



# **Operationalizing a Third-Party Logistics Service Provider (3PL) or a Lead Logistics Service Provider (LLP) Supply Chain Model**

**A Guidance Document**

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## ACRONYMS AND ABBREVIATIONS

3PL	third-party logistics service provider
4PL	fourth-party logistics service provider
BAFO	Best and Final Offer
FCT	Federal Capital Territory
FMCG	Fast Moving Consumer Goods
FMOH	Federal Ministry of Health
IT	information technology
KPI	key performance indicator
LLP	lead logistics service provider
LMCU	logistics management coordinating unit
LMD	last mile distribution
LMICs	low- and middle-income countries
LMIS	logistics management information system
MHE	mechanical handling equipment
MOH	Ministry of Health
MTaPS	Medicines, Technologies, and Pharmaceutical Services
NPSCMP	National Product Supply Chain Management Program
PEA	political economy analysis
POD	proof of delivery
SCM	supply chain management
SDP	service delivery point
SLA	service-level agreement
SOP	standard operating procedures
SWOT	strengths, weaknesses, opportunities and threats
TEU	transport equivalent units
UHC	Universal Health Coverage
USAID	US Agency for International Development
WMS	Warehouse Management System

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## **EXECUTIVE SUMMARY**

### **THE CONTEXT AND DOCUMENT OBJECTIVES**

The National Products Supply Chain Management Program (NPSCMP) has responsibility for the development of national health supply chain policies and for supporting the introduction of those policies into the individual autonomous thirty-six States.

In 2020, NPSCMP developed a supply chain policy and implementation plan for the period 2021–2025. Among the many proposals was the strong recommendation to utilize resources from the private sector to both strengthen the capability of the Federal Ministry of Health (FMOH) supply chain staff and provide a more cost effective and efficient health care supply chain.

In support of the implementation of the 2021-2025 strategy, the NPSCMP undertook the first phase of a project relating to the implementation of best practice third-party (3PL) and lead third-party (LLP) service provider relationships in low- and middle-income countries (LMICs). The research was supported by the United States Agency for International Development (USAID) Medicines, Technologies and Pharmaceutical Services (MTaPS) Program.

The findings of the research undertaken by the NPSCMP, reinforced the policy detailed in the 2021 – 2025 Policy document. NPSCMP is supporting the providing of guidance regarding the operationalizing of the policy proposals relating to the use of supply chain best practice and learnings from the Private Sector. This guidance serves to address actions and methodology to be deployed to implement best practice outsourced supply chain relationships with 3PLs and/or LLPs.

The contents of this guide will serve as a standard for both the NPSCMP and individual States, working together, to achieve the potential benefits of implementing a best practice 3PL or LLP relationship.

The 2021-2025 strategy document includes the strategic objective that the NPSCMP should support States to develop and manage 3PL contracts.

### **DEFINITION OF A BEST PRACTICE OUTSOURCED SUPPLY CHAIN ENGAGEMENT**

In LMICs, the public sector uses the term 3PL with regard to an organization that offers a single element of the supply chain (e.g., warehousing or transport) and often follows a fee-for-service model. However, in high-income countries, the title is usually reserved for organizations offering complete in-country operations embracing both warehousing and transportation. A best practice 3PL will have an integrated IT system that includes order processing, warehouse

management, and transport planning and enables data analysis and the automatic production of performance measures in a timely manner.

In the event that a single 3PL cannot offer all of the required services within the geographic scope of the supply chain, one 3PL, acts as the lead logistics service provider (LLP), contracting and managing further localized suppliers of warehouse and transport services on behalf of its client to provide a seamless operational network.

NPSCMP has established that implementing a best practice 3PL relationship could prove to be an effective solution to streamlining traditional piecemeal outsourcing while increasing value for money. The benefits of best practice 3PL and LLP relationships are well documented and include:

- Experienced staff within the logistics service provider's organization
- A more agile supply chain
- Integrated IT systems
- Reduced levels of equipment downtime
- Higher levels of delivery fleet utilization
- An in-depth knowledge of the local logistics service provider market
- Regular contingency planning to mitigate risks to the delivery of the agreed level of service
- The FMOH's and State's focus on the core business of providing health service

## **BASIC PRINCIPLES FOR OUTSOURCING TO A BEST PRACTICE 3PL**

### **GOVERNMENT OWNERSHIP AND CONTROL OF THE CONTRACTED RELATIONSHIP**

The FMOH, at either State or national level, is responsible for delivering the required level of service to health facilities. It is essential therefore, that the government has control of the contracted relationship, whether it be 3PL or LLP

### **ALIGNING WITH THE NATIONAL SUPPLY CHAIN MANAGEMENT POLICY/STRATEGY**

The public health supply chain exists to support the overall objectives of the FMOH. Thus, any outsourcing relationship must have the overall objective of supporting the supply chain policy developed to deliver the FMOH's vision.

### **FACILITATING OWNERSHIP OF THE ACTIVITY**

The way in which the relationships are defined and communication, between the parties, is organized must be done in such a way as to facilitate the FMOH, at either State and/or national level, retaining ownership of the outsourcing activity.

### **ENHANCING ACCOUNTABILITY FOR SUPPLY CHAIN PERFORMANCE**

Systems and processes need to be implemented to ensure that the FMOH has visibility of the performance level being achieved by the 3PL, or LLP, to be able to hold the logistics service provider(s) accountable.

## **SITUATIONAL ANALYSIS**

In 2018, Deloitte identified the following supply chain weaknesses:

- The existence of parallel supply chains for public health program medicines (Federal) and essential medicines (State)
- Weak government leadership, oversight, coordination, and ownership
- Inefficient supply chain operations delivering poor 'value for money'
- Non-adherence to specified reporting structures resulting in an inability to supervise or sanction underperforming service providers
- Service level coverage from the perspective of UHC is poor.

The data played a significant role in the development of the National Health Supply Chain Strategy and Implementation Plan 2021–2025.:

The strategy specifically highlighted the involvement of private sector logistics service providers as an essential means of improving the overall performance of the health care supply chain, in terms of both service levels and cost effectiveness.



A recent, February 2023, Supply Chain Learning and Advocacy Workshop, undertaken by NPSCMP, further reinforced the potential areas for improvement. The issues, highlighted by the four States attending the event, with regard to the current situation, were remarkably similar to those established by NPSCMP in the initial study undertaken in 2021 and 2022.

## **OPERATIONALIZING THE PROCESS (MOVING TO OUTSOURCE THE MODEL)**

There are three distinct stages of the process, namely:

- The Pre-engagement of Potential Logistics Service Providers
- Engaging Potential Logistics Service Providers within the Public Procurement Legislation
- Post Contract Execution

The pre-engagement stage involves the following activities

- The establishment of the outsourcing team managed by a nominated Contract Manager
- Undertaking internal advocacy to make the case for change Once a decision has been taken to outsource some, or all, of the logistics activities, the potential benefits for doing so need to be fully understood within the organization. Those potential benefits include:
  - o Making available capital resources to replace existing assets
  - o Strengthening the organization's ability to deliver a revised supply chain strategy
  - o Supporting a management team that needs additional supply chain experience
  - o Controlling the increasing operational costs that exceed budget estimates
  - o Reversing the declining service level performance
  - o Obtaining enhanced levels of fleet management expertise
  - o Acquiring access to the advanced IT systems needed for efficiency
- Researching the private sector market. Prior to any engagement with the marketplace, researching the private-sector logistics industry, is essential to gain an understanding of the services available and the maturity of the companies in the market
- Developing an in-depth understanding of the current network in terms of costs and service levels
- Preparing an initial data pack for sharing with potential partners

The engagement stage involves the following activities:

- Publishing invitations, to engage with the FMOH, in the appropriate procurement publications
- The holding of a short event such as a Partners' Conference, in the event that the invitation generates a large number of potential partners

- The evaluation of responses from bidders and the creation of a short-list of potential partners for final negotiations.

The post contract execution stage involves:

- The development of a transition plan incorporating a start-up date and the activities to be undertaken in the interim period
- A survey of the assets to be managed by the logistics service provider that will continue to be owned by the FMOH, if applicable
- Managing the relationship for success. Of particular importance, in this regard, is the holding of the regular meetings, with fixed agendas, as and when scheduled

## **THE SKILLS AND ATTITUDES NEEDED FOR AN EFFECTIVE RELATIONSHIP**

For the relationship to be a success, a number of new skills need to be developed and traditional management techniques need to be enhanced, including:

- Public sector Contract Management expertise
- An ability to clearly define the operational service required by the outsourcing team.
- Communication and reporting discipline by all parties involved
- Performance measurement development, interpretation and clarification
- A 'No Surprises' philosophy and an open dialogue at all levels within both organizations
- The adoption by the public sector team of an appropriate management style with the logistics service provider

## **SUMMARY OF CHANGES FROM THE CURRENT RELATIONSHIP STYLE**

The summary of the changes required can be summarized as follows:

- Contract ownership, the FMOH/State rather than the donor or implementation partner. Although funding from outside of the FMOH is likely to continue to some extent, in the future and when circumstances allow, the contracts should be between the 3PLs and the 'client' at national or State level.
- Managing the Logistics Service Provider rather than the supply chain operation. While the responsibility for delivering the required level of service remains with the FMOH, the supply chain management team, at all levels, must manage the logistics service provider's performance against the SLA and not the operation itself.
- Frequent reporting at lower levels and scheduled quarterly reporting at the contract management Level.
- Promptly produced and circulated performance measures.

## **SUMMARY AND CONCLUSION**

Recently, the NPSCMP team identified that although health care supply chain improvements have been achieved in recent years, supply chain performance levels were lower than desired. The NPSCMP supply chain policy 2021 – 2025 stressed the need to both learn from and engage with private sector logistics service providers to enhance supply chain performance levels. An initial market assessment concluded that there are several private sector logistics service providers that possess the potential to be suitable partners for the FMOH at either the national or State level. Taking the time to engage a logistics service provider using the three stages, detailed in this guidance document, is likely to deliver significant benefits not only to the public health supply chain system but also to the health of the population of Nigeria.

## THE CONTEXT AND DOCUMENT OBJECTIVES

The National Products Supply Chain Management Program (NPSCMP) has responsibility for the development of national health supply chain policies and for supporting the introduction of those policies into the individual autonomous thirty-six States.

In 2020, NPSCMP developed a supply chain policy and implementation plan for the period 2021–2025. Among the many proposals was the strong recommendation to utilize resources from the private sector to both strengthen the capability of the Federal Ministry of Health (FMOH) supply chain staff and provide a more cost effective and efficient health care supply chain.

The States execute supply chain management activities within their respective geographic areas with particular reference to essential medicines. The supply chain activities relating to the procurement and distribution of public health commodities are managed by a combination of donor and implementing partner resources and State managed assets. The Nigerian public healthcare supply chain is operated via a network of warehouses at the national, zonal, State and sub-State levels. Transport arrangements from national stores to zonal stores and subsequent last mile distribution (LMD) activities are undertaken by a combination of in-house and outsourced transport resources. Public health commodities are managed by the individual programs and flow via the national and zonal warehouses to the health facilities while, the essential medicines, managed by State Drug Revolving Fund (DRF) mechanisms, are handled by the State supply chain teams.

Specifically, the policy document stated: *‘Fundamental to the government’s thinking for the future of the health supply chain is to partner, where possible, with the private sector to deliver supply chain services in all States’.*

In support of the implementation of the 2021-2025 strategy, the NPSCMP undertook the first phase of a project relating to the implementation of best practice third-party (3PL) and lead third-party (LLP) service provider relationships in low- and middle-income countries (LMICs). The research supported by the United States Agency for International Development (USAID) Medicines, Technologies and Pharmaceutical Services (MTaPS) Program was undertaken with both in-country and remote team members.

The dual objectives of the research were to assess:

- The potential for implementing 3PL and LLP relationships, not only in Nigeria but also in LMICs globally
- The capability of the available logistics service providers with regard to delivering the services required by public-sector health care systems in Nigeria

The NPSCMP team established that supply chain excellence was hampered by:

- The complex organization structures that had been introduced to manage the various supply chains

- The lack of visibility of the complete operation available to all members of the complex organizational structures
- The administrative burden of the large number of fee-for-service contractors involved
- The limited quality and quantity of the supply chain assets available to supply chain management

The findings of the research undertaken by the NPSCMP, reinforced the policy detailed in the 2021 – 2025 Policy document. Firstly, implementing a best practice 3PL or LLP relationship has the potential to overcome many of the difficulties experienced by public-sector health care supply chains. Secondly, in broader terms, an enhanced public-sector health care supply chain will improve the overall health of the population, reduce the strain on the national health care system and potentially enhance the economic growth of the country. However, implementing such relationships will require considerable training, mentoring, and guidance of the FMOH and State supply chain teams to ensure that the benefits are delivered. There is an opportunity to improve public-sector health care supply chains by implementing best practice 3PL or LLP relationships for some or all of the supply chain elements. However, there is a considerable amount of capacity building needed to change the working methodology to deliver the benefits of a best practice outsourced relationship. Given Nigeria’s previous experience with other outsourced logistics providers that are based on fee-for-service, not reflective of the proposed 3PL or LLP best practice relationship, it is critical that advocacy and capacity building are central to future activities.

A number of other initiatives with particular relevance to the outsourcing of elements of the supply chain have commenced, including:

- A pilot implementation in 11 States transitioning last mile distribution (LMD) to outsourced logistics service providers. A summary of recent performance reports is included in the Situational Analysis section below.
- The planned development of a transition plan to integrate the parallel supply chains, currently in place, for the distribution of the public health commodities and essential medicines. The NPSCMP team are at the early stages of developing a program of work, with potential pilot States, and the guidance presented in this document will support that program

NPSCMP is supporting the providing of guidance regarding the operationalizing of the policy proposals relating to the use of supply chain best practice and learnings from the Private Sector. This guidance serves to address actions and methodology to be deployed to implement best practice outsourced supply chain relationships with 3PLs and/or LLPs. It is essential to note that introducing many of the best practice techniques would enhance the benefits obtained from traditional fee-for-service outsourcing relationships. However, an additional objective of the 2021–2025 supply chain policy document is the integration of various independent product flows and the elimination, where possible, of parallel supply chains. A best practice relationship, with either a 3PL or an LLP, will be a route to achieving that objective, as the logistics service providers will be able to use their in-depth experience to develop an effective and efficient solution.

The contents of this guide will serve as a standard for both the NPSCMP and individual States, working together, to achieve the potential benefits of implementing a best practice 3PL or LLP relationship. With the recognition that States are autonomous, there is an interdependence between the States and the NPSCMP particularly, with regard to cross-cutting activities such as the deployment of standard outsourcing guidelines. The 2021-2025 strategy document includes the strategic objective that the NPSCMP should support States to develop and manage 3PL contracts thus, the scope of this guide will contribute to that committed objective.

## DEFINITION OF A BEST PRACTICE OUTSOURCED SUPPLY CHAIN ENGAGEMENT

As the economies of LMICs have advanced in recent years and manufacturing organizations have adopted best practices from high-income countries, logistics service providers have emerged to provide a range of services, including procurement, international logistics, customs clearance, and in-country distribution offerings such as express courier services.

There are many types of logistics service providers. This guidance document focuses on two:

- A third-party logistics service provider (3PL): In LMICs, the public sector uses the term 3PL with regard to an organization that offers a single element of the supply chain (e.g., warehousing or transport) and often follows a fee-for-service model. In high-income countries, the title is usually reserved for organizations offering complete in-country operations embracing both warehousing and transportation. Having a single organization managing both aspects of the operation will generate operational coordination benefits. A best practice 3PL will have an integrated IT system that includes order processing, warehouse management, and transport planning and enables data analysis and the automatic production of performance measures in a timely manner.
- A lead logistics service provider (LLP): In some instances, a single 3PL, the lead logistics service provider, will contract and manage further localized suppliers of warehouse and transport services on behalf of its client to provide a seamless operational network. This reflects a best practice method of operation, with a small number of service providers for the client to manage.

In more practical terms, a best practice 3PL will be involved in the following public health supply chain activities:

- The management of ongoing communication to ensure there is an understanding of the NPSCMP and the State's requirements, such as analyzing and communicating product volumes, new product introductions, costing budgets, health care campaigns that will affect demand, and schedules for both inbound and outbound product movement.
- The receipt of instructions to ship products to the various types of health facilities. In best practice situations, this is done electronically by transfers between the IT systems of the two organizations. In some instances, the 3PL will provide the order capture process directly, with the dispatching schedule already developed collaboratively in advance of the receipt of orders, reflecting the downstream segments of the public health supply chain's required levels of service.
- The receipt of inbound sea-freight containers and air-freight shipments based on an unloading schedule agreed with the procurement team and customs clearance organizations, also typically, outsourced. In Nigeria, the federal structure deploys central medical stores that receive imported products prior to distributing them into the distribution networks of the individual States. Many essential medicines are produced by local manufacturers and therefore, do not require to be cleared prior to distribution
- The storage of products from suppliers and returned items from health facilities such as expired products, redundant equipment and products recalled by suppliers

- The operation of automated warehouse management systems that record detailed product descriptions and inventory transactions and facilitate warehouse business processes such as pallet and batch locations; expiry dates tracking; perpetual inventory counting; picking, packing, and dispatching orders after developing a distribution plan with the client and receiving instructions to proceed; and producing delivery documentation or deploying paperless proof of delivery (POD) processes.
- The implementation and maintenance of appropriate IT systems and the electronic data exchanges between the two organizations. While the 3PL will deploy and update specific warehouse management systems and route planning software internally, there will be a need to interface those systems with the systems of the client.
- The measurement and reporting of performance-level achievement. Utilizing the data from within the operational systems and other data collection techniques, the 3PL will report progress at the intervals agreed within the Service Level Agreement (SLA). Best practice supply chain operations achieve almost perfect performance in terms of delivery timeliness, stock availability, high stock turns, order completeness, cost budget conformance, and error-free picking and dispatch. Modern paperless warehouse picking systems have helped significantly in this respect.
- Recommending improvements. After historical data is gathered, 3PLs could recommend potential operational improvements that could be introduced to reduce costs and/or increase the levels of service.

Outsourcing to logistics service providers can be cumbersome for governments to manage because of the unilateral focus of many 3PLs on short-term fee-for-service transportation and/or warehousing of health commodities. Implementation of 3PLs could prove to be an effective solution to streamline traditional piecemeal outsourcing while increasing value for money. The benefits of best practice 3PL and LLP relationships are well documented and include:

- Experienced staff within the logistics service provider's organization who are available to their clients, both on a day-to-day basis operationally and to support strategic planning and performance monitoring activities.
- A more agile supply chain that is able to respond to increases in demand for supply chain resources as a result of working with a successful 3PL or LLP with several on-going contracts.
- Integrated IT systems that have been developed to meet their demanding clients' requirements cost effectively.
- Reduced levels of equipment downtime through routine equipment maintenance and renewal.
- Higher levels of delivery fleet utilization as collaboration among different contracts with varied seasonal peaks is facilitated by the 3PL or LLP.
- An in-depth knowledge of the local logistics service provider market as a result of having a good understanding of their own cost base and operating profitably over the years.
- Regular contingency planning to mitigate risks to the delivery of the agreed level of service. The service provider is driven by the profit motive, and the contingency plans can be shared with its client for mutual benefit.



- The FMOH's and State's focus on the core business of providing health services resulting in better health outcomes for the population while the private sector focuses on operating the supply chain.

The contracts differ from a traditional fee-for-service relationship in a number of ways including:

- Longer contract lengths than traditional fee-for-service arrangements. To develop a collaborative relationship and generate sustainable benefits in terms of cost reductions and service level improvements longer contracts will be necessary. This is particularly the case if investment in new warehouse facilities is required by the logistics service provider.
- The referencing of an SLA which contains the operational ways of working, specific Standard Operating Procedures (SOPs) and related performance measures. The SOPs detail the methods of working for both the FMOH, the States and the logistics service provider. The collaborative relationship is two-way in nature. For the logistics service provider to perform effectively, the FMOH and States must provide information and make decisions in a timely manner. The SLAs and SOPs detail the obligations that both parties have to each other. For example:
  - The FMOH and State(s) advise the logistics service provider with details of products four weeks prior to their arrival at the warehouse.
  - The logistics service provider provides POD within three days of making the delivery.
- Defined contacts between the FMOH or State supply chain units and the 3PL or LLP. To achieve effective communication between the two parties, nominated points of contact between the two parties are designated. Senior points of contact would be high-level executives in each party. Day-to-day operational matters would be handled by nominated contacts within the NPSCP's or State's logistics team and the logistics service provider's operations team. An escalation protocol is defined for handling issues that cannot be resolved by the nominated contacts.
- Integration of the IT systems of both parties. While the logistics service provider will have implemented various systems to support its business, such as a warehouse management system and vehicle load planning software, there is a need to integrate those systems with the FMOH's order processing and procurement systems or eLMIS. The available data is used for managing the operations, measuring performance, and identifying potential cost savings and service benefits.
- Scheduled reporting at various levels within the organizations. Daily reporting of activities is a feature of best practice relationships. While the daily report is at a summary level, other periodic reports, typically, at monthly and quarterly intervals would be of a more detailed nature reflecting the SLA's KPIs.

## BASIC PRINCIPLES FOR OUTSOURCING TO A BEST PRACTICE 3PL

### GOVERNMENT OWNERSHIP AND CONTROL OF THE CONTRACTED RELATIONSHIP

Regardless of the type of private sector relationship that is adopted by the public sector partner, be it a 3PL or an LLP relationship, the responsibility for delivering the required level of supply chain service to health care professionals and patients remains with the public sector partners for example, FMOH or the States. The outsourced partner has a responsibility to the public sector organization to deliver the level of service detailed in the SLA, for the agreed amounts of remuneration. However, through the mechanisms employed between the parties, it is the public sector partner that retains control to ensure that its logistics service provider meets the contractual obligations for supply chain services at agreed upon rates. Not only will a more efficient health care supply chain be delivered, but also, more importantly, the health of the population of Nigeria will be improved, in part, by the support that the healthcare system receives from the supply chain.

### ALIGNING WITH THE NATIONAL SUPPLY CHAIN MANAGEMENT POLICY/STRATEGY

The public health supply chain exists to support the overall objectives of the FMOH. The 2021–2025 National Health Products Supply Chain Strategy and Implementation Plan highlights those objectives in the following ‘vision statement’: *“To have a government-led sustainable system that is responsive, reliable, agile and cost-friendly to run delivery services to the citizenry in line with universal health coverage (UHC) and in such quality standards that compete with offerings in the commercial sector in terms of cost and convenience.”* In turn, the outsourcing activities have the overall objective of supporting the supply chain policy developed to deliver the FMOH’s vision. It is important that all of the parties involved understand that the activities of any outsourcing initiatives are in support of the top-level policy and must not result in the development of diverging priorities. In addition to the ‘vision statement’, the strategy document declares a ‘Commitment to external relationships’ and states, *‘The government understands that the use of external resources, such as contracted services, can significantly contribute to supply chain excellence. Of particular importance, in this regard, will be clearly defining the roles of all the players including government and any 3PLs.’*

### FACILITATING OWNERSHIP OF THE ACTIVITY

The way in which the relationships are defined and communications between the parties is organized must be done in such a way as to facilitate the FMOH, at either State and/or national level, retaining both ownership and control of the outsourcing activity. An in-house operation, typically, with a fragmented organization structure and poor performance monitoring, cannot be controlled, although owned, by the public sector, effectively. Similarly, a donor-owned supply chain activity is even more difficult to control as a result of the loyalty of the 3PL to the donor rather than the public sector entity. NPSCMP notes a challenge regarding a lack of information for the products delivered to health facilities without passing through a State managed warehouse operation. In situations in which the relationship

does not work well and the anticipated benefits are not achieved, it is often a combination of a poorly drafted SLA, weak contract management and the abdication of responsibility for the operation by the client and thus, control of the operation to the logistics service provider. In many cases, the result is a confrontational relationship resulting in too many instances of disputes being escalated to senior management and consequently, a defensive attitude being taken by all parties, which does nothing to enhance the level of service provided to the customers of the supply chain.

#### ENHANCING ACCOUNTABILITY FOR SUPPLY CHAIN PERFORMANCE

Accountability is difficult to achieve if the organization of the end-to-end supply chain is fragmented as a result of the involvement of several uncoordinated different organizational entities. Systems and processes need to be implemented, as part of the outsourcing activity, to ensure that the client, the public sector partner, has visibility, even if several logistics service providers are involved, to be able to hold the logistics service provider(s) accountable. Similarly, a single managerial entity within the FMOH will enable the senior management of the FMOH to hold the contractor accountable for the quality and cost of the supply chain service provided.

## SITUATIONAL ANALYSIS

In 2018, Deloitte conducted an in-depth analysis of the national supply chain. The data played a significant role in the development of the National Health Supply Chain Strategy and Implementation Plan 2021–2025. Specific weaknesses, that were addressed by the strategy included:

- The existence of parallel supply chains for public health program medicines (Federal) and essential medicines (State)
- Weak government leadership, oversight, coordination, and ownership
- Inefficient supply chain operations delivering poor ‘value for money’
- Non-adherence to specified reporting structures resulting in an inability to supervise or sanction underperforming service providers
- Service level coverage from the perspective of UHC is poor.

Data presented to support the above weaknesses, in 2018, included:

- 36% of facilities with stock-outs.
- 49% of products with accurate inventory records.
- 20% of facilities placing resupply orders for items below the minimum stock level.
- 51% of facilities with the required quality of storage conditions.
- 60% of facilities receiving orders in full.

The strategy specifically highlighted the involvement of private sector logistics service providers as an essential means of improving the overall performance of the health care supply chain, in terms of both service levels and cost effectiveness. A particular strategy guiding principle proposed *‘leveraging or adopting supply chain best practices and learnings from the private sectors, infuse global best practices ensure fit-for-context, purpose and value for money’*.

The Covid-19 pandemic diverted attention from implementing the planned changes proposed by the strategy and it is understood that the current situation is very similar to that identified in 2018. The 2021–2025 strategy document indicated that the results of deploying a five-level supply chain maturity model had delivered a score of between 2 and 3 with regard to the health care supply chain in Nigeria. The recent work of the NPSCMP, using a different five-level model, arrived at the same conclusion with regard to a supply chain maturity level score between 2 and 3. Therefore, engagement with the private sector is still a valid strategy for the immediate future with regard to supply chain cost and service improvement. A view that is supported further by the results of a review of the six regional warehouses in late 2020. Although the review document does not report operational statistics and performance measures, it reviewed the warehouse operations under the following headings:

- Infrastructure & Environment
- Human Resources & Internal Management
- Warehouse Management Information
- Storage, Inventory Management & Distribution

- Tools & Equipment
- Security, Safety & Risk Management

Most locations were reported to perform well in the areas of human resources management with Standard Operating Procedures (SOPs), training programs and regular appraisals in place. In addition, personal protective equipment (PPE) was available for all employees and visitors. It was indicated that not all of the warehouses incorporated cold chain facilities. However, the different robust and flexible warehouse management systems did not appear to be fully utilized with only limited reporting of inventory levels, zero balances, aging stock and expired stock. Despite references to best practice, poor warehousing practices were reported at some locations. Similarly, security infrastructure and processes varied considerably across the six locations. The most telling comments related to the fragmented management of the end-to-end supply chain:

- The USAID funded GHSC-PSM project manages the inbound flow of products, producing advance shipping notes (ASNs) at least 24 hours before the goods are presented at the warehouses
- Again, the GHSC-PSM project provides authorization to remove goods from the warehouses having confirmed the distribution cycle with the 3PL
- Regional warehouse management control the movement of products within the warehouse
- Responsibility is transferred from the warehouse to a 3PL and in the event that a client does not report a delivery discrepancy everything is regarded as satisfactory. The reports do not include any references to POD processes

Despite references to good working relationships between the parties, the comments suggest that an integrated collaborative management style had not been introduced between the various entities involved.

In 2022, reports were produced relating to the LMD activities from the six regional warehouses in Abuja, Awka, Calabar, Gombe, Lagos and Sokoto. The activities were supported by PEPFAR, PMI, USAID and The Global Fund. Reports are produced after each distribution cycle. The statistics generated for three periods, in 2022, are presented in Annex 1: 2022 Regional Warehouse Performance Data, and can be summarized in the following manner:

- All orders, from all warehouses, were delivered within the 15-day target lead time
- The 16,500 health facilities, involved, did not all receive a delivery in each of the bi-monthly distribution cycles
- Proxy deliveries, deliveries made to unauthorized alternative delivery locations, and delivery shortages were highlighted in each of the performance reports

Operating difficulties were experienced due to security and curfew problems, particularly in the east of the country. Although only a very small number of deliveries were impacted by the 3PLs failing to comply with agreed procedures regarding delivery times and amending PODs, there would appear to be an on-going need for closer management of the outsourced resources. Poor communication by the outsourcing partner, regarding the distribution schedule, was highlighted as an issue. The data enhances

the need to collaborate with 3PLs more closely to develop an integrated supply chain operation as proposed in the 2021–2025 policy document.

Further recent data presentations focused upon reporting rates, the quality of the data reported and the level of zero stock balances across a range of programs. The results obtained over a six-month period can be summarized in the following manner:

- Reporting rates of around 70% were identified.
- Reports ‘flagged’ for quality issues were typically around 20%.
- Zero stock balances were between 20% and 26%. The situation could be much worse in those facilities not reporting the stock balances.

An outsourcing strategy which only embraces in-country distribution is unlikely to improve the situation as the 3PLs will not be involved, at least initially, with quantification activities. Many 3PL have sophisticated IT systems that will support the monitoring of usage and thus, input to the quantification activities effectively. However, in the event that products are in short supply, the systems may not be monitoring real demand. Consequently, personnel involved in quantification will require additional demographic and disease incidence statistics to ensure that appropriate quantities of the pharmaceuticals are procured. The advanced IT systems available from leading 3PL organizations will play a significant role in the provision of data to facilitate high levels of health product availability at the health facility level in the supply chain.

A recent, February 2023, Supply Chain Learning and Advocacy Workshop, undertaken by NPSCMP, further reinforced the findings of the various earlier studies into the effectiveness of the healthcare supply chain. Of particular concern was the existence of parallel supply chains for the products of the various programs and the essential medicines of the drug revolving funds (DRFs). As much of the transport activities are outsourced for both the movements from the national and zonal stores into the States and the last mile distribution (LMD) within the State, opinions were expressed that the duplication of effort was a less than optimal use of resources. Furthermore, attendees indicated that the existence of the parallel operations made the balancing of stocks between stockholding locations, should it be required, extremely difficult. Some form of integration of the various commodity flows would ease the burden on the receiving facilities of several deliveries of less than full vehicle loads. Communication with the logistics service providers was difficult as the States, in the main, were not the owner of the contract, resulting in the need to attempt to communicate via the contract owner, to obtain the required level of supply chain visibility. The inability to obtain information regarding either the items on the delivery or the amount of those products being delivered and the date and time of the arrival of the vehicle made any pre-planning regarding the receiving and put-away activities very difficult, at best, and impossible at best. The limited availability, in many instances, of adequate storage space and handling equipment suited to pharmaceuticals makes the need to pre-plan an essential activity for the warehouse management team. While the quality and quantity of the available storage facilities, in general, was a cause for concern, some of the attendees did refer to refurbishment activities that had both occurred recently and were planned for the future. The various stockholding locations

within the distribution network were also seen as contributing to the levels of expired stock, and thus waste, within the supply chain.

While a generally positive attitude to outsourcing was evident during the workshop, particularly with regard to the outsourcing of transport activities, many attendees indicated that the supply chain management teams needed training to be able to manage the relationships successfully. In particular, the need to define and produce, on a regular basis, meaningful key performance indicators (KPIs) and operational performance measures was seen, in many locations, to be an essential element of the team's development. However, a limited number of attendees reported that they had been able to introduce a range of KPIs and that they had identified performance improvement as a result. The topic of vehicle monitoring and tracking was also an area of interest, given the difficulties relating to communications with the logistics service providers and the security situation in certain parts of the country.

The various States reflected a range of maturity, and in some instances, several different software solutions, with regard to the logistics management information systems (LMIS) at their disposal for the various tasks of forecasting, inventory management, warehouse management, requisition processing, delivery route planning and delivery documentation. A situation that some attendees stated gave rise to lengthy distribution lead times.

The workshop facilitator advocated that a best practice outsourced relationship with a professional 3PL would address many of the issues being currently experienced in many of the States within Nigeria. Being able to consolidate the operations through the use of fewer logistics service providers would make the management task simpler. Utilizing one 3PL, as a lead logistics service provider, would ease the burden upon the States' supply chain teams of having to find suitable transport companies and then work with several transport companies. Leading companies are likely to have global positioning systems (GPS) fitted to their vehicles, to facilitate communications and improve product security. In addition, it was indicated that the security issues being experienced in Nigeria, resulted in proxy deliveries being a regular feature of the operation. A situation that would benefit from the increased information being generated by the GPS fitted to the delivery vehicles. The operational expertise of the professional 3PLs could be deployed to support the objective of reducing the number of parallel supply chains. The service level agreements (SLAs) forming part of the best practice contractual relationships will contain an element relating to performance measurement and the role of the contractor in providing that information. Leading 3PLs will have invested in sophisticated systems that not only can produce the mandated performance measures, but also drive the operation in an integrated timely manner, reducing the distribution lead times being experienced by many of the workshop attendees.

The issues and areas for improvement, highlighted by the four States attending the event, with regard to the current situation, were remarkably similar to those established by NPSCMP in the initial study undertaken in 2021 and 2022. They are highlighted above and can be summarized in the following manner:

- Limited supply chain visibility, relating to the flow of goods, not managed directly by the States' supply chain teams
- Extremely varied levels of communication with the 3PLs providing services to the States
- Extended delivery lead times and proxy deliveries as a result of the security situation in Nigeria
- Poor LMIS data is considered to be the root cause of inventory issues impacting the quality of service that the supply chain provides
- High levels of product wastage, and disposal costs, due to expiry
- The lack of Monitoring and Evaluation (M&E) support with regard to the definition and collection of KPIs and operational performance measures
- A lack of institutionalized 3PL performance measures
- Inadequate vehicle fleets and limited local 3PL availability
- Limited redistribution of inventory between storage locations
- A shortage of pharmaceutical grade warehousing and storage equipment such as racking, pallets and shelving.



## **OPERATIONALIZING THE PROCESS (MOVING TO OUTSOURCE THE MODEL)**

### **THE PRE-ENGAGEMENT OF POTENTIAL LOGISTICS SERVICE PROVIDERS (ACTIONS AND METHODOLOGY)**

#### **ESTABLISH THE OUTSOURCING TEAM**

The overall task of operationalizing a best practice outsourcing model requires a considerable amount of effort from team members allocated to the role on a full-time basis. The team should consist of a small number of people with the required level of supply chain skills, managed, preferably, by the nominated Contract Manager. At a minimum, the Contract Manager should have around five years of supply chain management experience embracing operations, procurement and performance measurement. Ideally, he or she should have had some Private Sector operational experience or managed a traditional fee-for-service relationship in the public healthcare arena. At the earliest opportunity, an assessment of any training and/or mentoring required by the nominated Contract Manager should be undertaken and made available at an early stage of the process.

#### **INTERNAL ADVOCACY- MAKING THE CASE FOR FUTURE CHANGE MANAGEMENT**

Once a decision has been taken to outsource some, or all, of the logistics activities, the potential benefits for doing so need to be fully understood within the organization, as it will both direct the advocacy activities and influence the selection of an appropriate logistics service provider. Those potential benefits include:

- Making available capital resources to replace existing assets such as warehouses, mechanical handling equipment (MHE) and delivery vehicles requiring major refurbishment or incurring high levels of non-operational downtime
- Strengthening the organization's ability to deliver the pillars of a revised supply chain strategy involving end-to-end supply chain management and the integration of several parallel supply chains
- Supporting a management team that may need additional supply chain experience or where experienced managers are about to retire and succession plans are not in place
- Controlling the increasing operational costs that exceed budget estimates and are perceived as excessive
- Reversing the declining service level performance that has been the result of increasing delivery volumes and increased expectations of levels of service from customers, without any corresponding increase in the level of supply chain assets being deployed
- Obtaining enhanced levels of fleet management expertise and the sophisticated systems that are essential to meet the predicted trends in terms of increased delivery volumes and service levels
- Acquiring access to the advanced IT systems needed for quantification and procurement, inventory management and warehouse efficiency.

The deployment of a strengths, weaknesses, opportunities and threats (SWOT) analysis and a revisiting of the outsourcing decision framework, detailed in the Phase 1 Project Technical Report, particularly, by

key SCM team members and stakeholders, not involved in the initial decision-making process, will assist in developing a broader understanding of the decision to outsource some or all of the supply chain activities. The extent and nature of any advocacy activities will have been identified as a result of the political economy analysis (PEA) undertaken by the NPSCMP in the early stages of the project, prior to deploying an outsourcing decision framework. However, as the outsourcing experience, based on fee-for-service relationships, of many members of the FMOH staff at national and State levels has been less than satisfactory and not based on 3PL or LLP best practice, it is critical that the advocacy and learning activities receive the level of support required.

#### RESEARCH THE PRIVATE SECTOR MARKET AND DEVELOP SELECTION CRITERIA

Prior to any engagement with the marketplace, researching the private-sector logistics industry, using the internet, trade press, published company accounts and trade association records, is essential to gain an understanding of the services available and the maturity of the companies in the market. Prior to doing so, a list of selection criteria should be generated, in a workshop environment, by various stakeholders to structure the research process and gain an understanding of the depth of the private-sector services, potentially, on offer. It is particularly important to include the ability to support the FMOH's strategic supply chain objectives among the selection criteria. The selection criteria can also be used when evaluating responses from potential partners at a later stage of the process. The various criteria can be given weightings to reflect their level of importance to the NPSCMP and the procuring States. In 2022, the NPSCMP undertook an initial survey of the private sector players in Nigeria. A summary of the results is presented in Annex 2: Private Sector Logistics Service Providers (Nigeria). Selection criteria are likely to include:

- The ability of the company to help the FMOH achieve their strategic healthcare supply chain objectives. (Does the organization have a strategic vision that aligns with that of the FMOH?)
- The services offered by the company. (Can the organization provide all, or only some, of the services required?)
- The potential to support the supply chain integration objectives of the FMOH and the States, for example: The LMD Transition Plan. (What is the geographic reach of the activities of the organization?)
- The number of years in business and any growth and/or profit data available in the public domain. (Has the organization grown in turnover/profit over the past three to five years?)
- The customer base and any specific customers quoted in the website or sales brochures. (What industries does the organization support? Are they appropriate with regard to pharmaceuticals and medical supplies?)
- The extent of any public sector customer experience. (Are any of the government departments at national or State level currently customers?)
- The experience of the directors and key managers. (How long have the senior executives held their posts with the company or previous companies?)
- Reference, if any, to the ways of working with clients and best practice processes and techniques. (To what extent, if any, do the website and sales material refer to best practice processes and the use of IT to deliver the customers' requirements?)

- The climate and environmental policy. This is currently a ‘hot topic’ in high income countries and will become more relevant, in the future, in the developing world. (Does the organization mention this topic in their sales pitch?)

While a joint NPSCMP/State team cannot move the overall process along until initial responses have been received from potential partners, at a later stage of the process, it is helpful to have an initial view of the potential partners in the marketplace . The public sector client must select a partner that both provides the level of service required cost-effectively and ‘fits’ culturally with their own organization. Initial research into potential partners may facilitate that selection process at the appropriate point in the future.

#### DEVELOP AN IN-DEPTH UNDERSTANDING OF THE CURRENT NETWORK IN TERMS OF COSTS AND SERVICE LEVELS

Although data will have been collected as part of the decision-making process, the issue of establishing the current level of costs is of extreme importance even if cost reduction is not the main driver for adopting the approach. Typically, most organizations tend to underestimate the costs of their in-house operations. A situation which results in the conclusion being made that outsourcing is more costly than the in-house operation. With regard to the in-house costing, a particular issue is the treatment of donated items in any cost calculation. To achieve a fully costed operation it will be important to obtain commercial estimates for warehouse rental, equipment depreciation and finance charges for mechanical handling equipment, temperature-controlled storage facilities and delivery vehicles. In addition, any taxation benefits, such as vehicle licenses, from being a public sector entity within the Federal Government of Nigeria. Incorporating this approach will enable an improved comparison between any charges quoted by potential partners, at a later stage of the process, and those incurred by the national or state entity.

Furthermore, concern is often expressed regarding the logistics service provider making a profit from the payment of taxpayers’ money to them. Given that the contractors are likely to be more efficient than the public sector’s in-house operation, the overall cost, including a profit element, will be lower than the fully costed in-house activity.

#### PREPARE AN INITIAL DATA PACK

Preparation of the detailed outsourcing needs, prior to any approach to potential logistics service providers, is essential. Thus, in addition to understanding the reasons behind outsourcing, researching the marketplace, developing selection criteria and developing a full costing of the in-house or current outsourced fee-for-service operation, an information pack needs to be developed for sharing with potential partners. While it is important to maintain commercial confidentiality, it is essential to provide enough information to enable potential partners to take a decision regarding further engagement and contribute effectively should they choose to do so. The data will be top-level and not require a formal data confidentiality agreement. However, such an arrangement may be considered necessary at a later stage of the process and an appropriate clause regarding data sharing parameters should be an element of the contract.

The information should provide an indication of the scale of the operation and the service levels required, including:

- The geographic area involved: nationwide, several states or a single state
- A description of the current warehouse network being considered for outsourcing. (The 2021-2025 policy document objectives related to the implementation of an integrated network without parallel supply chains).
- The inbound loads per year from suppliers, in terms of containers/TEUs, with a seasonal/monthly analysis
- Inbound temperature-controlled air freight volumes, in terms of shipments and cubic meters, if any, with a seasonal/monthly analysis
- The current warehouse space, at each network node, in terms of the number of pallet racking spaces and any block stacking areas
- The number of different SKUs to be handled
- The basic functionality of the warehouse management system (WMS)
- The outbound order process in terms of frequencies, lead times and planning cycles
- The current IT systems in terms of inbound notifications, order capture, vehicle load planning, warehouse activities and POD reconciliation
- The number of delivery points served, by type
- The number of orders dispatched per delivery cycle (Monthly/quarterly)
- The total volume dispatched in terms of cubic meters each month or quarter
- An indication of the operating hours of the warehouse(s) and the delivery windows at customers' premises
- A view of any future geographic growth and the associated volume growth

The extent of the potential elements of the supply chain being outsourced will determine the types and amount of information provided to potential partners at this early stage of the process.

## **ENGAGING POTENTIAL LOGISTICS SERVICE PROVIDERS WITHIN THE PUBLIC PROCUREMENT LEGISLATION (ACTIONS AND METHODOLOGY)**

### **PUBLISH INVITATIONS, TO ENGAGE WITH THE FMOH, IN THE APPROPRIATE PROCUREMENT PUBLICATIONS**

Once the initial preparation steps have been completed, and not until that is the case, the procurement process can commence. It is essential that all of the activities undertaken during the following stages of the process comply with public procurement regulations. It should be noted that the National Health Act (2014) provides that the FMOH shall ensure the development of National Health policy and issue guidelines for its implementation. The Public Procurement Act (PPA 2007) regulates the conduct of procurement activities by procuring entities in Nigeria, including the FMOH, through the Bureau of Public Procurement (BPP). Furthermore, in the event that there is a conflict between a regulation or a policy developed by the FMOH and the PPA 2007, the provisions of the PPA 2007 will override any such policy or regulation of the FMOH. The health sector is shown latitude by the BPP with regard to

procurement activities in the cases of medical emergencies. However, the procurement of routine services by the FMOH, from logistics service providers cannot be regarded as an emergency purchase and thus, the regulations of the PPA 2007 need to be respected by the purchasing entities within the FMOH. Although the thirty-six States are autonomous, it is understood that the States have adopted the national regulations, in cases where a State has developed their own procurement regulations. The second edition of the Procurement Procedures Manual for Public Procurement in Nigeria, issued by the BPP in 2011, details the way in which procuring entities should act in order to comply with the regulations.

In general terms, the Nigerian public procurement laws are aimed at delivering open, transparent and competitive contracting. To comply with the regulations, Sections 25(2) (a) i and ii of the Act require that invitations for bids shall be advertised in at least two national newspapers, one relevant internationally recognized publication, any official websites of the procuring entity, the BPP and the Procurement Journal. The advertisement needs to outline the purchaser's requirements, in summary form, and the procedure to be followed in responding to the invitation. A decision needs to be taken on the way in which more details will be provided to the potential partners that responded to the published invitations. The information packs developed during the preparation stage will play an important role in the process of information sharing. The information packs, in addition to the bid evaluation criteria need to include the following essential items:

- A more detailed statement of the requirement: The Service Specification
- A draft SLA including:
  - KPIs and operational performance measures relating to The Service Specification
  - Communication and reporting arrangements, including an escalation protocol,
  - Obligations of the client to the contractor
- A draft contract proposed by the purchasing entity for discussion and negotiation with the short-listed potential partners. At this stage of the process having a final agreed contract is not necessary. The key aim is to reach an understanding between the parties of the requirement, with particular attention to the SLA, and ascertain the extent to which the two organizations are a 'fit' from a management style perspective
- A description of the way in which the contractor can respond in terms of a presentation including any operational proposals and a cost template. There are many different ways of charging for outsourced services. The nature of the complexity of the services being procured will determine the style of the charging mechanism. However, in order to facilitate comparisons between the responses, the outsourcing team needs to specify the template for presenting costs, for example:
  - Actual costs, for the services provided, warehousing, transport and IT systems for example, plus a management fee
  - Tariffs, based on a range of different activities such as cartons and pallets handled, storage space occupied, vehicle capacity and delivery route length. Standalone tasks, such as primary

and secondary transport activities, are more suited to this approach than the provision of an in-country distribution system

In the event that the invitation generates a large number of potential partners, a short event such as a Partners' Conference may be an efficient way of providing more information and providing responses to individual questions that all attendees can hear. A 'Potential Partners' Conference' supports the aims of the PPA 2007. The regulations do allow for pre-qualification of bidders and the use of a two-stage bidding process. The latter process allows for considerable discussion between the procuring entity and the potential service supplier during the initial stage, to develop a clear understanding of the technical requirements and the potential means of delivering that service. The advantages of the two-stage process include the ability of the procuring entity to interact during the first stage extensively on technical matters with bidders which are not permissible in a one-stage process. The technical aspects of the bid having been dealt with in the initial stage of the process, the second stage considers the financial aspects of the bid in the same way as the standard bidding process. The two-stage bidding process is only applicable in complex procurements. Thus, they may be used in situations in which a complete in-country supply chain, involving a warehouse network, various transport services and a complex IT system, is being considered. However, they are much less likely to be applicable in a straightforward distance and weight/volume driven tariff driven transport procurement.

While a closing date for receiving responses will be set by the NPSCMP/Procuring State, there needs to be a period of time that is long enough to enable a professional response to be developed. It is essential to specify the contact details of the team member that the potential partners should contact initially with any questions and points of detail requiring clarification. However, questions should be submitted in writing and the client's responses communicated to all potential partners.

Allowing questions to be asked in writing by individual respondents at the early stages of the overall process, will result in the requirement to circulate the answers, in writing, to all potential partners.

In the case of the renewal of an existing contract, it can prove difficult to engage with potential partners other than the current service provider. Other industry players may not regard the effort in responding to be worthwhile as they are of the view that the incumbent will retain the contract and the client's aim is merely to improve the financial terms of the relationship. In this case it is important to stress the operational changes and different ways of working that are being introduced in the published invitations and any circulated material.

An important point, in terms of the capability of a logistics service provider, is the need to be able to demonstrate their ability to deliver the required services by using their own assets or sub-contracting additional assets from various logistics service providers. Failure to possess such competencies will render the bid non-compliant and therefore, provide grounds for the disqualification of the bidder. Unacceptable sub-contracting is also regarded as a major deviation in Section 31 (7) (a) I of the PPA 2007.

Other aspects of the best practice approach can be accommodated within the Nigerian procurement law, such as:

- Longer contracts. The PPA 2007 regulates the methods of procurement. Within those regulations parties are at liberty to establish and extend the duration of their contracts
- Confidentiality agreements relating to commercial information. Specific contractual arrangements may be required regarding the access to the government's eLMIS
- Service Level Agreements (SLAs) can be incorporated into contracts as annexes to a contract as part of contractually binding terms. It is a valid means of contract enforcement under Nigerian procurement law
- Assets Management Agreements, in the case of a contractor managing an FMOH owned asset such as a warehouse or a vehicle fleet
- Bonus payments are recognized and accepted tools to incentivize performance improvement. Such payments are treated as contingent payments and payable in addition to the agreed regular remuneration
- Penalty clauses for poor performance. The procuring entity can report poor levels of performance to the industry regulator, the BPP under Section 6 of the PPA 2007.

#### EVALUATE RESPONSES FROM BIDDERS AND SHORT-LIST POTENTIAL BIDDERS FOR FINAL NEGOTIATIONS

Utilizing the weighted selection criteria, the procurement entity evaluates the bids and develops a very short-list of preferably only two potential logistics service providers such that discussions can then take place regarding outstanding points requiring clarification. In this way, the potential partners will have had the opportunity to demonstrate their understanding of the requirements and the way in which they will deliver them. Importantly, the costs will have been treated separately via the two-stage bidding approach, if applicable. Contract terms are often negotiated in parallel with the operational and SLA details. The preferred bidder will not necessarily be the bidder with the lowest price. The procuring entity must be sure that the short-listed bidders can all deliver the services required and decide which bidder represents the best value for money. The contract terms, for example: termination, escalation protocol, payment terms, confidentiality agreement, repair and maintenance of FMOH assets managed by the contractor and support for medical emergencies will not change with regard to operational matters.

#### **POST CONTRACT EXECUTION (ACTIONS AND METHODOLOGY)**

##### DEVELOP A TRANSITION PLAN

Prior to commencing operations, once the contract has been awarded, both management teams need to develop a Transition Plan incorporating a start-up date and the activities to be undertaken in the interim period. Of particular importance will be the detailed planning of the go-live with the contractor's IT systems and any integration that is needed with the existing Public Sector IT systems in accordance with the data sharing agreement clause.

In those circumstances in which the contractor will be taking over the management of assets owned by the FMOH/a State, a survey of the condition of those assets will be required by the contractor, and agreement reached on the financing of any immediately needed repairs and maintenance.

Although the existence of a contract is extremely important for the protection of the client and the contractor, it is not something that should be referred to on a regular basis. An in-depth understanding of the contract terms, particularly related to the timing of specific events, is essential to strengthen contract management capacity, especially in those procuring entities that have not contracted directly with logistics service providers in the past. However, should the parties find that it is a regular subject for discussion the relationship is not working as well as it should. The crucial document from a post contract award situation is the SLA. The client's Contract Manager and the logistics service provider's Operations Manager should be focusing upon the operational details and KPIs detailed in the SLA.

#### MANAGE THE RELATIONSHIP FOR SUCCESS

Of particular importance are the regular meetings, held preferably with a fixed agenda at the specified dates. It is also important that both parties are sensitive to the fact that some issues need to be handled quickly, whereas some can wait until the monthly or quarterly review meetings. The daily contact at the operational level is essential to highlight matters requiring immediate attention.

While errors on the part of the logistics service provider will be readily apparent to everybody concerned, the underlying reasons may not be so obvious. Gaining an understanding of the reasons underlying the failures is essential as it may need the client's management team to take a specific course of action within their own organization. Contract breaches and missed KPI targets will require different responses from that management team.

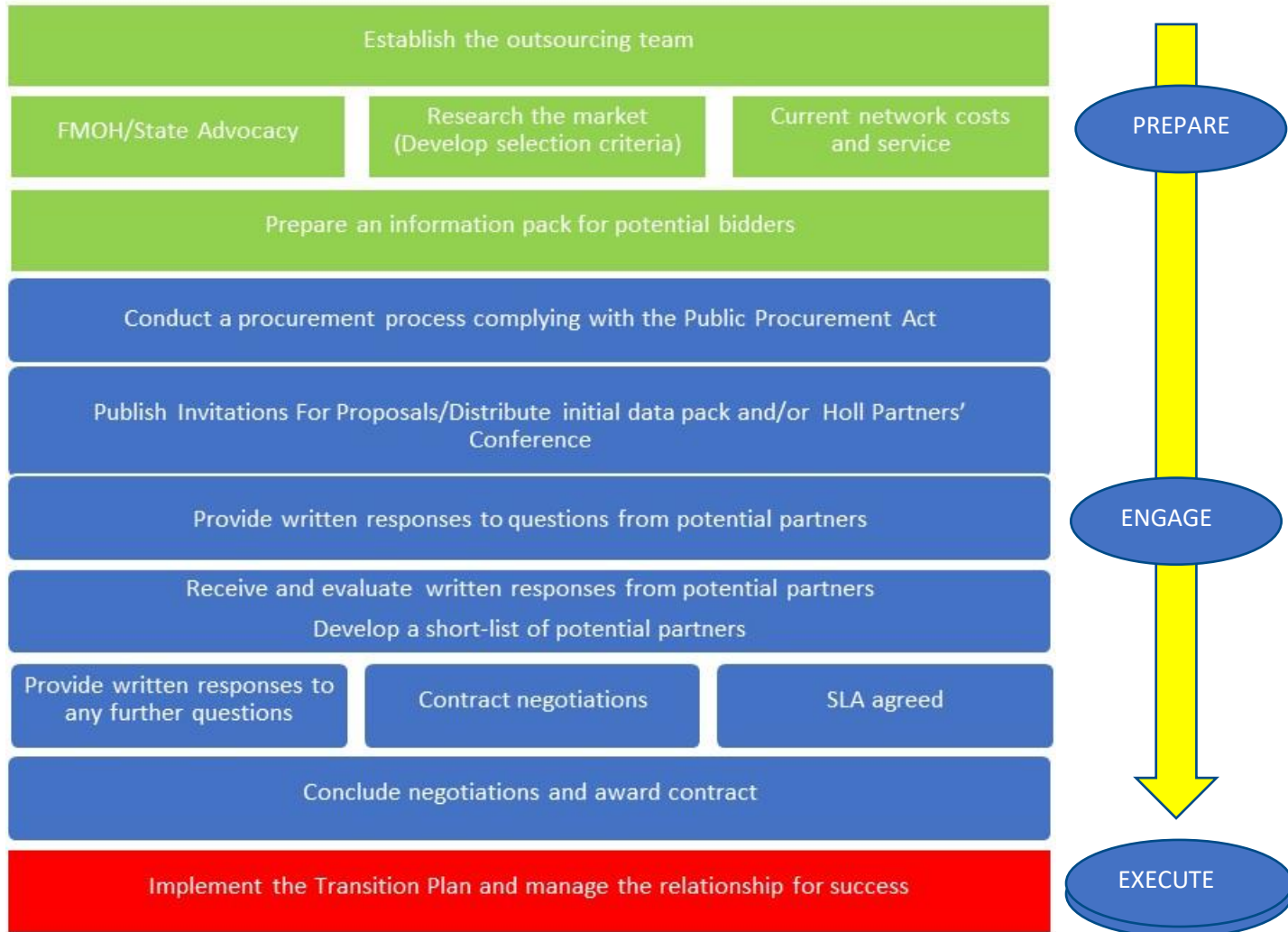
It is understood that penalty clauses are a regular feature of service contracts in Nigeria. By having both parties adopting a best practice collaborative management style, invoking penalty clauses will be mitigated.

Should the management, of both organizations, come to the opinion that the relationship is not working as well as anticipated, consideration should be given to holding team building events and/or working sessions, facilitated by a mediator, such as a senior representative of a professional supply chain body, a respected supply chain consultant or an independent lawyer, with the aim of understanding the reasons for the on-going difficulties and develop possible ways of overcoming them for the future. Both parties will have invested a great deal during the engagement process and will therefore, want to find ways to overcome the issues and benefit from that investment.

All three phases of the operationalizing process are summarized below in Figure 1. Operationalizing an Outsourced Model.



Figure 1. OPERATIONALIZING AN OUTSOURCED MODEL



## **THE SKILLS AND ATTITUDES NEEDED FOR AN EFFECTIVE RELATIONSHIP**

### **PUBLIC SECTOR CONTRACT MANAGEMENT EXPERTISE**

Contract management involves both monitoring the performance of the contractor, and working with the contractor to optimize the results of the activity for the payments made to the contractor. An in-depth understanding of the terms and conditions of the contract are an essential prerequisite for monitoring the contractor and indicating the areas of the operation that need improvement as necessary. The role involves identifying aspects of the client's activities that may be hampering the contractor's ability to make the best use of their resources. Unless the impacts of these hampering activities are eliminated, the client is likely to be left feeling that they are not receiving value for money from the fees paid to the contractor.

### **AN ABILITY TO CLEARLY DEFINE THE OPERATIONAL SERVICE REQUIRED BY THE OUTSOURCING TEAM**

The client's representatives, at all levels, need to understand all of the elements of the contract and the associated SLA in order to clarify questions from the contractor's team members, should it be required. A well written SLA will reduce the likelihood of differences of opinion occurring. However, during the early stages of a contract and/or a change in the contractor's management team, differences of opinion are more likely to occur than at other times in the life of a contract. Unclear documentation is likely to result in conflict and a high level of issues being escalated to senior management, which does nothing to ease tension between the parties. Not only is the skill to clarify misunderstandings essential, but in addition the skill to recognize the potential for conflict due to limited clarity in the documentation , and to take steps to modify the offending documents and processes for the benefit of all parties.

### **COMMUNICATION AND REPORTING DISCIPLINE BY ALL PARTIES INVOLVED**

Nominated contacts between the two organizations at all levels will be agreed and documented typically, in a section of the SLA related to communication and reporting. It is essential that the nominated contacts and reporting processes are adhered to rigorously. The day-to-day operational management teams need to ensure the Daily Report is produced and, more importantly, actioned as required. The additional monthly and quarterly reporting and communication processes also need to be adhered to in a disciplined manner to ensure effective communication and reporting lines are not compromised. The client's Contract Manager would typically have a designated contact within the senior level of the contractor's operations team.

It is essential that all members of both teams understand the need to maintain the reporting and communication disciplines to ensure accountability. A lack of discipline can result in the monthly and quarterly review meetings being less productive than they should be which can generate negative attitudes between the parties and minimize any goodwill and cooperation that had previously been achieved by the relationship.

## PERFORMANCE MEASUREMENT DEVELOPMENT, INTERPRETATION AND CLARIFICATION BY THE PUBLIC SECTOR TEAM

The skill to produce clear performance measures has already been highlighted. In addition, for the measures to be effective they must also be able to be influenced by the logistics service provider. For example, a 3PL providing only transport services can be monitored in terms of schedule conformance and delivery timeliness, but not for aspects of inventory management such as order completeness and stockturns. The skill that is needed is the ability to construct clear and relevant measures of performance.

## A 'NO SURPRISES' PHILOSOPHY AND AN OPEN DIALOGUE AT ALL LEVELS WITHIN BOTH ORGANIZATIONS

For the relationship to be successful, all of the team members in both organizations need to be open with each other and report issues as and when they arise with the objective of resolving the problem rather than allocating blame. Joint team building sessions, previously suggested as a means of overcoming performance issues, can be very useful in this regard. The sessions can develop a 'one team' culture with the contractor's team and the client's team bonding with each other. Communicating successes throughout both organizations can also help create openness and thus a 'no surprises' relationship between the parties.

## THE PUBLIC SECTOR TEAM ADOPTING AN APPROPRIATE MANAGEMENT STYLE WITH THE LOGISTICS SERVICE PROVIDER

For the contractor to perform effectively and provide the levels of service required by the FMOH, the FMOH needs to share as much information as it can with the contractor to enhance the long-term planning process, avoid having to rearrange schedules and short-term plans at short notice and limit incurring additional unplanned, but chargeable, costs. A lack of information sharing is likely to result on an inefficient confrontational relationship in which:

- The contractor looks to blame the client for not providing the necessary information
- The client aims to blame the contractor for not achieving the required levels of service performance and/or exceeding the operating budgets.

## SUMMARY OF CHANGES FROM THE CURRENT RELATIONSHIP STYLE

### CONTRACT OWNERSHIP, THE FMOH/STATE RATHER THAN THE DONOR OR IMPLEMENTATION PARTNER

Currently, the contracts with outsourcing partners are typically between the contractor and a donor or implementation partner and not between the FMOH, at either federal or State level, and the contractor. In a future situation in which the State owns moves from multiple 2PL contracts to a best practice 3PL, further benefits will be achieved by adopting many of the aforementioned techniques relating to communication, performance reporting and a sharing management style. Although funding from outside of the FMOH is likely to continue to some extent, in the future and when circumstances allow, the contracts should be between the 3PLs and the 'client' at national or State level. While the suggested change would reflect a best practice relationship, it is accepted that many aspects of the current relationships would need to be revised significantly, over a period of time, for all of the benefits to be delivered.

### MANAGING THE LOGISTICS SERVICE PROVIDER RATHER THAN THE SUPPLY CHAIN OPERATION

It is often difficult for executives that have managed an operation directly for several years to relinquish the managerial role to a logistics service provider and assume the role of a performance manager and an information provider. The temptation to step in and take over managing the situation, particularly when things are not going as smoothly as they should, must be avoided.

While the responsibility for delivering the required level of service remains with the FMOH, the supply chain management team, at all levels, must manage the logistics service provider's performance against the SLA and not the operation itself. This change of role will rely on the development of an excellent working relationship between the two parties, meaningful and timely produced performance measures, frequent reporting of conformance to plans, particularly at the junior levels of the organizations, as the reporting is more frequent, and the timely provision of the information needed from the public sector performance manager to the logistics service provider for a successful operation. The information variables to be delineated in the data sharing agreement will include the following elements:

- Incoming shipment volumes and anticipated arrival dates
- The timing of the introduction of new products and additional delivery locations
- Seasonal volume variations
- Planned changes to business processes and IT systems
- Holiday shutdown periods, if any
- Outgoing order sizes and volumes, by geographical zones
- Pack size changes
- Distribution cycle frequencies and delivery lead times

As communication is a two-way process, the FMOH representatives need to react to inputs from the logistics service providers' teams. For example:

- Suggestions for operational improvements
- Issues arising at delivery points impacting the service provided to both the delivery point concerned and subsequent delivery points on the route
- The quality of the information provided by the FMOH
- The lack of discipline on the part of customs clearance agents and carriers, delivering to the warehouses, regarding 'booking in' and scheduled arrival times at the warehouses

A spirit of openness needs to be adopted by all parties in order for the potential benefits to be realized. In broad terms, the FMOH is looking to achieve a high-quality, cost-effective service. The logistics service provider is aiming for both a reasonable return on the investment and an enhanced reputation, in the logistics market place, to be able to further expand their business. The overall aim is to create a win-win situation for both the client and the logistics service provider.

#### FREQUENT REPORTING AT LOWER LEVELS AND SCHEDULED QUARTERLY REPORTING AT THE CONTRACT MANAGEMENT LEVEL

The contractual relationships currently in place in developing countries tend to incorporate a quarterly review process, involving a large number of people. The nature of the reporting and communication relationships has been outlined above. While formal quarterly reviews are a feature of best practice outsourcing relationships, more frequent and less formal reporting is also a feature, particularly at the operational levels of the two organizations. The context of the specific outsourced activities will determine the frequency and content of the reporting between the 3PL and the FMOH. The details of which will be incorporated into the SLA

The quarterly reviews, attended by the senior personnel of both organizations, will consider strategic trends in terms of service and cost. In addition, continuous improvement initiatives will be reviewed and decisions taken jointly regarding the direction of current initiatives and the introduction of additional activities. Every fourth review will be an annual review of both the quality of service and the level of conformance to agreed budgets. Furthermore, the annual review will consider overall volume estimates for the coming year and the associated costs of the operation for the upcoming twelve months.

More frequent formal and informal communication and reviews will take place between the nominated contacts at the operational levels. Of particular importance is the Daily Report. The document, typically a one-page form, presents a snap-shot of the operation at the start of the day or at the end of the night shift. The aim of the easily communicated form is to provide the various members of the two management teams with an understanding of the state of the operation and areas requiring their attention, face-to-face, in the coming hours. An example Daily Operations Report template, for a combined warehouse and transport contract, is presented in Annex 3: Daily Operations Report Template. Professional 3PLs and LLPs, particularly those operating in the fast-moving consumer goods (FMCG) area, distributing high volumes of product regularly, within short lead times, will have such a process in place. Although the template suggests a manually completed document emailed to the recipients, the more advanced 3PLs and LLPs will produce reports automatically for their clients. By allowing clients access to their IT systems, automated reports and dashboards can be viewed as and

when required by those clients. The template of the report will be varied to match the specific needs of the operation. In the Nigerian context, in which the distribution cycles are less frequent than those of the FMCG sector, a RED/AMBER/GREEN 'traffic light' reporting system for short-term reporting, potentially on a weekly rather than a daily basis, may be more appropriate.

A monthly performance review to consider the various departmental performance measures will be a more formal element of the reporting and communication between the two organizations at the operational level. More strategic reviews involving senior personnel from both organisations should be initiated at quarterly intervals. Annex 4: Monthly and Quarterly Operations Meeting Agenda Topics, presents a suggested standard agenda for both the Monthly and Quarterly Operations Meetings

It is important that all of the review meetings are planned, well in advance, and every effort must be made to avoid rescheduling the meetings at short notice

#### PROMPTLY PRODUCED AND CIRCULATED PERFORMANCE MEASURES

The increased frequency of reporting at the various managerial levels within the supply chain will require the production of the performance measures more frequently and in line with the meeting schedule. This is of fundamental importance as it enables management, at all levels within both organizations, to remain constantly updated regarding the operational performance, while leaving the day-to-day activities to the respective operational teams. Ensuring that the mandated frequencies are adhered to enhances the respect for performance monitoring and improvement in general. Typically, the logistics service provider will provide the data, as required, in-line with the details in the SLA, utilizing their IT systems. Again, aligning meeting cadence to the agreed upon deliverable schedule will contribute to the effectiveness of those meetings.

Only those aspects of the operation that the logistics service provider can control should become Key Performance Indicators (KPIs). For example, the classic all-embracing supply chain KPI is the delivery on-time and in-full percentage. Unless the logistics service provider is responsible for forecasting and inventory management, the company will not control the in-full element of the measure. They will be in control of the on-time element and should be measured with regard to that element accordingly. The in-full data should be delivered by the 3PL's IT system, for use with other members of the supply chain management (SCM) team. The logistics service provider can impact the in-full element of the KPI indirectly, to some extent, and appropriate measures include:

- Stock record accuracy
- Level of stock losses
- Stock damages
- Order picking accuracy
- First expiry/first out conformance

- Stock-out rate

Other suitable measures include:

- Planned cost budget variance
- Conformance to inbound unloading schedule
- Inbound goods processing time
- Environmental factors (Fuel consumption and total kilometers)
- Cold chain breaks
- POD return timeliness and completeness

All of these operational measures are a means of assessing the impact that the supply chain is making with regard to supporting the overall healthcare system objectives of high levels of on-shelf availability of pharmaceuticals and medical supplies at service delivery points, and a healthier population. There are many other measures and projections, such as warehouse space utilization, that the logistics service provider can produce to support collaborative planning and the search for operational improvements and cost reduction with their client.

Once accurate performance and cost data is produced on a regular basis, consideration can be given to developing a 'payments by results' strategy with the service provider. It is not until reliable information is produced on a regular basis that a system involving both bonuses and penalties is worth exploring. Even prior to that situation developing, annual reviews should be undertaken to solicit qualitative inputs from customers and stakeholders as part of the ongoing review of performance.

## SUMMARY AND CONCLUSION

Recently, the NPSCMP team identified that although health care supply chain improvements have been achieved in recent years, supply chain performance levels were lower than desired. The NPSCMP supply chain policy 2021 – 2025 stressed the need to both learn from and engage with private sector logistics service providers to enhance supply chain performance levels. An initial market assessment concluded that there are several private sector logistics service providers that possess the potential to be suitable partners for the FMOH at either the national or State level.

Following confirmation of this, planning for how to operationalize a shift to this contracting modality resulted in this guidance document to deliver the benefits to the health of the population of Nigeria.

The activities in each of the three stages to be undertaken to enter into a best practice relationship with a 3PL can be summarized as follows:

### THE PRE-ENGAGEMENT OF POTENTIAL LOGISTICS SERVICE PROVIDERS

- Appoint a Contract Manager to lead the FMOH outsourcing team
- Assess the training and coaching needs of the entire FMOH outsourcing team and initiate the capacity building
- Identify the key issues requiring advocacy activities such as educational workshops and presentations to explain the reasoning behind the decision to outsource
- Research the logistics service providers' sales material and websites and trade body information
- Develop selection criteria for use throughout the entire process but initially to develop an understanding of the services available in the marketplace
- Gather cost and service data, KPIs and operational information pertaining to the current supply chain activities and network
- Develop a top-level information pack for circulation to potential partners or for presentation at a Potential Partners' Conference. The extent of the scale of the proposed outsourcing activities will determine the nature and scale of the information packs and presentations

### ENGAGING POTENTIAL LOGISTICS SERVICE PROVIDERS

After all of the preparatory activities have been fully completed, the following engagement activities can commence:

- The publishing of the engagement invitations in the specific locations stipulated by law
- The circulation of an information pack and/or hold a Partner's Conference including:
  - The Service Specification and a draft SLA
  - A draft contract for initial consideration by the responding companies
  - A description of the way in which potential partners are required to respond:
    - Cost templates



- Written responses
  - Deadlines
  - Bid evaluation criteria
- The evaluation of responses and the development of a short-list of potential logistics service providers
  - The development of a short-list of two or three potential partners
  - Any further discussions needed with the short-listed companies for clarification purposes
  - Contract discussions in parallel with the operational proposals, SLA discussions and cost quotations
  - The selection of a preferred contractor and finalize the contract terms and conditions
  - The awarding of the contract and thank all of the short-listed organizations for their interest and the time taken to respond professionally

#### POST CONTRACT EXECUTION

- Develop a Transition Plan for the 'go-live' with the preferred logistics service provider
- Survey the FMOH assets to be managed by the logistics service provider if appropriate to do so
- Commence the regular reporting processes and review meetings as scheduled

The three stages focus upon the activities to operationalize the policy and less on the legal contract. While it is necessary for the protection of the client (FMOH) and the contractor (3PL or LLP), once it has been negotiated the contract should only be referred to in exceptional circumstances. The regular reporting and subsequent collaboration should ensure a successful relationship without the need to regularly refer to the contract. The contracts will be different from the typical fee for service arrangements, currently entered into, in the following ways:

- Longer contract lengths than those traditionally experienced in order to develop a collaborative relationship and generate sustainable benefits in terms of cost reductions and service level improvements
- The referencing of an SLA containing the operational ways of working, specific SOPs and related performance measures. The collaborative relationship is two-way in nature with the SLA and SOPs detailing the obligations that both parties have to each other
- Defined contacts between the FMOH or State supply chain units and the 3PL or LLP to achieve effective communication between the two parties
- Integration of the IT systems of both parties. While the logistics service provider will have implemented various systems to support its business, such as a warehouse management system and vehicle load planning software, there will be a need to integrate those systems with the FMOH's order processing and procurement systems or eLMIS.

Taking the time to engage a logistics service provider using the three stages, detailed in this guidance document, is likely to deliver significant benefits not only to the public health supply chain system but also to the health of the population of Nigeria.

# Annex 1: 2022 Regional Warehouse Performance Data

## March and April 2022

- PEPFAR, USAID and PMI supported activities:
  - Health facilities: 9,267 in 35 States and the Federal Capital Territory (FCT)
  - Orders received and dispatched: 7,309
  - Orders delivered within 15 days: 100%
- Global Fund supported activities:
  - Health facilities: 7,369 in 21 States
  - Orders received and dispatched: 6,740
  - Orders delivered within 15 days: 100%
- Issues arising:
  - Proxy deliveries, for a range of different reasons occurred in 7 States
  - Delivery shortages occurred in 4 States

## May and June 2022

- PEPFAR, USAID and PMI supported activities:
  - Health facilities: 9,267 in 35 States and the FCT
  - Orders received and dispatched: 7,280
  - Orders delivered within 15 days: 100%
- Global Fund supported activities:
  - Health facilities: 6,834 in 21 States
  - Orders received and dispatched: 6,829
  - Orders delivered within 15 days: 100%
- Issues arising:
  - Proxy deliveries, for a range of different reasons occurred in 9 States
  - Delivery shortages occurred in 4 States

## July and August 2022

- PEPFAR, USAID and PMI supported activities:
  - Health facilities: 9,327 in 35 States and the FCT
  - Orders received and dispatched: 7,765
  - Orders delivered within 15 days: 100% (two warehouses required the full 15 days)

- Global Fund supported activities:
  - Health facilities: 7,233 in 21 States
  - Orders received and dispatched: 6,877
  - Orders delivered within 15 days: 100% (All orders delivered within seven days of the 15 days lead time)
  
- Issues arising:
  - Proxy deliveries, for a range of different reasons, including security concerns, occurred in 8 States
  - Delivery shortages occurred in 4 States, three of which were resolved promptly

## **Annex 2: Private Sector Logistics Service Providers (Nigeria)**

### **Akesis Global Health**

The organization was formed 21 years ago and is registered as a not-for-profit organization in Nigeria. Until recently it operated under the name of The Axios Foundation.

