions.