PRIVATE SECTOR ENGAGEMENT

A Guidance Document for Supply Chains in the Modern Context

Abstract

This guidance document has been developed to provide guidance to stakeholders on identifying opportunities where public and private sector parties can work together to increase access to high quality life-saving commodities and the process for engagement to ensure a productive and smooth process for all parties involved.

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Technical Reference Team on Private Sector Engagement

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Acknowledgements

The development of this guidance document has been part of the efforts led by the UN Commission on Life-Saving Commodities (UN CoLSC) for Women and Children, which aims to increase access to life-saving medicines and health supplies for the world's most vulnerable people. As part of the *Every Woman Every Child* movement and efforts to meet the health-related Millennium Development Goals and beyond, the Commission champions efforts to reduce barriers that block access to essential health commodities. As part of the working group on Supply and Awareness, the development of this guidance document was spearheaded by the Technical Reference Group on Private Sector Engagement.

Organizations and individuals that participated in the development of this guidance document include: VillageReach, JSI, People that Deliver, LMI, Management Sciences for Health, UPS, Imperial Health Sciences, Transaid, USAID, UNFPA, Riders for Health, UNICEF, PSI, WHO, CHAI, Deloitte, Maeve Magner, and Barbara O'Hanlon.

Acronyms

3PL	Third-Party Logistics
CSR	Corporate Social Responsibility
FBO	Faith-based organization
KPI	Key performance indicators
LMIC	Low- and middle-income countries
MOH	Ministry of Health
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NGO	Non-governmental organization
PPP	Public Private Partnerships
PSE	Private Sector Engagement
SCM	Supply Chain Management
SMART	Specific, Measurable, Achievable, Realistic, Time-limited
SOPs	Standard Operating Procedures
TA	Technical Assistance
UN CoLSC	United Nations Commission on Life-Saving Commodities for Women and Children

Introduction: Private Sector Engagement Guidance Document

This private sector engagement (PSE) guidance document has been developed to provide guidance for public and private sector stakeholders who are interested in engagement. Private sector engagement can be defined as the deliberate, systematic collaboration of the government and the private sector to move national health priorities forward, beyond individual interventions and programs. PSE is most beneficial when the engagement demonstrates a clear added value for all parties, improves public health, promotes transparency, and avoids conflicts of interest.

The guidance document will help identify opportunities where public and private sector parties can work together to increase access to high quality life-saving commodities and the process for engagement to ensure a productive and smooth process for all parties involved. However, all supply chain problems cannot be fixed with PSE. This guidance document will focus on the following key objectives around supply chain management with a view to identifying opportunities for PSE to address those objectives:

Increase availability of affordable, quality medicines and health supplies	Ensure quality of health commodities	Improve the effective use of health commodities	Increase funds and resources available for affordable, quality medicines and health supplies

The guidance document has been developed with consideration for key stakeholders from both public and private entities interested in public private engagements, such as government leaders, technical assistance providers, government partners (such as implementing partners, NGOs, FBOs, etc.), and private sector entities. It was developed through a participatory process with contributions from and a workshop with members of the Supply Chain Technical Reference Team of the UN CoLSC, literature reviews, and input from private sector stakeholders.

This guidance document presents the several non-linear steps necessary to engage the private sector, yet it is not a fixed process. ***Each country or organization may be at a different phase, so different steps or parts of the process will be appropriate at different times.*** The country context also plays a critical role in determining appropriate supply chain solutions, as do the various stakeholders. As such, this guidance document focuses on the non-linear steps necessary for these defined groups.

How to Use this Guidance Document

We have designed this guidance document for a variety of experience and interest levels within different organizations including but not limited to government agencies, private sector organizations and NGOs. This guidance document can be used in full or piecemeal where specific sections are more relevant than others depending on where in the process the parties are. The information that follows has been developed around the P3 model of engagement (interaction, dialogue, and agreement) adapted from Barbara O'Hanlon, USAID funded SHOPS project (2011), recognizing that there are different levels of engagement that may be appropriate for different governments and stakeholders at different times for different engagements.

Due to the wide variety of forms PSE can take with influencing factors ranging from the subject processes of the engagement to the specific country and private organizations involved, it is impossible to develop a step-by-step guide for PSE. For that reason, this tool kit provides guidelines for PSE as well as examples of successful PSE programs and supporting documents and processes.

Below is outlined an overview of the guidance document which will aid in determining where to start:

Chapter 1 provides the context giving some general **background on health care supply chain functions and challenges and private sector engagement** (PSE) and why it can be important in the current context of supply chain management. This is a good place to begin if you are considering the benefits of a public private sector engagement.

Chapter 2 outlines the **benefits, risks and challenges** around the engagement process. Recommendations are also provided in this section on how to overcome the key barriers. This will be relevant for advocacy efforts and preparation for the engagement process.

Chapter 3 introduces **different approaches to private sector engagement.** If you already understand the concept of PSE this chapter will help you hone in on what specific opportunities look like giving more concrete examples.

Chapter 4 brings the previous chapters' information together and links **specific challenges to the supply chain to different opportunities for PSE**. Organized by the key challenges a government faces for its supply chain, use this chapter to begin defining specific engagement strategies.

Chapter 5 is the nuts and bolts of the **guidance document providing specific steps, interventions and practical know-how**, guidance on engaging the private sector in different forms from simple dialogue to well-defined legally-binding contracts. This chapter will be most useful as you begin detailing out the partnership specifics.

The **Conclusion** brings us back to reminding us why this work is relevant for saving lives of women and children around the world.

Finally, **Appendix A** provides **resources and tools** for your engagement process, specific hands-on documents that can be adapted to your situation and needs. Jump here if you are looking for resources you can use immediately. And **Appendix B** may be a helpful reference as it outlines **the functions of the supply chain** and related **key barriers** under each function.

Chapter 1. The Context: Getting Essential Medicines to the World's Most Vulnerable People

Health System Supply Chain Challenges

Health supply chains are critical for ensuring medicines are available to the people who need them. In resource-limited settings, the prevalence of major medicine-treatable and preventable diseases is often high. Improving access to medicines in these settings is essential to saving lives and protecting public health. Currently, billions of dollars are spent on health commodities necessary for the treatment of high burden diseases by low- and middle-income countries (LMICs). However many of these life-saving commodities often do not reach those most in need due to poor management of medicines, inadequate distribution systems, and a lack of information about demand at all levels of the health system. The result is devastating with almost six million children worldwide dying in 2008 from infectious diseases;[1] many of those lives could have been saved by improvements in medical supply chain performance. As the UN Commission on Life-Saving Commodities (UN CoLSC) scales up access to 13 underutilized and high-impact commodities, effective in-country supply chains are a critical success factor to ensuring these commodities reach the women and children who need them most.

A supply chain is the network of entities that plan, source, fund, and distribute products and manage associated information and finances from the beginning of the process with manufacturing through transportation and warehousing and to the service delivery points.[2] It is an ecosystem that integrates all aspects of a supply chain, including medicines, human resources, technology, policies, distribution systems, warehousing, and service delivery. A well-functioning supply chain can broaden geographic access to high quality products when operating with efficiency, adaptability and financial integrity.

The health supply chain ecosystem faces a range of challenges, from the policy level that may restrict product selection possibilities to the service delivery point that may face frequent stock outs due to poor forecasting, unavailability of transport, malfunctioning cold chains, or a variety of other issues. Poorly functioning supply chains lead to redundancy of efforts, higher costs, stock outs, wastage and, as a result, poorer health.

Private sector initiatives have contributed to addressing the challenges faced by supply chains by increasing efficiency and extending private sector expertise.

Private Sector Engagement in Supply Chains

In recent years, there has been an increasing interest in leveraging the private sector experience to address the challenges faced by various ministries of health and implementing partners. Government and government partners can benefit from private sector capacities by engaging these entities around specific functions of the supply chain. This type of partnership can lead to a strengthened health system as well as the health benefit of more lives saved by a robust system to supply health commodities.

[1] Black RE et al. Global, regional, and national causes of child mortality in 2008: a systematic analysis. The Lancet. 375:9730, June 2010.

[2] Private sector role in health supply chains: Review of the role and potential for private sector engagement in developing country health supply chains. Final Report. Rockfeller Foundation, Dalberg, MIT-Zaragoza. 2008.

As this guidance document details, private sector engagement (PSE) can take on many forms. For example, outsourcing transport for distribution of essential medicines is common, using local service providers such as Imperial Health Sciences, Bulto, Riders for Health, and Coca-Cola. Private sector channels and innovations are also being utilized to communications campaigns to deliver health messages. And as another example, government policies can be established that promote private sector growth in production of health commodities.

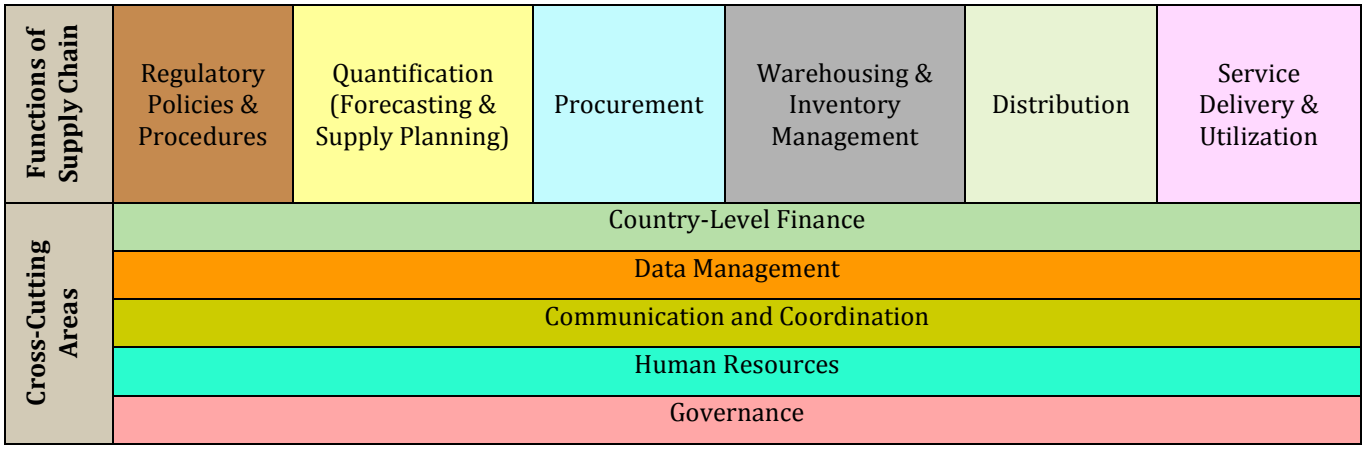
It is important to note that PSE may not be appropriate for all supply chain challenges, and much depends on the country context, government leadership, and potential partners. It is also not a quick fix; it takes time and requires a medium to long-term strategy, measurable goals, and commitment. With that noted, PSE can and should be considered and explored to address challenges faced to ensure the availability of health commodities.

For the purpose of this guidance document:
Private sector can include:
• The commercial for-profit sector • Faith-based organizations that operate outside the public sector • Social enterprise • Corporate social responsibility (CSR) entities
Public sector can include:
• Government agencies • Civil society
Government partners can include:
• Implementing partners • Non-governmental organizations • Faith-based organizations

Functions of a Supply Chain

An in-country supply chain has a number of core functions and cross-cutting areas, all of which are equally important to strengthen in any efforts to improve medicines availability (see Figure 1 and Appendix B for more details).

Figure 1: Core Functions of a Public Health Supply Chain[3]



Each of these different functions faces different challenges at different times. From a government perspective, the objectives to strengthen the health system are directly linked to the functions of the supply chain:

[3] Developed by the UN CoLSC Recommendation 6, Outcome 1 Technical Reference Team on *Good Practices in Supply Chain Management*. See Appendix B for more details.

- *Increase availability of affordable, quality medicines and health supplies*. Barriers to this objective involve many of these functions, and are directly linked to procurement, warehousing and distribution. Some of the many barriers faced by these functions include inadequate storage space and conditions, poor availability and reliability of transport infrastructure and services, and limited funds to support distribution costs.
- *Ensure quality of health commodities*. This objective falls within the responsibility of several of the core functions, particularly regulatory policies and procedures and procurement. Some policies potentially can restrict product selection possibilities, delay shipments, or make entry prohibitive. Poor and inadequate data can also make it difficult to forecast and plan commodity needs.
- *Improve the effective use of health commodities*. Health care workers face this challenge at the service delivery points. Training and knowledge gaps lead to underutilization or misuse of commodities or poor stock management. Competing priorities for health personnel time is also a compounding factor for effective use of commodities.
- *Increase funds and resources available for affordable, quality medicines and health supplies*. Country-level finance presents a real challenge to efficient supply chains, particularly with funding flow to the lower levels of distribution.

Chapter 4 links the functions of a supply chain with different approaches to private sector engagement.

Chapter 2. Private Sector Engagement: One Mechanism to Strengthen the Supply Chain

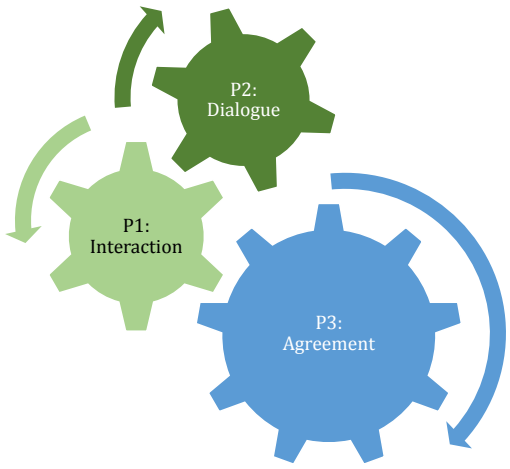
Engagement Model

Private sector engagement can be defined as the deliberate, systematic collaboration of the government and the private sector to move national health priorities forward, beyond individual interventions and programs.[4] PSE is most beneficial when the engagement demonstrates a clear added value for all parties, improves public health, promotes transparency, and avoids conflicts of interest.

There are many ways to address the various supply chain challenges experienced in the global health supply chains, which differ situation by situation and country by country. Given the importance of and the focus on supply chains in their organizations, engaging the private sector stakeholders through appropriate and well-structured partnerships in the right situation can add a lot of value.

It is important not only to understand how private sector engagement can add value, but what that engagement looks like and how it would work for all parties involved. One way of looking at the various types and levels of PSE is by the P3 Model, adapted from Barbara O'Hanlon, USAID funded SHOPS project (2011). In this model, the P stands for Phase, although it is not essential for all PSE to reach all three phases, it merely implies that it is a step-wise process that can complete/end at any phase (and the P3 level of Agreement is not as common).

Figure 2: P3 Model for PSE



P1: Public-Private Interaction
Emphasis on *communication* of information to assist each entity
P2: Public-Private Dialogue
Emphasis on *cooperation* around an issue of mutual interest
P3: Public-Private Agreement
Emphasis on *collaboration* formalized in a contract that is jointly designed and implemented

Each of these levels of engagement builds on the previous one with varying degrees of complexity and formality. A formalized agreement, as in P3, develops after deliberate interactions and dialogue have taken place, as in P1 the initial interaction and P2 the dialogue. The type of engagement should be determined and preceded by a series of non-linear steps and will depend on the needs of the country, the focus areas of improvements in the supply chain, and the willingness of partners to be engaged. The

[4] Private Health Policy Toolkit for Africa: Tools for Engaging the Private Health Sector. The World Bank Group. 2013.

different opportunities for PSE discussed in this guidance document can also overlap between these three levels of engagement and cannot be clearly attached to one level or another.

The value add of PSE

There are several specific areas where the private sector can add value in public health supply chains as outlined below:

Access to skills and expertise

The private sector have demonstrated skills and expertise in addressing supply chain challenges across many industries, and these skills and resources (staff, networks, etc.) can help build the capacity of the public sector to better manage its own supply chains. Governments have previously leveraged private sector training programs to build their staff's skills, or have partnered with private sector companies to use their expertise to support supply chain optimization efforts.

Operational efficiencies

Industry leaders such as P&G, Apple, Dell, and SAB Miller have to work to continually improve their operational efficiencies to ensure customers are receiving the products they want, when they want them, and at the right cost while reducing wastage and losses. By engaging such organizations, the government and government partners can improve operational efficiencies such as leveraging economies of scale within the supply chain to improve access to medicines nationwide which should lead to improved health outcomes. This expertise can be leveraged through information sharing/technical assistance or contracted outsourcing and may be helpful when rethinking in-country supply chain design, developing new information systems to support the supply chain, or developing new strategies for ensuring products reach the end-users. For example, if a health system needs to make a delivery once a week, they can purchase a truck. Alternatively, they can contract the private sector which will spread the truck costs among the once-a-week health system delivery as well as the other deliveries that trucks can make during the remainder of the week.

Coca-Cola and Ghana Health Services

In Ghana, as in many countries, keeping all the refrigerators and cold rooms that protect vaccines during storage and delivery serviced and maintained is a massive effort. To improve the overall cold chain performance, Ghana Health Services turned to an industry-leader in supply chains – Coca Cola – for assistance. Coca-Cola maintains thousands of refrigerators across Ghana and their strong preventative maintenance program keeps all the refrigerators running almost 100% of the time. Coca-Cola shared this methodology with Ghana Health Services to help them adapt it for the public sector and provided technical assistance in Ghana to help implement a new maintenance model with Ghana Health Services.

Case Study 1: Coca-Cola and Ghana Health Services

Allow governments to focus on core competencies

Many industry leaders outsource their non-core functions to partners better placed to provide those services enabling them to focus on their core competencies. For example, the technology company Apple outsources its manufacturing and transportation of its products while focusing on the development and design of their products. Likewise government agencies could consider the outsourcing of their non-core functions enabling ministries of health and their personnel from the most rural health centers up to the highest leadership roles to focus on health service delivery and health system management (their core

competencies). Contracting or outsourcing of non-core functions, such as warehousing and transportation, allow the public and private sectors to apply their core competencies, focusing on what they do best. For example, outsourcing transport for distribution of medicines allows a health care worker to focus on the patient instead of organizing fuel, a driver, and a vehicle to go pick up the medicines.

Riders for Health in Nigeria

Over half of Nigeria's population live in rural areas and are dependent on outreach health care services, yet just 15% of the road networks are paved. As with most African countries, the vehicles that are present are often unreliable, and there is lack of emphasis on road safety and vehicle servicing needs. From July 2012, Riders for Health (Riders) have been contracted to carry out distributions in Cross River and Rivers states in Nigeria to improve delivery of important health commodities. Riders uses various vehicles suitable for the terrain and maintains its vehicles to high standards to ensure commodities are delivered to the 'last mile'. In July 2013 Riders completed the seventh distribution, which included 124 sites. Five of seven distributions between July 2012 and July 2013 were completed in an average of 13 days. Riders also redistributes commodities between health facilities, as requested, and carries out reverse logistics, transporting any expired commodities from the health facilities back to Calabar.

Case Study 2: Riders for Health in Nigeria

Access to Capital Investment & Innovation

By their nature, most private sector organization continue to invest in new and better ways of doing things, thriving on developing and creating new innovations. Private sector organizations are typically in a better position to make capital investments to make improvements on the supply chains where it can be very difficult for government agencies or donors to make these large investments for example in warehousing, trucks, or even IT systems. These types of investments would usually require longer-term contracts to facilitate return on investment. As another example, vouchers for health through social security organizations can be introduced, often through large work places. Both public and private sectors are interested in applying new ideas to address long-term challenges. This builds on the notion of cross-pollination and the idea that by bringing together people from different sectors and disciplines, creative and innovative approaches to problem solving will be generated. The private sector may bring new ideas or new concepts that have been tested in other industries to the public sector, which can be successfully adapted through collaborative work between public and private sector partners. Additionally, the private sector can benefit through the opening of new markets and investment opportunities.

Shared Risk

Every investment, operation, or service involves risks, including financial, political, security, infrastructure and human resources. Effective PSE allows risks to be shared between the government and the private sector. Sharing risks means that each organization accepts a portion of the overall engagement risk and risks are allocated to the best partner to assume the risk. By sharing the risk, both the government and private entities are typically willing to participate as partners in a project they would not be able or willing to support in its entirety. For example, a long term contract with the government may offer a stable cash flow for a private company, reducing their cash flow risk, while a private partner may reduce the infrastructure or HR investment risk the government would need to take on to build a new capability. Other examples could include risk-sharing large infrastructure activities

with private companies, such as co-financing of manufacturing plants. Risk sharing can also include pooling of risk across organizations as described in case study 3.

Shared Risk: Regional Distribution Centers

Many countries have a difficult time forecasting long-term demand for ARVs and HIV test kits and maintaining adequate storage space in country to meet demand. To help countries address this challenge, Supply Chain Management System (SCMS) worked with Imperial Health Sciences, a commercial warehousing and distribution company out of South Africa, to set up three Regional Distribution Centers (RDC) in Sub-Saharan Africa. HIV commodities are pre-positioned in these RDCs closer to point of use, so that smaller quantities can be quickly distributed to the appropriate countries based on a more accurate demand. The RDC approach reduces risks for donors and countries, who would otherwise need to maintain large buffer stocks and risk damage, expiration, or theft. The RDCs can pool inventories across countries, thereby reducing their own risk of carrying product that may expire before it reaches the patient.

Case Study 3: Shared Risk: Regional Distribution Centers

Risks and Challenges of PSE

While there are many benefits, a PSE is not without its challenges. The key challenges experienced with these types of engagements include the philosophy of the two sectors (private and public), mistrust and misunderstanding, (the lack of) information sharing, and the capacity to engage the other sector. Often there is mutual suspicion by both parties about the incentives or motivation of the other, which can cause potential partnerships to deteroriate before they even get started. The drivers of engagement for each sector are fundamentally different; however, a mutual ground can be found through careful engagement processes.

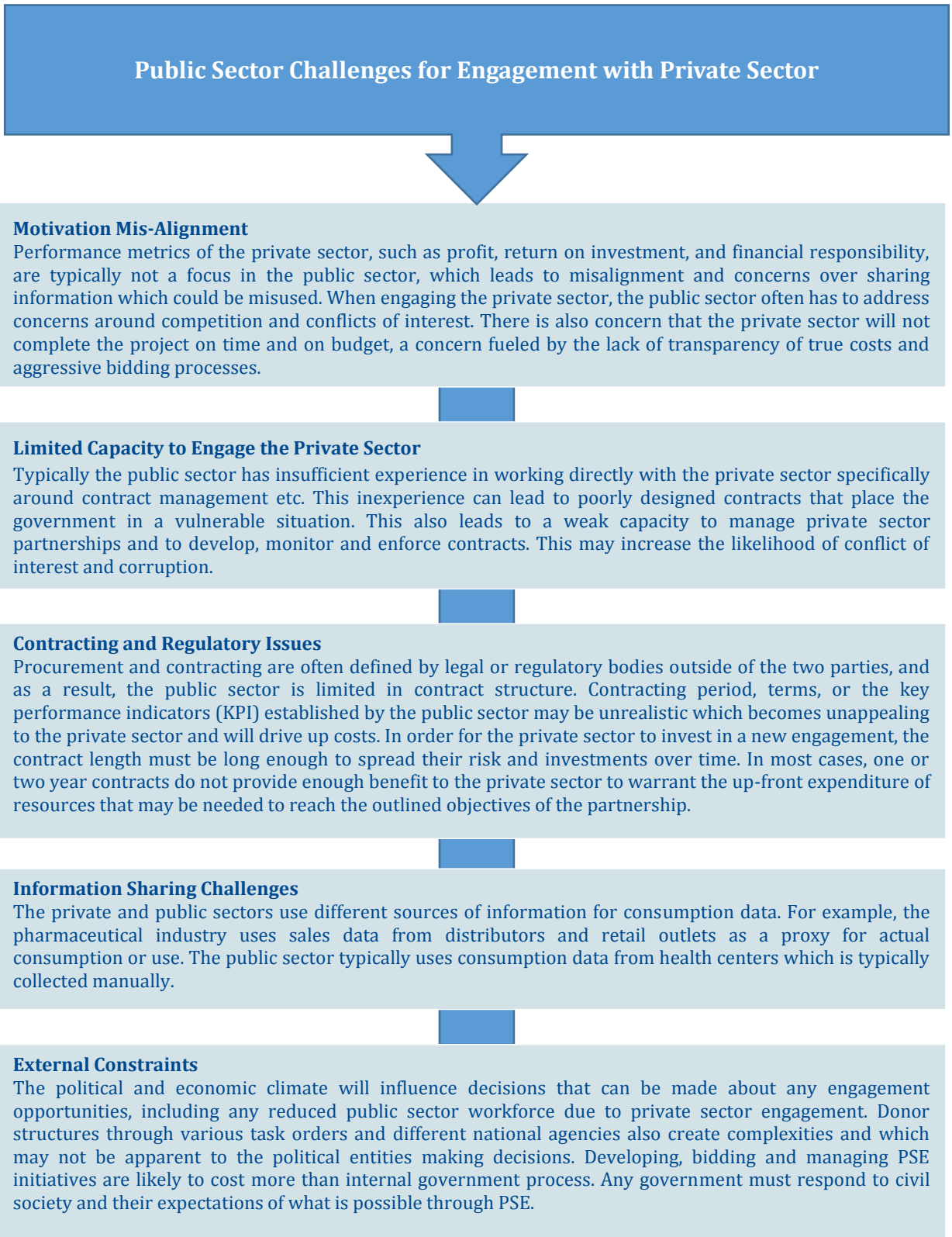
IT TAKES TIME TO BUILD A TRUSTED AND MUTUALLY BENEFICIAL PARTNERSHIP.

To help both parties address these challenges in a realistic and practical manner, it is important to understand that both parties have their own considerations when engaging the other sector for partnerships. Both the public sector and the private sector must understand the way the other partner views their own goals and risks, in order to develop a successful partnership. The difference in philosophies between the two entities, as well as different capacities and access to information, all contribute to some of the potential barriers to developing strong partnerships. It is important to note that if the government can demonstrate improved performance and availability of health commodities through private sector engagement, then many of these concerns can be alleviated.

Public Sector Challenges for Engagement with Private Sector

Governments that have attempted to engage with the private sector face many challenges in coordinating their philosophy to the philosophy of the private sector to create a strong partnership. Governments are often unwilling to share functions and tasks for what is seen as their core responsibility. Some of the key challenges that are often raised by the public sector are shown in Figure 3 below.

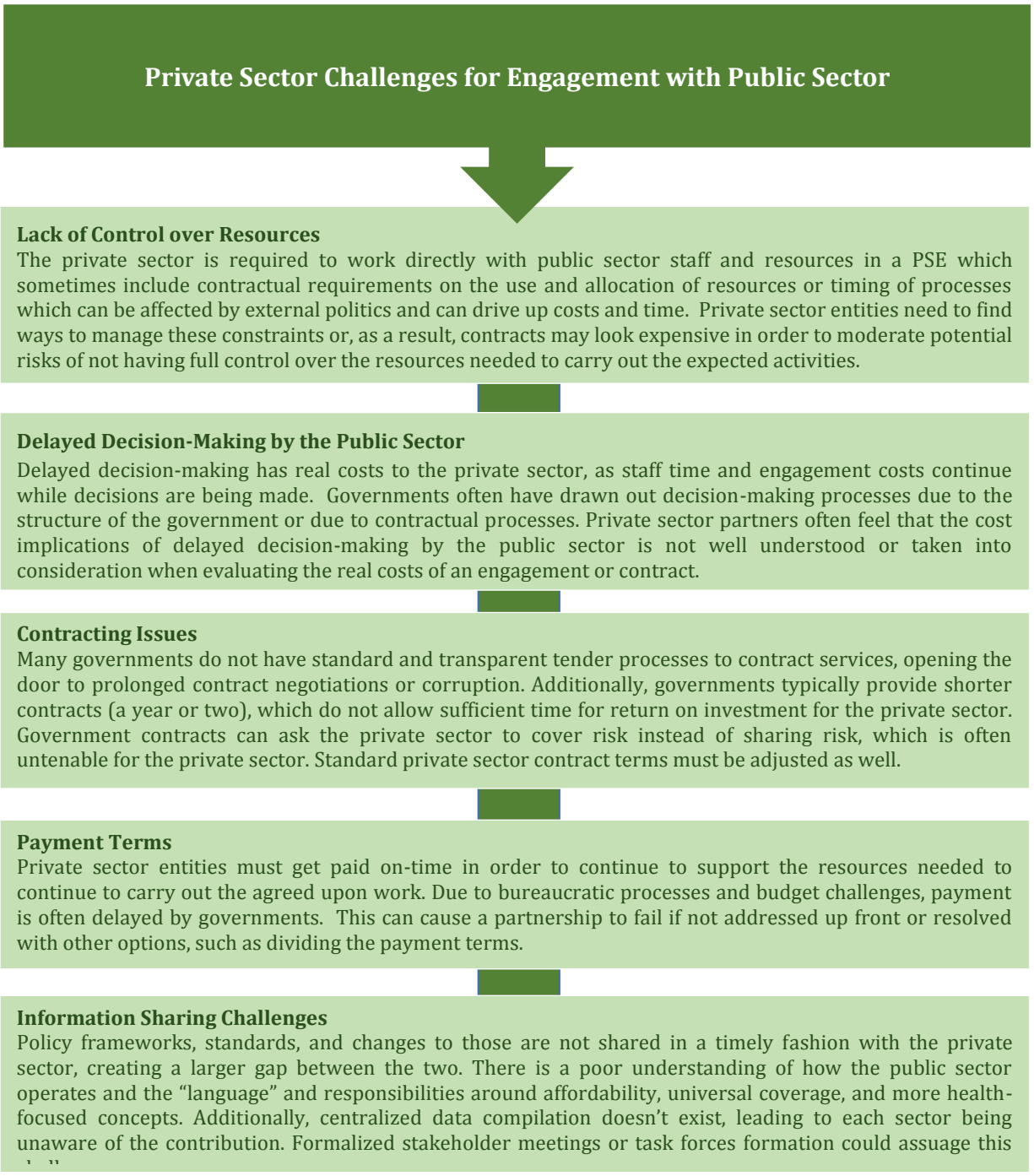
Figure 3: Public Sector Challenges



Private Sector Challenges for Engagement with Public Sector

Private sector parties who have engaged in both successful and failed public/private sector partnership for supply chain strengthening raise a number of challenges to engagement from their perspective. One fundamental difference in the philosophy is the perception, whether correct or not, that the public sector is less inclined to innovation with new tools and techniques and that it has a culture that promotes bureaucracy rather than risk taking. Some of the key challenges that are often raised by the private sector are shown in Figure 3 below.

Figure 4: Private Sector Challenges



Recommendation on Overcoming the Challenges

Based on the experience of the public and private sector representatives consulted in this development of this guidance document, the following suggestions were compiled for overcoming the challenges listed in Figures 2 and 3:

Start with a vision, but be realistic.

The best partnerships are developed when someone can provide the vision for PSE and work with the other sector to identify what the opportunities are to meet that vision. This vision needs to have a long-term goal with benefit for all involved parties for true change to happen. Both the public and the private sector need to understand this aspect and what it means in reality. This vision should also have realistic expectations of what the private sector can do. PSE can't solve all problems, but it can help to strategically think about what is needed. Be realistic in the time to achieve this vision together. Often the partnership will involve a series of pilot projects to test the partnership operations and slowly expand implementation over a series of years before achieving the vision. Along these lines, both parties need to be comfortable with accepting that there are many reasons a pilot project might fail, but it can also be an opportunity to learn, not an indication that the partnership concept is flawed.

Build partnerships based on mutual trust.

Partnerships must be based on trust and trust must be developed over time. The best way to build that trust is to get the public and private sectors to do something together. Start small and simple with something that can be done quickly to establish a proof of concept. Both parties must be accepting of potential failures and should be willing to change their strategies after the first experience if it did not work as expected. The strongest partnerships often come from working together to address problems and continually improve the joint operations.

Foster transparency from all partners.

The best relationships between the public and private sector are those based on transparency for resources, partners, and plans, and where all elements of the engagement are understood by both partners. If a partner is honest and transparent and can also demonstrate the ability to meet objectives and performance standards, this can help move from "mutual suspicion" to a strong relationship between partners. Donors can play an important role in emphasizing the importance of understanding costs and building government capacity to understand true costs of delivering services. We also need to better understand what the actual market looks like –both private and public – and based on the population. This means that the public and private sectors need to come together and share information in order to develop a total market view of needs that will benefit both parties.

ALL PARTIES NEED TO BE REALISTIC IN EXPECTATIONS AND BE OPEN TO COLLABORATION AND DEVELOPING TRUST OVER TIME.

Demonstrate your commitment to PSE.

Governments can demonstrate their commitment to a partnership with the private sector by regulating both the private and public sectors equally. If the private sector feels that the relationship is based on a punitive or "blame" oriented relationship instead of a partnership, they will not be willing to fully engage. Developing sector neutral guidelines can help build trust. The benefits to the private sector partners and to health systems extend beyond the financial bottom line. Participation in national level pharmaceutical coordinating committees, for example, can demonstrate commitment to PSE, provide access to important information, and develop strong relationships with government partners.

Learn from other sectors.

Tools exist on engaging the public sector, mostly from economic and infrastructure enterprises, and can be modified to support the health sector in improving its private sector engagement strategies. Be open to innovative ideas and learn how to adapt PSE models from other sectors to health care delivery.

Advocate for change.

Advocacy will be an important part of changing policies to better reach the community level and to bring focus on strengthening the supply chain. This should take place at the country level and also within each of our organizations and companies, breaking down the mutual suspicion. It is important to note the hurdle of overcoming resistance to change. Often times, people within an organization resist change and rather chose to remain at the status quo. One suggestion could be to designate a Change Champion to help encourage and lead change within the organization.

Chapter 3. Approaches to Engagement

Operationalizing PSE

In this chapter we will look at different opportunities for engagement between public and private sector stakeholders. When deciding to move forward with PSE, the approach used requires careful analysis of the key stakeholders, the policy environment, regulatory and contract monitoring capacity, market forces, and other context specific factors. With that in mind, there are some easy wins to leverage private sector best practices and management approaches with a view to improving the public sector supply chains. Starting at level P1 (Interaction), approach with simple communication and coordination and then moving to P2 (dialogue) to engage in more in-depth discussions is a typical approach. As mentioned previously, these Phases or levels are sequential, but PSE does not need to reach all three levels and most PSE does not reach the more formalized level of P3 (Agreement). Other starting points could include market research to build a common understanding of a situation or involvement in high-level advocacy and strategic discussions that don't require a high commitment of resources or contracts.

IT IS IMPORTANT TO FORMULATE THE STRUCTURE OF PSE IN A MANNER THAT FITS THE COUNTRY SPECIFIC CONTEXT.

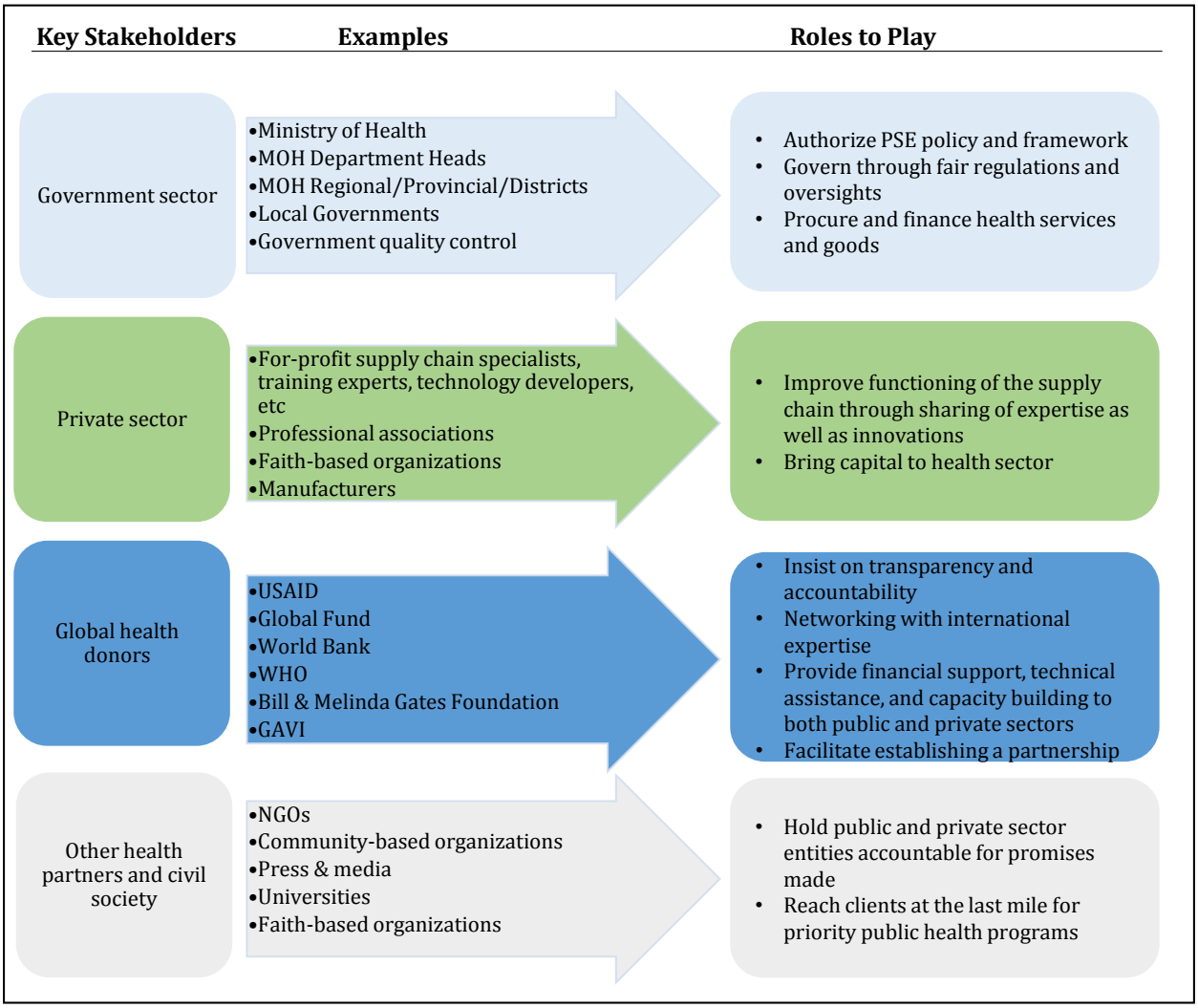
Key Stakeholders

A variety of key stakeholders influence the evolution of creating a partnership and the level of public-private engagements, if through interaction, dialogue, or formal agreements, as seen in Figure 4.

Each of these stakeholders may have a role to play.

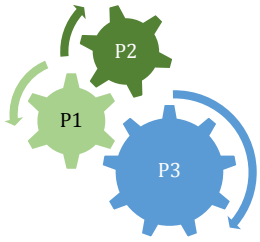
- Private and social investors, as well as foundations, are good candidates to make investment in initiatives, particularly early stage innovations. Through technical assistance, national governments and international donors can play a major role as enablers by improving availability and transparency of supply chain performance and increasing access to financing for supply chain actors.
- National governments can also take a more strategic approach to defining the regulatory environment for private actors and for actively engaging and contracting with private sector actors to strengthen their own health system. This involves ministries of health, as well as financing and planning to ensure complementary procedures are in place across all government sectors.
- International donors can support the creation of financing mechanisms that provide greater access to equity and debt capital to private sector initiatives. They can also support national governments in efforts to increase their capacity to regulate and contract with the private sector.
- Private sector entities are also engaged to carry out the work in the different functions of the supply chain through outsourcing of transport, infrastructure development, or Public-Private Partnerships (PPPs) for capacity building, for example.

Figure 5: Key Stakeholders



Engagement Opportunities

Within the P3 framework (interaction, dialogue and agreement), there are many forms for engagement where public and private sector stakeholders could commit to significantly improve global health supply chains. The different forms involve different levels of engagement, long-term commitment, and financial risk sharing. These include: **technical assistance, outsourcing, corporate social responsibility, financing, public-private partnership, advocacy, innovations, and local markets and local manufacturing.**



Each opportunity is described below in brief with related potential opportunities and barriers in an effort to improve understanding of the model and challenges to be aware of to make the best decision for engagement.

Technical Assistance

Providing technical assistance (TA) is an opportunity for the public sector to use PSE to learn from examples of success. TA can be provided for many kinds of professional expertise and know-how, such as forecasting, supply planning and procurement, as well as warehousing and inventory management. Human resource management and training is another opportunity for TA, as well as building capacity to execute effective supply chain management. TA can also be used to design effective payment and incentive for other PSE work with the private sector.

The first barrier to overcome is for the public sector to recognize that there are opportunities to engage the private sector in providing technical assistance. Other barriers include the knowledge of how to engage the private sector, including knowing what companies exist, understanding what their core capacities are, and defining a same language to use and a model for engaging and learning from limited resources. Additional barriers include having examples of success and value added from PSE and the ability to measure impact.

Outsourcing and Contracted Services

More frequently, governments are considering options to engage the private sector to contract out different aspects of supply chain management in order to free up human and financial resources. Outsourcing can take many forms. Contracted services can address start-up costs or initial barriers to PSE. Outsourcing has been used effectively for warehousing and distribution of commodities in order to leverage professional SCM expertise to optimize distribution routes, improve efficiency, increase data visibility, improve fleet utilization, and increase delivery seasonally in times of high demand.

Capacity development to increase the capabilities of health care workers has also been outsourced successfully. Private sector agencies can provide training and supervision at the point of service delivery, or can train the trainers on administration of all commodities, moving away from a silo approach. Universities can be engaged for pre-service training of health care personnel. Private sector initiatives can also strengthen contracting skills in public sector.

Barriers to outsourcing include lack of funding for initial investments to start up outsource agreements. Additionally, lack of experience in the public sector related to contract management can lead to weak oversight of contracts and agreements. Oversight is needed to ensure that deliverables are being met, significant implementation issues are being resolved, and coordination among stakeholders is effective. Long-term contracts and agreements are beneficial as they help spread out the initial risk; however, these types of contracts are not typical for the public sector, whose public and donor funds are highly variable year-to-year. The timeliness of contractual payments on the part of the public sector can also be a challenge. Outsourcing typically falls under the revenue-generating business units of the private sector entity and therefore, their performance measurement becomes very much about cost effectiveness and profit generation.

Corporate Social Responsibility (CSR)

Engaging a CSR entity creates an opportunity to benefit from private sector expertise without having the same for-profit drivers as commercial relationships. Many companies have separate SCR objectives and want the company to positively advocate and communicate on the health value proposition of engagement and less so on the cost as expense are covered by the company as part of their social responsibility efforts. This can take the form of employee-funded projects, in-kind contributions to fill gaps in abnormal demand (for example, donations of commodities or transport), or access to human

resources for strengthened supply chain management practices. Engagement could also involve sharing of performance management metrics.

The lack of coordination between government, NGOs and the private sector can be a barrier to CSR. The role of the CSR entity can also be confusing as it may be unclear if it is a donor role or seen as a potential vendor. This can lead to a low level of trust. The CSR entity and government also may have different objectives that need to be reconciled for effective engagement. A final barrier is identifying suppliers and distributors that are willing to engage through CSR.

Outsourced Supply Chain for Commodities - Social Marketing Company, Bangladesh

The country of Bangladesh had difficulty with the distribution of health commodities throughout the country. To correct this issue, the country entered a franchise agreement with the Social Marketing Company (SMC) to procure, manufacture, repackage, and distribute family planning, child and maternal health, and other commodities to commercial retail outlets throughout Bangladesh. The company was established in 1974 under an agreement between Bangladesh, USAID, and Population Services International (PSI).

SMC currently manages about 1/3 of all family planning products distributed in Bangladesh. They are responsible for the in-country supply chain from procurement to delivery to retail location. SMC is self-sustaining through the sale of the products they manage. Many products are subsidized by Bangladesh or donors, and the subsidy is passed along to the customer, reducing the cost of the product. SMC maintains a manufacturing capacity for some product as well as a robust distribution infrastructure including SMC owned vehicles and partnerships with local transportation providers.

SMC keeps statistics of their performance. They have averted over 65 million births since their founding, 3.5 million couples used SMC provided contraceptives in 2012, they have trained 225,000 health providers, and they are financially sustainable.

The partnership between Bangladesh and SMC evolved over time, following a logical, and recommended, approach of increasing SMC's responsibilities as they proved they could effectively meet the government and customer requirements. SMC started in 1974 as primarily a social marketing organization and their responsibilities and operations have evolved to where they are today with incremental additions of responsibilities and capabilities. A full history is available at http://www.smc-bd.org/index.php/page/view/19. The evolution of the Bangladesh and SMC partnership is a testament to the patience and joint development that is needed to grow a sustainable PSE program, allowing time for both the private enterprise and the government grow their capabilities and overcome barriers to effective PSE.

Case Study 4: Outsourced Supply Chain for Commodities

Financing

Financing and the need for liquidity presents many opportunities to engage the private sector. With PSE in financing, a government can engage in long-term strategic planning and financing to achieve supply chain management (SCM) objectives. It can minimize supplier exposure to reduce risks and create an opportunity for wider use of performance-based financing. It can include things such as establishing private health insurance to reimburse cost of specific drugs and services. PSE allows for contractually aligning donor funding to support and not undermine the best practice demand-supply balance. PSE allows for total market analysis and market intelligence across segments and within regions; within this

approach, pricing analysis can establish pricing guidelines nationally and regionally, creating a stronger place from which to negotiate.

Barriers in this model include lack of coordination among all stakeholders, lack of data, particularly price and cost, lack of transparency on payment timing and terms, and a lack of willingness to provide information about price and cost. There is also a limited understanding or lack of correct data on various supply chain costs on the part of the public sector.

Public-Private Partnerships

Public-private partnerships (PPP) involve cooperation and risk sharing between organizations, under contractual agreements, for activities that result in new and better products or services that no single organization in either the public or the private could produce alone. PPPs can increase the level of comfort and trust between partners. While traditionally PPPs have been created for large infrastructure deals that require capital investment and long-term payback periods (i.e.: water, roads, power), many opportunities exist for PPPs in storage and distribution of commodities using Build-Own-Operate or Build-Own-Transfer models.

PPPs require long-term commitment with longer-term planning and a high level of formalization (more so than with outsourcing arrangements) to be most effective, which can present a barrier to establishing a PPP. Additional barriers can be faced with misaligned priorities and interests and fully understanding how a partnership can work and be beneficial to both sides. This requires mapping out what private sector stakeholders can do and their value added to a component of the supply chain. Public sector entities must also realize that PPPs may involve some loss of control as other entities are engaged and may lead to some conflict of interest, perceived or not. As with any PSE, an additional barrier is access to funding.

UTi Full Service 3PL in South Africa

UTi is a full service logistics provider and 3PL based in South Africa. Over the years, UTi has developed an extensive warehousing and distribution network in South Africa to support their commercial clients. They serve as a distribution agent for several health products, including ambient, cold chain, and diagnostics/medical device products. UTi stores and distributes product in response to tenders directly to hospitals, clinics, and some chronic care patients. UTi is able to use their established and mature distribution network to support heath commodity delivery throughout the country, resulting in a lower cost, more reliable distribution system. This also provides a single ordering point for the health system to receive products.

The UTi operating structure is unique in that the suppliers fund UTi's operations in exchange for UTi providing access to the South African market and managing the complexities of distribution in South Africa. With this configuration, the government gets the advantages of an effective commercial distribution network without having to take on any additional costs and the suppliers get low-risk access to a growing market. UTi, as a value adding intermediary, has an incentive to continually improve their efficiency to improve their business outcomes as well. The result is a positive arrangement for all parties and, especially, the patients.

More details available here: https://www.3plogistics.com/UTi_2-2010.htm

Case Study 5: UTi Full Service 3PL

Advocacy and Coordination

PSE in advocacy, information sharing, and coordination can be used to increase transparency, improve access to information and create a greater inclusion of all stakeholders in the policy-making debate.

Specific opportunities include performing market surveys of cost and pricing studies. Efforts can also involve advocacy on many fronts: inter/intra-ministerial coordination at country level to find synergies and remove duplication; cross-border and regional collaboration; and policy support for improved opportunities in procurement and distribution.

Potential barriers in this model is the lack of understanding on the part of governments as to who is in the private sector and their role. Information is not always freely shared between the entities, thus leading to a lack of trust. Additionally, changes in leadership in the public sector can lead to a lack of continuity for the approach to engagement.

Partnering to Adapt Commercial Supply Chain Software for the Public Sector

Private sector entities have long teamed up with NGOs to support their needs, and the same sort of partnerships can be beneficial to government agencies as well to leverage innovative approaches to supply chain management. One example is the work that UPS has done with CARE, an international aid organization, to improve their supply chain logistics in the face of emergency situations through improved data sharing capabilities. As a worldwide expert in logistics and transportation, UPS has had a long history of supporting humanitarian relief efforts. UPS had worked with another partner, Aidmatrix, to support the US government in building a National Donations Management System to manage donated products and relief warehouse management after a major hurricane hit the Southern United States. UPS then took this same technology and brought it to CARE to help leverage the warehouse management technology for use with other relief efforts by NGOs. This included building an offline mode for the technology – something that was not needed in the US, but would be desperately needed in the low-infrastructure environments where CARE operates. Over time, and through partnership with CARE and other NGOs, the Aidmatrix and UPS solution has increased in functionality and offers a technology platform to support planning, procurement, warehouse management, distribution, asset management, and fleet management to support health supply chains. Aidmatrix, UPS, and CARE all leveraged their unique contributions to the software to develop a solution that is now used by other NGOs. This same model can be used by government entities to customize solutions that started in the private sector for use in low-resource environments.

Case Study 6: Partnering to Adapt Commercial Supply Chain Software

Innovations

The private sector must continue to innovate in order to compete with other businesses. Innovative operating models and product designs present many opportunities for private sector engagement. There are opportunities to create social enterprise for distribution at the last mile, or redesign of transport loops to deliver directly to health centers, and opportunities to engage community health workers outside of traditional distribution channels. Private sector tools such as network optimization can be applied to improve public sector efficiencies. Other examples of current innovations include oxytocin in Uniject and the opportunity to include it in the cold chain with immunization supplies.

Regulation policies present a barrier to innovations, as well as the cost, financing, and the lack of government input and participation. This also requires a significant amount of proper coordination.

Prioritization is essential when dealing with innovation. Innovation is a very broad term that can mean, new product development (disruptive), process improvement (incremental), redesign (radical), low-end (frugal), and reverse innovation. While, it is good to have the thousand flowers bloom, you want to avoid getting drowned by them and rather know how to select and prioritize the innovation pipeline. Therefore, it is essential to be very clear upfront in defining the goals in order to ensure alignment.

Local Manufacturing and New Supplier Development

Local and regional manufacturing presents a great opportunity for the private sector. In this case, local manufacturing provides an alternative to other private suppliers, such as generic manufacturers. Using PSE as a way to develop a more diverse set of suppliers can strengthen supply chain security.

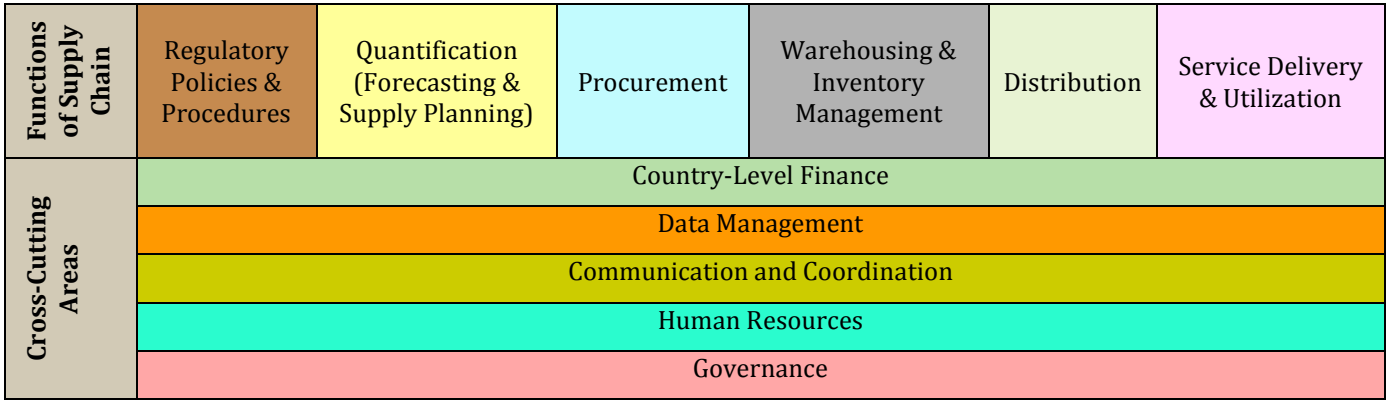
This model does present challenges, including the lack of information about the market, without true understanding of pricing and cost data. The size of the overall market may prohibit new entities from entering, even with strong PSE. Additionally, policies and regulation can discourage new forms of distribution, monitoring and developing a health supply chain ecosystem that could be vibrant. Quality control issues must be considered, as well as registration. This can be influential for total market shaping as part of the entire health supply chain ecosystem of demand creation and distribution. For certain pharmaceuticals, the lengthy process of WHO pre-qualification as well as the risk of 'breaking even' when bringing products to market and quality issues are additional barriers.

Chapter 4. Bringing it together: PSE within the Context of Health System Strengthening

PSE within the context of health system strengthening

As detailed in Chapter 1, a supply chain has several different functions which can face a number of challenges; here specific PSE strategies are identified based on the specific challenges.

Figure 6: Core Functions of a Public Health Supply Chain



Using the core functions of a supply chain and considering the main objectives that a government would want to achieve to strengthen the health system, different approaches to private sector engagement could be applied in different contexts. Certain areas of supply chain management lend themselves more appropriately to the public or private sector, as detailed in Figure 7, but there are overlapping areas as well.[5]

[5] Adapted from: Private sector role in health supply chains: Review of the role and potential for private sector engagement in developing country health supply chains. Final Report. Rockefeller Foundation, Dalberg, MIT-Zaragoza. 2008

Not all areas will be considered in this guidance document; Figure 8 focuses on four main objectives of health systems strengthening, recognizing that there are many more with their accompanying challenges and opportunities. Different levels of engagement may be used for the different objectives and approaches needed. These objectives are linked to the functions of the supply chain and examples of how PSE could contribute to strengthening. These lines and links are not well-defined but flexible and overlapping. In most country cases, a mix of private and public sector efforts are necessary to be most effective.

Figure 7: Roles for Public and Private Sectors

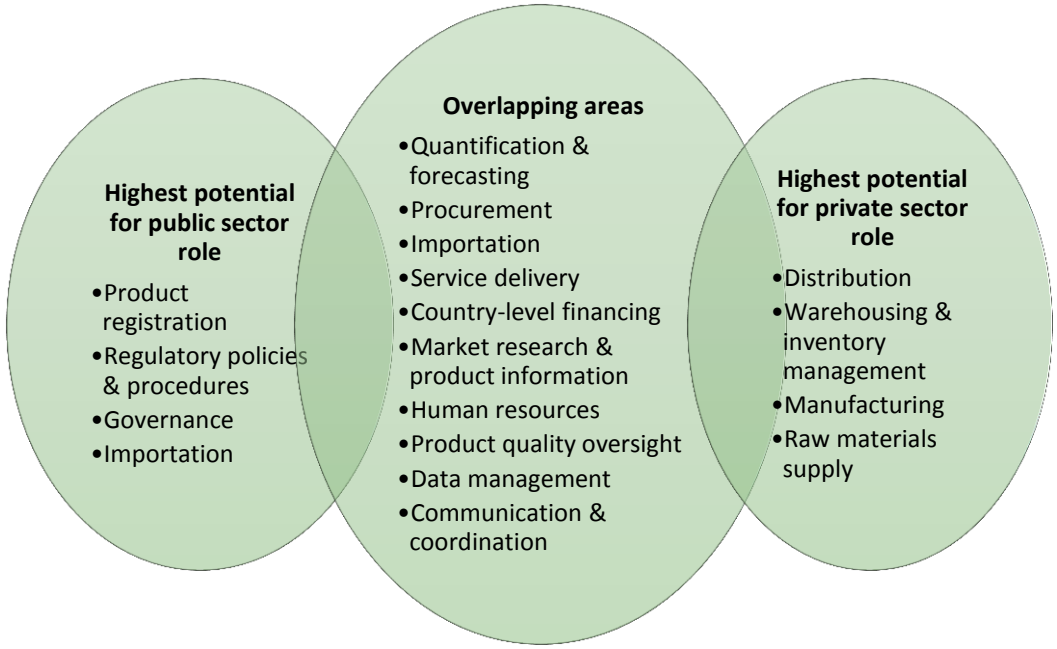


Figure 8: PSE from a Health Systems Strengthening Perspective

Health Systems Strengthening Objective	Supply Chain Functions	Examples of PSE approaches
Increase availability of affordable, quality medicines and health supplies	• Procurement • Quantification • Warehousing & inventory management • Distribution • Data management • Communication and coordination • Human resources	1. Work with private sector to create strong data collection systems and to build capacity to use data for supply planning 2. Leverage private sector expertise in system design for quantification, supply planning and forecasting 3. Outsource warehouse operations, transport infrastructure and services to the private sector; develop stronger local distribution agents 4. Help to develop better cost models for warehouses to understand full costs of running warehouses and distributing products for longer-term 5. Use vendor-managed inventory approaches to remove need for managing and storing certain commodities by the public sector 6. Opportunity to engage private sector in market analysis to understand volumes and

Health Systems Strengthening Objective	Supply Chain Functions	Examples of PSE approaches
		rationalization of public and private sector 7. Leverage private sector expertise to build long-term human resource plans for public sector that include defining minimum standards for positions and developing a strategy for meeting long-term human resource needs 8. Capacity building for distribution planning 9. Support for building new information systems 10. Support for secondments of staff to fill critical public sector gaps and to build capacity within the public sector 11. Opportunity to introduce novel systems and processes that can help prevent leakage and increase product visibility throughout the supply chain (spillover effect) 12. Develop formal mechanisms for engaging the private sector and communication of those mechanisms throughout government structures 13. Joint development and sharing of key metrics and business case for investment in the supply chain 14. Advocate for improvements in communication infrastructure that will support supply chain operations 15. Training on contracting and partnering methods that promote positive collaboration and communication
Ensure quality of health commodities	• Regulatory policies & procedures • Warehousing and inventory management • Procurement • Human resources	1. Private sector can help to facilitate harmonization of regional regulatory practices 2. Regulatory body can work with private companies to ensure they meet proper quality guidelines 3. Encourage local manufacturing to help improve pre-positioning and availability of commodities when appropriate 4. Build capacity for improved procurement processes and for developing procurement indicators to measure, monitor, and adjust procurements 5. Advocacy for changes in bureaucratic procurement processes that hinder ability to create appropriate and flexible contracts with vendors 6. Training partnerships to build skills within public sector 7. Regular forums for engagement between public sector and private sector to communicate needs and changes in policy, regimens, or other factors affecting supply planning and procurement 8. Look at procurement from a tactical, on-the-ground perspective to consider how to get local manufacturers, suppliers and distributors involved. 9. Price negotiations and promotion of bulk procurement for commodities. 10. Use private sector capabilities to ensure proper and secure storage of inventory.

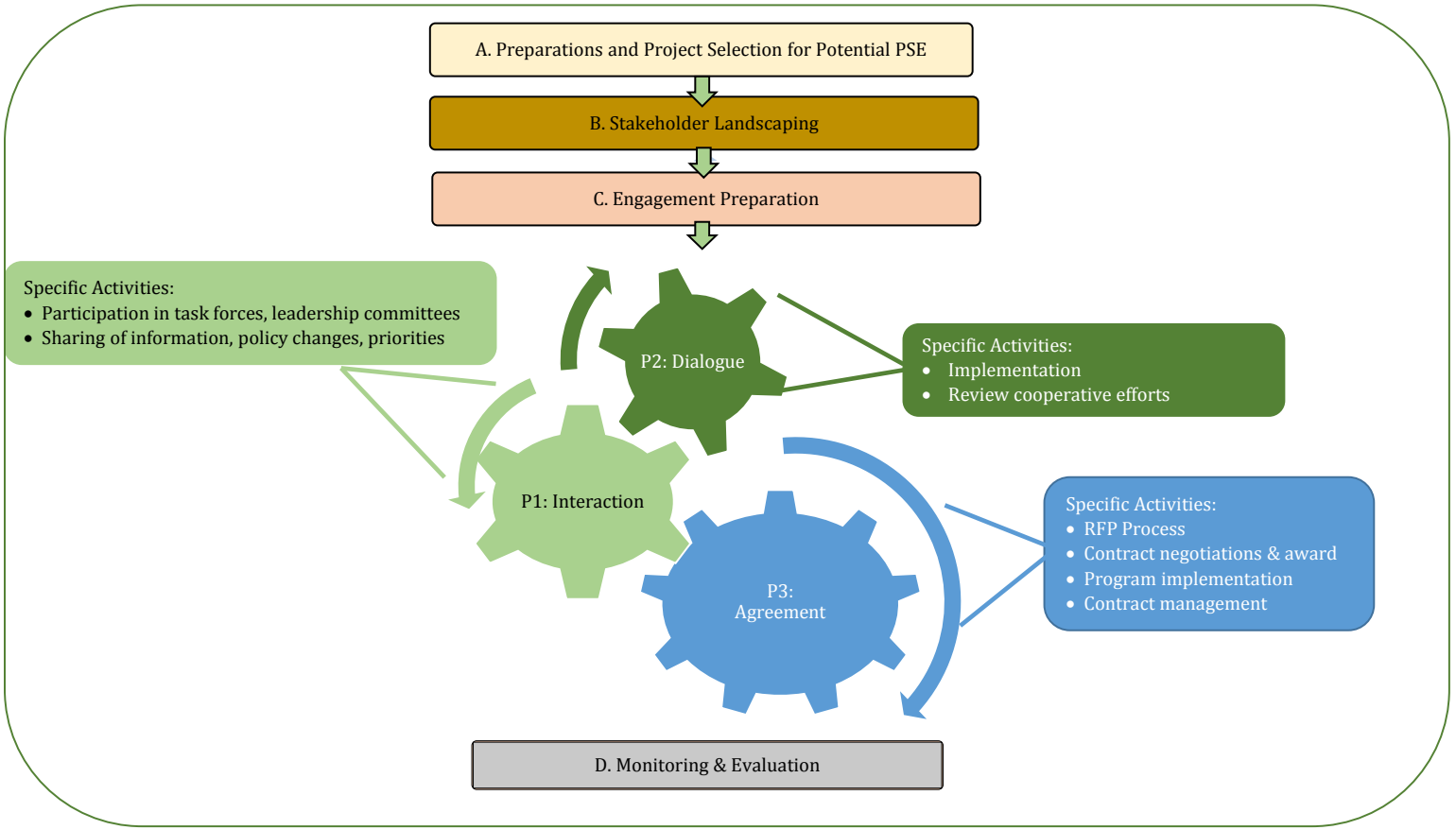
Health Systems Strengthening Objective	Supply Chain Functions	Examples of PSE approaches
Improve the effective use of health commodities	• Service delivery & utilization • Data management • Human resources	1. Engage private sector to train staff or develop training or education materials n use of specific commodities, data management 2. Work with manufacturers to understand use of commodities at service delivery point and need for appropriate packaging to address local needs 3. Partnerships to extend favorable pricing on commodities to private sector drug shops and distributors 4. Engagements to improve quality of private sector drug shops and distributors 5. Work with the private sector to develop custom software specific to public sector needs for data management 6. Private sector service providers can move with public health mobile health units to facilitate service delivery
Increase funds and resources available for quality, affordable medicines and health supplies	• Quantification • Country-level finance	1. Use private sector to supplement public sector data in order to provide full market view of all commodity needs in the country, not just public sector needs 2. Develop portals or mechanisms for sharing of data between public and private sector on commodity usage and needs to provide "whole market view" and enable better decision-making at all levels

Chapter 5. Non-linear Steps for Engaging the Private Sector

Non-linear Steps of Private Sector Engagement

Due to the broad nature of supply chain functions, the many different areas of opportunity for engagement between public and private sector, and the different stages stakeholders are at in their engagement, it makes most sense to take a non-linear approach to the structure this guidance document. The non-linear steps in Figure 9 below are key interventions and actions for effectively engaging the private sector on a specific project.