Considerable public-sector experience has been gained working with individual states and:

- NPSCMP
- National Agency for the Control of Aids
- National Malaria Elimination Program
- UK Department for International Development
- MNCH Program

The overall operation is managed by an integrated board of three directors responsible for:

- Country management
- Supply chain and quality
- Finance and administration

The organization has 46 staff who are managed by comprehensive HR processes and policies.

The following services are offered for products that can be stored and transported in ambient conditions:

- Forecasting product needs
- Procuring additional logistics assets (primary contractor); a vendor process is in place to support this activity
- Arranging inbound transport from local and international suppliers
- Customs clearance
- Warehousing in bulk, including inventory management
- Order processing and picking
- Distribution planning, including primary transport to depots/regional warehouses
- Multidrop distribution of picked orders (LMD)

All transport resources are outsourced.

Significant investment has been made in the area of IT systems. The warehouse management system, mSupply, connects to the clients' ERP systems and the National Healthcare Logistics Management Information System.

Activity-based costing has been introduced for warehouse activities. Plans exist for extending the accounting software.

Best practice client management processes are in place, including:

- Designated client relationship managers
- Regular performance reports (KPIs)
- Regular face-to-face reporting and planning meetings
- Agreed SLAs that are reviewed as market conditions change. These are two-way relationships in which the obligations of both the company and the client are described.

The organization places a particular emphasis on the importance of the quality management and performance monitoring processes.

### **CC Outsourcing**

A four-year-old company with limited public-sector experience offering a wide range of supply chain services, excluding customs clearance.

The procurement offering is restricted to obtaining additional supply chain resources.

The website highlights temperature-controlled experience, bespoke 3PL providers, LMD, and full scale fleet management.

The company operates with 56 employees and recruits additional staff as needed.

Public-sector experience has been obtained by providing services to the Yobe State Drug Management Agency.

A performance monitoring plan is in place and includes performance-based staff incentives.

In-house IT systems have been developed, particularly in the area of operational costing.

### **General and Health Logistics International**

A company with experienced senior executives that has been operating in Nigeria since 2011.

The integrated organization structure offers a wide range of logistics services and has gained public sector experience at both the federal and state levels. In at least one location, the company collaborates in the operation of a warehouse with the state government via a memorandum of understanding. Further experience was gained as a result of partnering with Chemonics for the distribution of long-lasting impregnated nets.

Employs 150 people, 10% of whom are regarded as administrative personnel. Professional HR practices are in place.

Ambient and temperature-controlled services include:

- Procuring additional logistics assets as needed for clients
- Inbound logistics
- Warehousing and inventory management
- Order processing and picking

- Primary distribution to regional warehouses and depots
- Multidrop LMD
- Reverse logistics and waste disposal

High-quality warehouses operating to Good Warehouse Practices and Good Distribution Practices standards are located in six towns. Resources are available for further expansion, if required, particularly in those areas with limited barriers to entry.

A considerable investment has been made in IT systems.

The warehouses are currently operated at 75% storage capacity utilization, which makes for an efficient handling operation.

The company operates 60 vehicles and hires additional trucks when necessary.

Best practice client management processes have been introduced, including:

- Designated contract managers
- SLAs
- Automated KPI production
- Formal monitoring processes

ISO 9001:2015 accreditation has been achieved.

### **Mavela Express Services**

A relatively small transport undertaking that has been in business since 2014.

A senior staff of 13 have significant logistics experience. Although the policies and procedures have developed over time informally, the board meets formally every quarter.

Ten staff are involved in transport activities, operating the organization's five vehicles and outsourcing a similar additional number of vehicles.

While some public-sector experience has been gained working for the Federal MOH, key clients include other organizations offering express transport and courier services, such as Konga Express and TD Express. The organization is used to working in a sub-contracting environment.

The company does not offer temperature-controlled transport services.

Staff financial incentives are a key driver of delivering prompt and secure services to clients.

### **MDS Logistics**

MDS Logistics was established in 1965 and is now jointly owned by Imperial Logistics (57%) and the United Africa Company of Nigeria (43%). Both owners are long-standing companies quoted on their respective stock exchanges.

The company has more than 500 employees and owns and operates 265 trucks from 46 locations throughout Nigeria. The total warehouse space, including temperature-controlled facilities, is approximately 120,000 sq. m.

The client base of 90 companies includes food producers, telecommunication companies, and pharmaceutical manufacturers.

MDS demonstrates a professional approach to HR management with a management development program and a management trainee scheme.

Specifically related to the logistics of pharmaceuticals, MDS highlights:

- Temperature logging of temperature-controlled warehouses and vehicles
- Dust-free warehouse floors and insulated roofing
- Two national distribution centers in Lagos, six regional hubs, and eight satellite distribution centers
- Security systems, including CCTV and electronically controlled access
- Standby power supply for the refrigeration equipment

### **Skylane Logistics and General Services**

The company is relatively young, established in 2018, and offers transport services to the health care sector.

The four permanent employees engage up to 40 staff when required to drive their own and rented vehicles.

Although only limited supply chain services are offered, health care experience has been gained by providing transport services to Riders for Health.

Senior management have several years of experience in the logistics sector and have identified the potential for supplying third-party distribution services to the health care sector.

### **Trackhub Ventures**

Formed in 2019 as part of the Devstork Enterprises Group, the company offers courier services, fast food delivery, and e-Commerce services using motorcycle riders in the Abuja area.

The company is still in the early phases of development, and the service offering and geographical coverage is limited. Similarly, the IT systems have been developed in-house to meet the current scale of the business.

The staff consists of five administrators and six operational staff.

While the business has been launched successfully in the Abuja area and the organization is looking to expand its reach, it will be some time before it can offer anything more than local services to the Federal MOH.

### **Worldwide Commercial Ventures**

A licensed importer of pharmaceuticals regarded as a one-stop shop for pharmaceutical supply chain services. The company first entered the market in Nigeria in 2003 and became part of Imperial Logistics in 2014

The provision of end-to-end supply chain services by around 1,000 employees generates an annual turnover of approximately USD 180m.

Given the organization is an importer, significant experience has been gained with regard to the procurement of pharmaceuticals.

The company has provided the Federal MOH with supply chain services in the areas of cancer management and the diagnosis and treatment of hepatitis.

Membership of the Imperial Logistics group provides access to further warehousing and transport assets.

Other clients include best practice supply chain practitioners within the oil industry. Although the company manages the warehouse network activities in-house, including temperature-controlled facilities, 90% of transport resources are outsourced.

Client relationships are managed following best practice techniques involving designated contract managers, SLAs, quarterly reviews, and adherence to National Agency for Food and Drug Administration quality standards. KPIs are produced on a regular basis to support the achievement of the agreed SLAs.

### **Zenith Carex International**

The operation in Nigeria is part of a global company, formed 20 years ago, specializing in customs clearance. The activities in Nigeria are much wider than just customs clearance and include:

- Warehousing in both ambient and cold chain temperature regimes at three locations in Nigeria
- Order processing, picking, and dispatch
- Primary transport to depots and regional warehouses
- Multidrop distribution (last-mile delivery)

Public-sector health care experience has been gained with both the Federal MOH and the National Malaria Elimination Program. In addition, further experience has been gained supporting several UN agencies operating in Nigeria.

The company employs around 400 people, 60% of whom are engaged in transport activities of various types.

Professional HR processes are in place with employee appraisals on a quarterly basis.

An Excel-based monitoring system has been developed and implemented as part of a best practice approach to client management.

Transport activities are managed through 75 branches, enabling nationwide last-mile deliveries to 774 LGAs.

IT systems are key to the organization's effectiveness. A tracking system and an e-Commerce platform are important elements of the overall IT infrastructure.

# Annex 3: Daily Operations Report Template

## DAILY OPERATIONS REPORT

Warehouse/Depot Location:..... Date and Time of Completion:.....

Number of Scheduled Incoming Loads.....

Number of Scheduled Incoming Loads Presented and Unloaded.....

Number of Scheduled Incoming Loads, if any, Carried Over from Yesterday.....

Proposed Actions to Clear Backlog.....

.....

.....

Number of Outgoing Loads Scheduled to have Departed Yesterday/Early Today.....

Number of Outgoing Loads Scheduled not yet Loaded.....

Proposed Actions to Load and Dispatch Late Departures.....

.....

.....

Warehouse Space Utilization: .....%

Inventory Issues, if any.....

Next 24 hours, Concerns and Planned Interventions.....

.....

.....

Completed by, Name and Position.....



## Annex 4: Monthly and Quarterly Operations Meetings Agenda Topics

### Monthly Operations Meeting: Agenda

- Any outstanding issues from Daily Operations Report
  - Recent operational errors and steps being taken to avoid further occurrences
- Immediate plans for seasonal and/or holiday reasons
- Operational performance measures (Departmental level rather than KPI level)
- Specific cost/budgetary issues highlighted in the past four weeks and potential mitigation initiatives
- Short-term changes
  - New products and/or additional delivery points
- Specific temperature-control issues and associated training needs
- Change program initiatives and IT system enhancements
- Accidents at work and safety issues
- Any Other Business: Concerns not being addressed by routine day-to-day communication that can be left to the Monthly Operations Meeting
- Date of next meeting

### Quarterly Operations Meeting: Agenda

- Key Performance Indicators: On-time and In-full (OTIF) and Budget Compliance
- Future business plans and any strategic directional changes (On-line retailing and home delivery)
- Continuous Improvement Plan initiatives and results
- Accident-Free Days and Safety Record
- Customer Survey Results: Typically, undertaken annually
- Payment formulae: Again, an annual agenda item unless unusual circumstances have impacted cost structures
- Any Other Business: Concerns not being addressed by Monthly Operations Meeting that can be left to the Quarterly Operations Meeting
- Date of next meeting