Figure 9: Non-linear steps



These steps are further detailed in the following section. This list is not exhaustive, and the interventions can overlap in sequence and timing. All of these specific interventions should, however, be integrated into a larger strategy and plan for overall engagement of the private sector. Each of these non-linear steps have additional resources and tools from which to draw, including considerations immediately following the table of interventions. Keep in mind that these steps can be supported by a third party and, when appropriate, can be accomplished informally. You can link directly to them in the framework, or Appendix A has detailed the list of tools and resources available as you endeavor to engage the private sector.

When embarking on PSE, it is also important to consider a communication strategy to persuade and convince key stakeholders in both the private and public sectors of the benefits of engagement and developing partnerships across the sectors. Both sectors need to understand why a partnership should be developed. For policy changes to take hold, they require a strong vision with broad support, gained through effective communication with messages that are designed to convince stakeholders of the importance of PSE.

A. Preparations and Project Selection for Potential PSE

Non-linear steps	Time frame	Inputs or Tools	Outputs
1. Key personnel to conduct due diligence on PSE and how to develop successful partnerships	This step should take 2 weeks but may take up to 4 depending on time constraints	"UN CoLSC Toolkit for PSE" (full document); All "Developing Partnerships" Tools; All "Disease-Specific Programs with Private Health Sector" templates	Key personnel is well-informed about PSE
2. Define problem and key objective, and scope out potential project and solutions	This step should take 2-4 weeks	Business case including baseline of current operations performance and needs; rapid diagnostic of the PSE (examples included in "Private Health Sector Assessments"); literature review	A decision on whether or not PSE is the best option for this prioritized problem - if so, proceed with the intervention of landscaping
3. Hold a public-private dialogue (PPD) meeting to discuss identified opportunity, constraints and actions to address barriers; may discuss most appropriate contracting approach for the project scope and objectives	Actual meeting should be no longer than one day, but preparation and time for RSVP may take 2-4 weeks	Questions/thoughts from PSE guidance document (Things to Consider on page 31); "Templates for a Technical Meeting on Market Analysis and Future Strategies"	
4. Decide if PSE is a good option to pursue, recognizing that it may not be completely clear until further down the path	This may take consensus-building, so timeframes will vary	Supply chain costing tools to provide basis for cost-benefit analysis: "Supply Chain Costing Tool/Manual", "Guide to Public Health Supply Chain Costing", "Supply Chain Compass"; informal discussions with stakeholders	

Comments:
Based on your objectives and the functions of a supply chain, what are the key problems that could be addressed by PSE? What private sector entities are available to address this objective? This step is the foundation for a PSE. Use the barriers to the functions of the supply chain to help clearly identify the problem. PSE will not be the answer for every single activity or issue, and PSE is not one-size-fits-all. The next section covers what other stakeholders should be involved in the initial and future conversations, but remember, these are non-linear steps so all of A-C are preparatory for the actual PSE.

B. Stakeholder Landscaping

Non-linear steps	Time frame	Inputs or Tools	Outputs
1. Identify potential partners and stakeholders who would be interested in PSE	This step should take 2-4 weeks	Results of the public-private dialogue meeting(s); networking and professional contacts	Landscape analysis identifying key stakeholders, level of interest, and approach for engagement; PSE may actually happen through a third party rather than directly with the private sector – this is the time to decide this and identify such an unbiased and trusted party

Comments:
This process consideration involves stakeholder mapping to understand all options and acknowledging capacity of people who will be involved in PSE to ensure success.

C. Engagement Preparation

Identifying needs, collect information, define type of engagement

Non-linear steps	Time frame	Inputs or Tools	Outputs	Comments
1. Identify the competencies necessary and available to manage PSE and appoint a focal point	Actual activity time should take 1-2 weeks, but will depend on how well PSE is already defined within MOH	Understand principles of project management and leadership; IFC/ World Bank/SHOPS have done a lot of work on this effort in terms of setting up PPP units and identifying appropriate individuals to serve in this capacity	Internal competencies identified and mapped out into document; PSE focal point is identified based on this (MOH plus "trusted advisors")	Consider engaging a 'PPP Advisor' as a trusted third-party. An established PSE Unit within the MOH could be established, depending on the level of engagement expected
2. Collect information and asking the right questions.	This could take a while, but would recommend not much more than a month	Rapid assessment of problem or pre-feasibility assessment	PSE team is well-informed and understands barriers in supply chain that PSE can address	These should also be linked to the barriers within the functions of a supply chain

3. Defining the type of engagement to initiate into one of the three areas (while recognizing it may be a progression over time): interaction (P1), dialogue (P2), or agreement (P3) - this is explained more below.	This will involve other stakeholders but actual activity shouldn't take more than 2 weeks	”Risk Management for Public Health Supply Chains”	PSE team has a defined type of engagement (P1-P3) and ready to announce to the private sector	Depending on the type of services, could use a MOU (typically faster to produce) or a more extensive contract (typically longer time to prepare). Must consider risks; could also consider non-disclosure/ confidentiality agreements, and Term Sheets to establish format of the partnership; Consider the type of contract needed, legal and financial risks, the level at which you will need something in writing and negotiation strategies; outline the PSE Requirements—the basic or core tasks and activities we want to the private sector to conduct under the proposed project?
4. Develop action plan	This can be done in conjunction with the above step of defining the engagement	“Emerging Trends in Supply Chain Management”, “Building Support for Public Private Partnerships for Health Service Delivery in Africa”, Workplan template	PSE team has clear SMART (**S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime-bound) action plan for PSE	This should be done by stakeholder group (gov't, private sector, third party organizations, donors) and should also include an estimated costing/ suggested financing mechanisms

P1: Interaction				
Non-linear steps	**Time frame**	**Inputs or Tools**	**Outputs**	**Comments**
1. Interaction with private sector - communication of information specific to the proposed PSE to assist both parties	Depends on exact nature of interaction, typically 1-2 weeks	"The Partnering Toolkit"	Both parties have shared information with each other that is helpful to achieving each party's goals for the PSE. Contributions are well-documented and shared between parties afterwards.	This could include government and industry meetings, working groups, or preliminary procurement announcements.
P2: Dialogue				
Non-linear steps	**Time frame**	**Inputs or Tools**	**Outputs**	**Comments**
2. Dialogue with private sector - cooperation around issue of mutual interest	Depends on exact nature of interaction, typically 2-4 months	"The Partnering Toolkit"	Both parties have cooperated to achieve a common goal in a mutual area of interest. Contributions are well-documented and shared between parties afterwards.	Examples would include projects through a company's CSR department, training for workers, a volunteer program (i.e. Pfizer or GSK)
P3: Agreement				
Non-linear steps	**Time frame**	**Inputs or Tools**	**Outputs**	**Comments**
RFP Process				
1. Understand procurement procedures and identify who needs to be involved	This should involve a meeting with procurement but may take longer to schedule, typically 1-2 weeks total time	Internal MOH/country procurement documents	PSE team understands how to procure PSE services for this specific engagement	Procurement procedures are different in every country and should be understood - this will involve liaising with the MOH procurement department and potentially MOF

2. Input into procurement department's terms of reference (TORs) for request for proposals (RFP) including evaluation criteria and proposed KPIs	This should involve a meeting with procurement but may take longer to schedule, typically 2-4 weeks	TOR example: "Terms of Reference for Partnership Agreements, Bangladesh Urban Primary Health Care Project"; RFP prepared by procurement department but examples include "International contractual Alliance", "International Distribution of Goods", "International Long-Term Supply of Goods", "International Supply of Services", "Developing Bidding Documents and Inviting Offers", "Template Request for Proposal Fixed Price Goods or Services"; examples of KPIs based on different types of PSE	TORs for RFP are clearly explained for services desired	It is important that the TORs for the RFP are very clear and state certain parameters for the service provider to ensure the best-suited providers bid; this should include selection criteria and KPIs. It is also important to identify the individuals who are going to design the specific terms for this particular kind of engagement and the technical inputs and reviews.
3. Define and publish process	Many timelines will be set through procurement procedures	Templates for publication of process	Published process	This should include the procurement department.
4. Host bidders' meeting to answer questions and meet the companies all together for fair and equal dissemination of information	Actual meeting should be no longer than one day, but preparation and time for RSVP may take 2-4 weeks	Templates for invitation letters	Bidders are well-informed of services requested and able to ask questions in a fair manner	This should include the procurement department
5. Manage questions, feedback, etc., during submission period	2 weeks to 2 months, depending on process and scope. May be different for partnerships, finance or outsourcing	Bidding guidelines and procurement regulations	Bidders are well-informed of services requested and able to ask questions in a fair manner	Questions should be logged and acknowledged as they are received.

6. Receive proposals from private sector organization	Private sector organizations should be given sufficient time to respond. Typically 1-2 months depending on the complexity of the PSE	Bidding guidelines and procurement regulations	Government receives sufficient number of quality proposals for a fair competition	Proposals should be logged and acknowledged as they are received.
7. Review and evaluate proposals to evaluate them and select the preferred bidder(s)	Depends on the complexity of the PSE and number of proposals. Typically 2-4 weeks. There may be follow up questions, clarifications and supplier meetings	Evaluation criteria	Preferred providers are identified	Reviewers should have consistent criteria and scoring rules for the review to ensure a fair comparison of proposals.
Contract Negotiations and Award				
1. **Award notice letter** sent to the awarded party				
2. **Term sheet** to be sent to the awarded party				
3. **Prepare and submit an MOU/contract for partner**. In addition, a Scope of Work can be submitted to show the costed breakdowns of our modules and expected timelines. M&E plan should also be included.	This will need to be signed off by multiple parties and maybe ministries so allow 4 weeks to 4 months	"Performance-Based Contracting or Health Services in Developing Countries"; "Example MOU for Ministry of Health and PSE", "Office of Innovation and Development Alliances/USAID", "Emerging Trends in Supply Chain Management"	Contract is submitted to service provider for signing	Contract should clearly state responsibilities of each party, along with parameters for acceptable performance, plus other standard clauses such as confidentiality, indemnity, etc.
2. **Communication of award to stakeholders**	Actual activity time should be 1 day maximum	Templates for notice letters	Stakeholders are well-informed of awardee	This can be done in a meeting or else by written communication

Program Implementation				
1. Review operational activities such as SOPs, TORs, JDs, governance, etc.	Depending on scope of work, this could take between 2 weeks and 3 months	"Emerging Trends in Supply Chain Management", "Building Support for Public Private Partnerships for Health Service Delivery in Africa", SOPs, TORs, JDs, governance, implementation plan, etc.	Implementation of project or program begins under the direction of mutually-agreed upon plans and documents	Implementation is the responsibility of both parties, ensuring the expectations set out in the contracts are executed appropriately. There may need to be some flexibility allowed during this period as both parties work together for the first time and the operational aspects of the engagement may need to change due to changing environments etc.
2. Input into implementation plan	No more than 1-2 weeks			
Contract/Supplier Performance Plan and Review				
1. Put in place a plan to monitor and review contract/supplier performance on a periodic basis	Plan should take no more than 1-2 weeks and review should happen quarterly or six-monthly	Examples of contract/supplier performance plans used by others; "Measuring Supply Chain Performance", "Procurement Performance Indicators Guide"	Contractual agreement is regularly reviewed against agreed-upon KPIs	The performance should be reviewed against agreed-upon KPIs and other items within the contract agreement; feedback from other stakeholders may be helpful; review best done face-to-face and data to back up performance review is advisable

D. Monitoring & Evaluation / KPIs

Non-linear steps	Time frame	Inputs or Tools	Outputs	Comments
1. Create M&E plan to help the MOH track success	One to two weeks to review key metrics; the frequency of sharing experiences can be determined but should take less than one day or so	"Measuring Supply Chain Performance", "Procurement Performance Indicators Guide", Reports, review of SOPs, contracts, procurement documents, examples of M&E plans used by others	Identification of lagging performance on either side; a corrective action plan to improve performance.	M&E planning should start early as the project scope is being formed. Effective M&E should be a joint responsibility of the government and the private sector partner, which requires pre-planning and negotiation before any formal agreements are made.
2. Implement M&E activities for proper comparison				

Public Sector: Things to consider when engaging the private sector in discussions about a new partnership

Send a relevant person with decision-making power to discuss the opportunity

Consider bringing along a partner that will help build trust on both sides

Know what you want! Be prepared with an analysis of the problem and what can be done about it. Is PSE the best options?

Establish selection criteria and prepare a checklist of what needs to be covered during the discussion. Think about what you need as well as what you bring. What are you hoping the partner will provide to you? What can you contribute to the partnership?

What type of agreement/contract will we need for this to work on our side?

Be upfront, honest, open; look holistically at the supply chain and a realistic diagnosis of the problem.

Consider how you can help manage the risk.

What is our capacity to manage this partnership?

What is my BATNA (Best Alternative to the Negotiated Agreement)?

What is my exit strategy?

Private sector: Things to consider when engaging in a new partnership with the public sector

Do we have the expertise or capacity needed to address all aspects of the problem?

Will we have the opportunity to help define the problem to be solved, or is the problem already clearly identified?

Is there a trusted partner available as intermediary to reduce risk?

What type of contract will be needed and will that feasible for us?

What are my deliverables? What will the contractual expectations be?

What is the timeframe for engagement and is it long enough to reduce my risk and to meet the objectives and expectations?

Who am I engaging with and what do I know about him/her? Is this person a decision-maker? Will he/she be a champion for our work together?

Is there sufficient budget and capacity on the side of the public sector to make this partnership work?

What is my exit strategy?

Conclusion. Lessons Learned on Overcoming Barriers to PSE

This guidance document has outlined a number of opportunities for private sector engagement, but also a number of potential barriers or challenges that need to be overcome to ensure a successful partnership where medicines are available to the people who need them. Strengthening supply chains is essential to saving lives and protecting public health. There are many ways to overcome these barriers, but it takes commitment by both sides to work together to develop solutions.

Strengthening the supply chain partly depends on the maturity of the country and its readiness to improve supply chain management. It is now time to push all partners to meet this goal. There has been a shift in attention with more money and support now for supply chain strengthening and more willingness to engage the private sector. In order to take advantage of these new opportunities and resources, there is a need to highlight existing partnerships that have been successful and focus on developing new partnership that can advance both global and country-level understanding. At the same time, there is no one-size-fits-all approach to PSE for all countries or even for all areas within a country.

An efficient supply chain, with or without engagement of the private sector, can catalyze and accelerate saving lives of women and children around the world.

Appendix A: Tools and Templates for Private Sector Engagement

In this Appendix we have listed many resources that are available to guide you through the engagement process. These resources include tools and templates and are categorized below. All resources are housed on the United Nations Commission on Life Saving Commodities website; the links for each document will take you there. The documents are divided into tools and templates by categories linked to the PSE Framework:

Categories for Tools:

- Developing Partnerships
- Contracting
- Implementation Plans
- Monitoring & Evaluation / Key Performance Indicators
- Private Health Sector Assessments
- Risk Management
- Supply Chain Costing

Categories for Templates:

- Disease-Specific Programs with Private Health Sector
- Meetings
- Memorandums of Understanding and Contracts
- Request for Proposals
- Terms of Reference
- Terms of Reference for Private Health Sector Assessments

Category	Document Name	Description	PSE Framework Link	Organization
TOOLS				
Developing Partnerships	The Partnering Toolbook	Describes the generic partnering process from inception to conclusion; useful background to begin PSE	P1 Interaction P2 Dialogue	GAIN / UNDP / IAEA / IBLF *Note: you will need to register on the site to access this document*
	The Brokering Guidebook	To provide guidance to broker the function that enables partners to work well together and ensure the maximum effectiveness of their partnership	P1 Interaction P2 Dialogue	IBLF / The University of Cambridge Programme for Industry *Note: registration required*
	The Guiding Hand: Brokering Partnerships for Sustainable Development	Explores the scope and potential of the broker's role to develop successful partnerships, identifies the skills and personal attributes that brokers need to be effective	P1 Interaction P2 Dialogue	United Nations Department of Public Information

Category	Document Name	Description	PSE Framework Link	Organization
	The PPD Handbook: A Toolkit for Business Environment Reformers	Operational guidelines for the charter of good practice in using public-private dialogue for private sector development	P1 Interaction P2 Dialogue	DFID / World Bank / IFC / OECD Development Center
	Public Private Dialogue	Resources for creating public-private dialogue, including M&E tools, lessons learned and operational resources www.publicprivatedialogue.org	P1 Interaction P2 Dialogue P3 Agreement	DFID / World Bank / IFC / OECD Development Center
	Private Health Policy Toolkit for Africa: Tools for Engaging the Private Health Sector	Resources and tools for engaging the private health sector	P1 Interaction P2 Dialogue P3 Agreement	Investment Climate / World Bank Group
	Partnership Fundamentals: A 10-Step Guide for Creating Effective UN-Business Partnerships	Serves as a step-by-step roadmap for maximizing the transformative potential of your partnership	P1 Interaction P2 Dialogue P3 Agreement	UN Global Compact Office / Unilever / Dalberg
Contracting	Performance-Based Contracting for Health Services in Developing Countries	Toolkit provides practical advice to anyone involved in performance-based contracting of health services with private sector providers in the context of developing countries	P3 Agreement	World Bank
Implementation Plans	Emerging Trends in Supply Chain Management: Outsourcing Public Health Logistics in Developing Countries	A resource for engaging outside resources for public health logistics, covering the what, when, and how of outsourcing and its applicability to people working in public health supply chain management. Annex B: Sample implementation plan (p 43-45)	P3 Agreement	USAID | DELIVER
	Building Support for Public Private Partnerships for Health Service Delivery in Africa	Framework to promote partnerships through communication activities to define audiences, behavior objectives, messages, tactics and tools as well as the monitoring indicators	All steps	The Center for Development Communication
Monitoring & Evaluation / Key Performance Indicators	Measuring Supply Chain Performance: Guide to Key Performance Indicators for Public Health Managers	Guide to help managers and logisticians focus on key logistics areas they want to improve and to provide them with a tool to do so	Monitoring and evaluation	USAID | DELIVER

Category	Document Name	Description	PSE Framework Link	Organization
	Procurement Performance Indicators Guide: Using Procurement Performance Indicators to Strengthen the Procurement Process for Public Health Commodities	Guide for procurement managers to provide a small set of performance indicators and information on how to implement and use the performance indicators to monitor and improve procurement system performance	Monitoring and evaluation	USAID | DELIVER
Private Health Sector Assessments	Ivory Coast Private Health Sector Assessment	Results summary of assessment with key findings and recommendations	P3 Agreement	USAID / SHOPS
	Malawi Private Health Sector Assessment	Results summary of assessment with key findings and recommendations	P3 Agreement	USAID / SHOPS
	Nigeria Private Health Sector Assessment	Results summary of assessment with key findings and recommendations	P3 Agreement	USAID / SHOPS
	Tanzania Private Health Sector Assessment	Results summary of assessment with key findings and recommendations	P3 Agreement	USAID / SHOPS
Risk Management	Risk Management for Public Health Supply Chains: Toolkit for Identifying, Analyzing, and Responding to Supply Chain Risk in Developing Countries	Toolkit presents a number of principles for formalizing and strengthening the risk management process	P3 Agreement	USAID | DELIVER
Supply Chain Costing	Supply Chain Costing Tool	Tool to input data to evaluate supply chain costs	P1 Interaction	USAID | DELIVER
	Supply Chain Costing Tool User's Manual	Guide for use of the costing tool which supports the implementation of public health supply chain costing exercises	P1 Interaction	USAID | DELIVER
	Guide to Public Health Supply Chain Costing: A Basic Methodology	This guide details the reasons for conducting a SC costing exercise, a recommended methodology, and recommendations and considerations for conducting a SC costing activity	P1 Interaction	USAID | DELIVER
	Supply Chain Compass: An Online Diagnostic and Planning Tool for Public Health Supply Chains	An on-line tool to determine how mature your health commodity supply chain is across key managerial and functional areas.	P1 Interaction	USAID | DELIVER

Category	Document Name	Description	PSE Framework Link	Organization
TEMPLATES				
Disease-Specific Programs with Private Health Sector	Engaging All Health Care Providers in TB Control: Guidance on Implementing Public-Private Mix Approaches	Guides on how to engage all relevant health care providers in TB control to promote the use of evidence-based international standards for TB care	All non-linear steps, general overview of steps	WHO
	Kenya: Reaching the Poor Through the Private Sector – A Network Model for Expanding Access to Reproductive Health Services	This study measured the effectiveness of a Kenyan program dedicated to increasing the availability of reproductive health services to the poor through training and networking of private medical providers	All non-linear steps, general overview of steps	World Bank / Health, Nutrition and Population Family
Meetings	Templates for a Technical Meeting on Market Analysis and Future Strategies	To facilitate analysis of the FP market to help develop strategies to strengthen FP services and supplies; could be adapted to other commodities	Project Selection for Potential PSE	USAID | DELIVER
Memorandums of Understanding and Contracts	Example MOU for Ministry of Health and PSE	A template to follow to create a memorandum of understanding	P3 Agreement	generic
	Office of Innovation and Development Alliances / USAID	Website with links to additional info on Global Development Alliances: http://www.usaid.gov/gda	Project Selection for potential PSE	USAID
	Emerging Trends in Supply Chain Management: Outsourcing Public Health Logistics in Developing Countries	A resource for engaging outside resources for public health logistics, covering the what, when, and how of outsourcing and its applicability to people working in public health supply chain management. Page 41 has the typical contract format	All non-linear steps, particularly useful for P3 Agreement	USAID | DELIVER
Request For Proposals (RFPs)	Model Contracts for Small Firms: International Contractual Alliance	A framework for an alliance or collaboration between two parties where no separate jointly owned corporate entity is created	P3 Agreement	International Trade Centre
	International Distribution of Goods	A model contract for the distribution of manufactured goods between a supplier and distributor	P3 Agreement	International Trade Centre
	International Long-Term Supply of Goods	A model contract for use in connection with manufactured goods rather than commodities between a supplier and customer	P3 Agreement	International Trade Centre

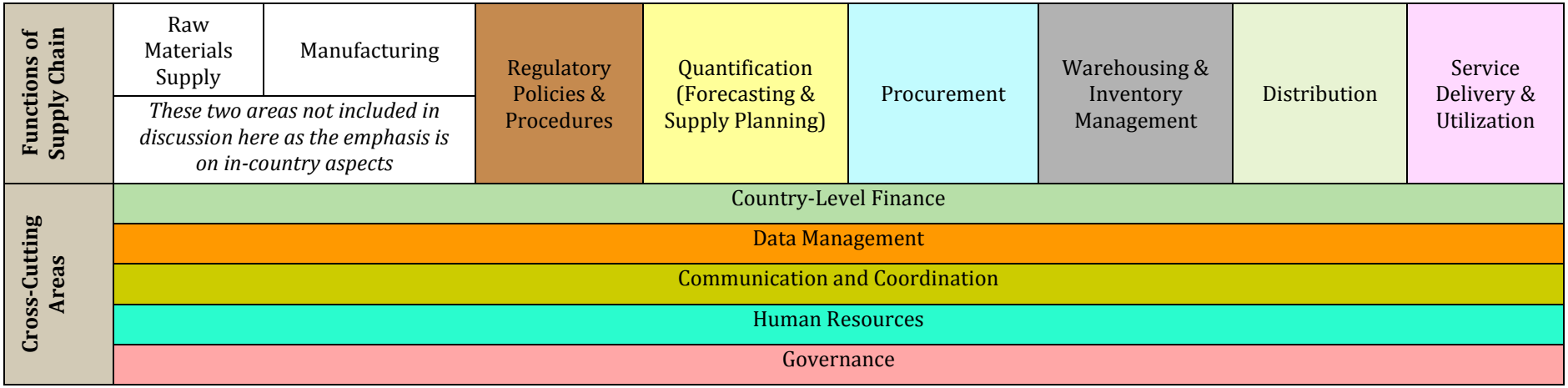
Category	Document Name	Description	PSE Framework Link	Organization
	International Supply of Services	A framework for the supply of services, it provides a series or menu of possibilities depending on the background and the nature of the production	P3 Agreement	International Trade Centre
	Developing Bidding Documents and Inviting Offers	Describes the form and content of good public-sector bidding documents and explains how they are developed using information provided in the procurement requisition and the procurement plan. Geared towards family planning commodities but can be adapted to others	P3 Agreement	PATH
	Template: Request for Proposal Fixed Price Goods or Services	Template for RFP	P3 Agreement	JSI
Terms of Reference	Terms of Reference for Partnership Agreements, Bangladesh Urban Primary Health Care Project	Template for establishing expectations of partnerships between the private and public sectors	P2 Dialogue	Bangladesh government
Terms of Reference for Private Health Sector Assessments	Terms of Reference: Ghana Country Assessment	Example of TOR agreement to engage the private sector to contribute to improvements in access to quality health-related goods and services, and financial protection against the impoverishing effects of illness	P3 Agreement	IFC/World Bank Group
	Terms of Reference: Health Care in Second Tier Cities and Rural India	Example of agreement to focus on the role of the private sector in the financing and provision of health services for the poor to develop an agenda for action for its improvement	P3 Agreement	IFC/World Bank Group
	Terms of Reference: Kenya Country Assessment	Assessment of the private health sector to develop recommendations for a reform program to strengthen the existing policy framework for the public-private interface in the health sector and to improve the delivery of health related goods and services	P3 Agreement	IFC/World Bank Group

Category	Document Name	Description	PSE Framework Link	Organization
	Terms of Reference: Mali Country Assessment	Example of agreement to engage the private sector to contribute to improvements in access to quality health-related goods and services and financial protection against the impoverishing effects of illness	P3 Agreement	IFC/World Bank Group
Case Studies	Gambia Case Study / Stanford Social Innovation Review	Summary of Riders' activity in Gambia, challenges faced, how these challenges were overcome	P3 Agreement	Riders for Health
	Riders for Health and the Lady in Glasses, developed by London Business School, parts A & B	Describes the process of introducing a new business model	P3 Agreement	Riders for Health
	Advancing Delivery of International Aid & Development	Description of UPS' approach to working with public sector in supply chain management	P3 Agreement	UPS
	SCMS in Kenya for ARV Distribution	Describes the subcontracting of local logistics providers for delivery services of ARVs throughout Kenya and the East Africa region	P3 Agreement	Imperial Health Sciences
	PEPFAR Unification Project in Nigeria	Local logistics contractors for warehousing and distribution services from regional zonal warehouses to healthcare facilities throughout Nigeria	P3 Agreement	Imperial Health Sciences
	South Africa and Managing the ARV Buffer Stock	IHS works with NDoH to provide speedy order fulfillment which help avoid stock outs of ARVs in South Africa	P3 Agreement	Imperial Health Sciences
	Consolidating Health Products in Malawi	IHS improved distribution of essential medicines packaged in kits by consolidating products	P3 Agreement	Imperial Health Sciences

Appendix B: Functions of the Supply Chain and Key Barriers

UN Commission on Life-Saving Commodities (UNCoLSC)
Recommendation 6, Outcome 1: Good Practice in Supply Chain Management
Challenges and Barriers along the In-Country Supply Chain

In order to increase access to life-saving commodities for women and children, barriers to improving in-country public supply chains must be understood. The purpose of this document is to summarize barriers related to the supply chain to provide a framework from which to create a best practices review. This document builds on barriers identified by the UN Commission on Life-Saving Commodities for Women and Children Commissioners' Report, September 2012, and draws from additional resources as a step towards summarizing the key barriers that need to be addressed to ensure good practices in supply chain management. These barriers are grouped into broad themes while fully recognizing that they are interrelated and interdependent. This document focuses only on aspects specific to in-country supply chains as other recommendation working groups are focused on other areas.



Regulatory Policies & Procedures

- Some policies and systems (registration, quality control, drug authenticity verification, importation) potentially restrict product selection possibilities, delay shipments or make entry prohibitive
- Omission from National Essential Medicine List can mean that products are not procured
- Weak systems for quality control and assurance along the supply chain
- Quality control capacity can delay testing and release of product into the system
- Limited enforcement of policies that do exist; limited capacity of regulatory bodies

Quantification (Forecasting & Supply Planning)

- Mechanisms and tools are not in place for proper forecasting and supply planning
- Poor, inadequate or inaccessible data makes it difficult to forecast and plan commodity needs
- Lack of coordination between supply planning and technical units
- Lack of capacity for quantification
- Existing tools do not take local context into account so cannot be applied properly
- Limited staff trained in proper quantification, forecasting or supply planning processes
- Focus on public sector forecasting does not lead to a whole market approach to forecasting and planning
- Lack of understanding of difference between quantification for budgeting and quantification for supply planning, leading to inadequate supply planning

Procurement

- Poor collaborative planning between quantification & procurement
- Unpredictable and long lead times for delivery of procurements
- Bureaucratic and encumbering procurement processes
- Lack of coordination &/or standardization of products to procure among multiple procurement partners/entities
- Lack of consideration of recommended case management products (e.g., pediatric dosages)
- Little use of procurement flexibilities (e.g., framework contracts)
- Insufficient use of master supply agreement with best price possible based on volume discount
- Lack of agreement between standard treatment guidelines and National Essential Medicine List
- Lack of knowledge/skills for procurement planning and tendering within public sector
- Limited competition in the private sector, leading to both a lack of technical expertise to support the public sector and potential conflicts of interest or corruption
- Inconsistent flow of funds
- Lack of communication between public and private sector on changes in policy, regimens, etc.
- Lack of flexibility in funding strategies

Warehousing & Inventory Management

- Stock leakage and security issues with low product traceability throughout the supply chain
- Inadequate storage space and conditions, complicated by cold chain requirements for some temperature sensitive commodities and by infrequent distribution of large quantities to stores with limited storage capacity
- Disposal policies absent or not followed
- Poor adherence to inventory best practices—stock rotation (first-to-expire, first-out [FEFO]), batch control, stock recall processes
- Poor inventory management (i.e., routine cycle counting of stock, physical inventory and reconciliation)
- Lack of communication between public and private sector creates duplication
- Lack of capacity of those managing inventory
- Warehouses are positioned administratively instead of functionally
- Very little knowledge of operational costs, cost of goods in public sector
- Low skill levels for managing outsourced warehousing

Distribution

- Availability, reliability and quality of transport infrastructure and services, especially at the last mile
- Limited funds to support distribution costs at the lower administrative levels of the health system
- Distance between health centers and resupply points and between community health workers and health centers

- Ad-hoc distribution strategies and poor distribution planning with limited incentives for timely distribution
- Seasonality, affecting the need for some commodities, and geography, with terrain being a challenge for transportation
- Maintenance of cold chain during distribution for temperature sensitive and cold chain dependent commodities
- Poor data management and/or lack of sufficient stock at higher levels of distribution can lead to inadequate stock distributed
- Limited engagement with private sector providers
- Lack of organization and consolidation in private sector distributors, no incentives to consolidate and no synergy with public sector distribution networks
- Low quality of private sector distributors
- Limited capacity on government side to manage outsourced distribution contracts.

Service Delivery & Utilization

- Inadequate health personnel training and knowledge gaps at each level of distribution, leading to underutilization or misuse of commodities
- Sub-optimal delivery mechanisms, product packaging, formulation or distribution requirements lead to underutilization or misuse of commodities and can complicate supply chain management
- Competing priorities for health personnel time
- Lack of commitment to timely and accurate data collection and/or reporting
- Limited supervision of supply chain management tasks at service delivery point
- Poor access to hard-to-reach communities
- Inadequate information provided to the community on service delivery and product availability issues, leading to low or nonexistent community engagement and limited accountability
- Poor conditions at health facilities
- Lack of coordination in donor assistance that supports supply chain and health services
- Limited monitoring of private sector service delivery points (small shops, vendors, private providers)
- Lack of access to favorable pricing for private sector

Cross-Cutting Areas

Country-Level Finance

- Budgetary constraints, particularly for key commodities and supply chain management
- Slow and inconsistent funding flows with inefficient use of funds;
- Inadequate funds at the lower administrative levels responsible for distribution to rural primary health facilities
- Disparate, uncoordinated funding sources and difficulties accessing budgeted funds
- Poor or incomplete understanding of supply chain costs with a tendency to under-budget
- Out-of-pocket expenditures for end users
- Ambiguous /amorphous business models within medical stores
- Reliance on donor funding which imposes distortions in supply chain management and in the market
- Lack of analysis and capacity to understand mechanisms to reduce both costs and price
- Lack of capacity building around budgeting and financing activities

Data Management

- Unclear protocols and inadequate training of staff for appropriate data collection and utilization
- Outdated or non-existent information systems and record keeping which lack routine or accurate data
- Competing software for managing supply data at different levels of the health system
- Poor logistics data, such as inadequate dispensed-to-user data

- Little emphasis on performance measurement
- Delayed/inaccurate/incomplete reporting from service delivery points and the multiple levels up the reporting chain
- No open, easily accessible, shareable and standardized data portal available to all partners
- Lack of two-way flow of information to and from the central level and service delivery points
- Insufficient use of data for decision making at all levels for procurement, distribution and monitoring
- Poor supervision of data quality
- Lack of access to private sector data to include in modeling, forecasting, quantification (proprietary nature of data)

Communications & Coordination

- Lack of synergies from technical and financial partners; poor communication and coordination among partners
- Lack of priority for procurement processes exhibited by health personnel, with inattention to procedures, process quality concerns, and timelines
- Suboptimal coordination efforts with regional entities
- Inadequate coordination between parastatals and government health programs
- Financing and operation (including commodity provision and reporting) of public sector programs siloed by disease category
- No formal mechanisms by which the public sector can engage the private sector
- Fragmented/disorganized private sector which limits the public sector's ability to engage.

Human Resources

- Training gaps and limited capacity for quantification, procurement, product quality assurance, and stock management
- Few health personnel trained in the specifics of supply chain management
- Outdated or non-existent standard operating procedures with few user-friendly job aids
- Turnover and high mobility of personnel; limited number of health care providers and heavy workloads
- Low motivation for routine supply chain tasks such as reporting
- Lack of supportive supervision
- Lacking of a systemic approach to human resources for supply chain
- High number of temporary and external staff involved in managing supply chain
- No defined minimum standards for each position in regards to supply chain management, no professionalization approach

Governance

- Lack of commitment from leadership at every level of the health system to improve supply chain management & to ensure these commodities are in stock
- Government distribution systems with limited ability or capability to create incentives for improved supply chain management
- Lack of national policy guidelines on utilization of specific products
- A lack of metrics and understanding of supply chain performance that feeds into how you manage the supply chain, how do you understand how the supply chain works. Private sector makes investments in supply chain overhauls because it's worth it – public sector doesn't do this, doesn't know what the business case is, don't have key metrics defined
- Lack of holistic planning and long-term planning
- Budget inefficiencies due to lack of effective coordination mechanism for commodity decision-making across products and programs
- Lack of accountability on supply chain performance at all levels

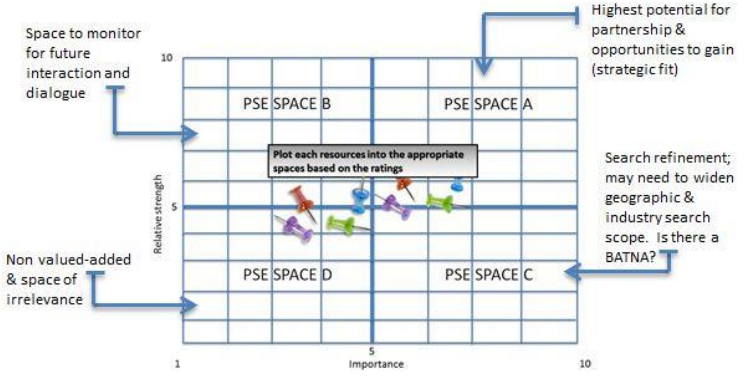
Appendix C: Selection Criteria to identify potential new Private Sector Partner(s)

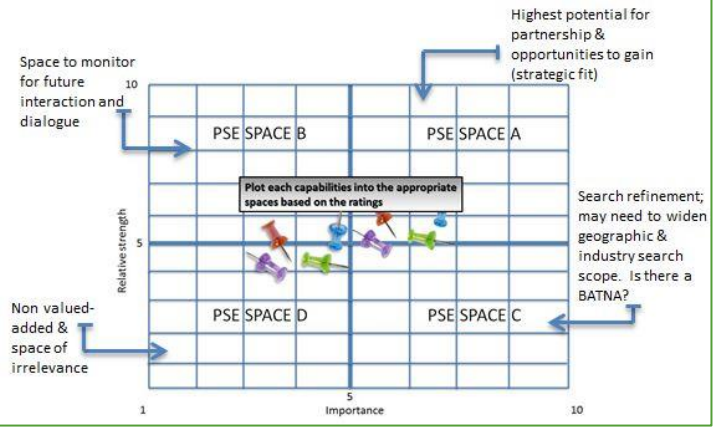
As eluded in the previous section of this guidance document, the public sector can be faced with the barrier of inexperience in engaging with the private sector. While internet search, networking through professional associations can be one of several ways of identifying and initiating new interaction and dialogue with the private sector, there is no practical process to aid the public sector in distinguishing the various companies in a manner that best fits for the country specific context. The figure below provides the basis for the selection criteria that the public sector can use when identifying potential new private sector partner as well as a checklist during negotiations. An area that the public sector seeks to gain benefit from is through the outsourcing of non-core competencies to the private sector. In effect, it is vital to select the company that has the proper core competencies that the public sector seeks to outsource. As such, the public sector must evaluate the companies' resources and capabilities and weight them against importance to the partnership and relative strength of the potential companies. The criteria should be customized to country specific context as well.

Resources	R1. Facilities (distribution centers, warehouses etc.)	R2. Finance	R3. Technology	R4. Location/distribution network	R5. Skills & expertise (knowledge & innovation)	R6. Staff	R7. Trust/Reputation
Importance	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10
Relative Strength (C1, C2, C3…*)	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10

										S10. Technical Assistance (TA)						
Capabilities	S1. Product Development	S2. Purchasing	S3. (Contract) Manufacturing (local, regional, product range)	S4. Data Management	S5. Inventory Management	S6. Distribution (ambient, cold chain, and diagnostics/medical device products)	S7. Governance	S8. Contracts Management	S9. Quality Management	S10.1 TA – Forecasting & quantification	S10.2 TA – Supply planning & procurement	S10.3 TA – Warehousing and inventory management	S10.4 TA – HR management & training	S10.5 TA – Operational design	S10.6 TA – Logistics	S10.7 TA – Contracts Management
Importance	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10
Relative Strength (C1, C2, C3…*)	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10	Rate from 1-10

*C1, C2, C3…=Company 1, Company 2, Company 3…





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