PRIVATE SECTOR ENGAGEMENT

A Guidance Document for Public Health Supply Chains

Abstract

This guidance document has been developed to provide guidance to stakeholders: (1) identifying opportunities for public and private sector parties to work together to increase access to high quality life-saving commodities; and (2) the process for engagement to facilitate a productive process for all parties involved.

Contents

Acknowledgements.................................................................................................................................................4

Acronyms....................................................................................................................................................................5

Introduction: Private Sector Engagement Guidance Document ................................................................................6

How to Use this Guidance Document.......................................................................................................................6

Chapter 1. The Context: Getting Essential Medicines to the World’s Most Vulnerable People ....................8

Public Health Supply Chain Challenges.........................................................................................................................8

Private Sector Engagement in Supply Chains...............................................................................................................8

Functions of a Supply Chain...........................................................................................................................................10

Increase availability of affordable, quality medicines and health supplies.................................................................11

Ensure quality of health commodities.........................................................................................................................12

Improve the effective use of health commodities.........................................................................................................13

Increase funds and resources available for quality, affordable medicines and health supplies ......................13

Chapter 2. Building Blocks to Engage the Private Sector .........................................................................................14

Engagement Model..........................................................................................................................................................14

Phase I - Interaction.......................................................................................................................................................15

Phase II - Dialogue.........................................................................................................................................................15

Phase III - Agreement.....................................................................................................................................................16

Supporting Activities for Private Sector Engagement.................................................................................................19

Preparations and Project Selection for Potential PSE.................................................................................................20

Engagement Preparation ..............................................................................................................................................22

Monitoring & Evaluation...............................................................................................................................................23

Key Stakeholders.............................................................................................................................................................23

Chapter 3. Approaches to Engagement ......................................................................................................................25

Operationalizing PSE.....................................................................................................................................................25

Engagement Opportunities.............................................................................................................................................25

Technical Assistance.....................................................................................................................................................25

Outsourcing and Contracted Services.............................................................................................................................26

Corporate Social Responsibility (CSR)............................................................................................................................27

Financing..........................................................................................................................................................................28

Public-Private Partnerships...........................................................................................................................................29

Advocacy and Coordination...........................................................................................................................................29

Innovations.......................................................................................................................................................................30

Local Manufacturing and New Supplier Development...............................................................................................31
Chapter 4. Risks and Challenges of PSE.................................................................33
  Public Sector Challenges for Engagement with Private Sector ..................................33
  Private Sector Challenges for Engagement with Public Sector ..................................34
  Recommendations on Overcoming the Challenges..................................................36

Conclusion. Lessons Learned on Overcoming Barriers to PSE ..................................38

Appendix A: Tools and Templates for Private Sector Engagement ..................................40

Appendix B: Functions of the Supply Chain and Key Barriers ..................................46

Appendix C. Questions to Consider Prior to Engaging in a Public – Private Partnership....50

Appendix D: Selection Criteria to Identify Potential New Private Sector Partner(s) .......51

Appendix E: The Value Add of PSE..........................................................................52

Figures

Figure 1: Core Functions of a Public Health Supply Chain.........................................10
Figure 2. Public and Private Sector Roles ....................................................................11
Figure 3: PSE from a Health Systems Strengthening Perspective ................................11
Figure 4: P3 Model for PSE .........................................................................................14
Figure 5. Supporting activities to PSE .......................................................................19
Figure 6. Key stakeholders and roles ........................................................................24
Figure 7. Public Sector Challenges ............................................................................34
Figure 8: Private Sector Challenges ...........................................................................35

Tables

Table 1. Phase 1: Public-Private Interaction.................................................................15
Table 2. Phase 2: Public-Private Dialogue ..................................................................16
Table 3. Phase 3: Public-Private Agreement ...............................................................16
Table 4. Building Blocks for Preparation and Project Selection for Potential PSE .......21
Table 5. Building Blocks for Engagement Preparation ................................................22
Table 6. Building Blocks for Monitoring and Evaluation ............................................23

Case Studies

Case Study 1. Coca-Cola and Ghana Health Services ...............................................26
Case Study 2. Riders for Health in Nigeria ..................................................................26
Case Study 3. Outsourced supply chain for commodities in Bangladesh ..................27
Case Study 4. Performance-based Financing in Rwanda ............................................28
Case Study 5. Public-Private Partnerships: UTi Full Service 3PL in South Africa .......29
Case Study 6. Regional Distribution Centers (RDCs) in sub-Saharan Africa ............30
Case Study 7. Partnering with UPS to adapt commercial supply chain software .........31
Case Study 8. VidaGas in Mozambique ....................................................................32
Acknowledgements

The development of this guidance document has been part of the efforts led by the **UN Commission on Life-Saving Commodities** (UNCoLSC) 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 identify and reduce barriers that block access to essential health commodities. Under the Technical Reference Team on Supply and Local Markets, the development of this guidance document was spearheaded by a small team focusing on Private Sector Engagement.

### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL</td>
<td>Third-party logistics provider</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>FBO</td>
<td>Faith-based organization</td>
</tr>
<tr>
<td>IHS</td>
<td>Imperial Health Sciences</td>
</tr>
<tr>
<td>KPI</td>
<td>Key performance indicator</td>
</tr>
<tr>
<td>LMIC</td>
<td>Low- and middle-income countries</td>
</tr>
<tr>
<td>MOH</td>
<td>Ministry of Health</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
</tr>
<tr>
<td>PPD</td>
<td>Public-private dialogue</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-private partnership</td>
</tr>
<tr>
<td>PSE</td>
<td>Private sector engagement</td>
</tr>
<tr>
<td>SCM</td>
<td>Supply chain management</td>
</tr>
<tr>
<td>SMART</td>
<td>Specific, measurable, achievable, realistic, time-limited</td>
</tr>
<tr>
<td>SOPs</td>
<td>Standard operating procedures</td>
</tr>
<tr>
<td>TA</td>
<td>Technical assistance</td>
</tr>
<tr>
<td>UNCoLSC</td>
<td>United Nations Commission on Life-Saving Commodities for Women and Children</td>
</tr>
</tbody>
</table>
Introduction: Private Sector Engagement Guidance Document

This private sector engagement (PSE) guidance document has been developed to help supply chain stakeholders identify opportunities where public and private sector parties can work together to increase access to high quality life-saving commodities, and provide a framework for the process for engagement to ensure a productive and smooth process for all parties involved. It provides a framework for public and private sector stakeholders who are interested in strategic collaboration to address challenges related to in-country supply chains for medicines and health supplies.

**Private sector engagement can be defined in this context 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. However, not all supply chain problems cannot be fixed with PSE. This document will focus on the following key objectives around supply chain management, listed below, in order to identify opportunities for PSE that strengthen health systems specifically by addressing these 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 |

Stakeholders from both public and private entities, such as government leaders, technical assistance providers, government partners (such as donors, implementing partners, NGOs, FBOs, etc.), and private sector entities, can use the resources in this document to promote public-private engagements. It was developed through a participatory process with contributions from, including a workshop with, members of the Supply and Local Markets Technical Reference Team of the UNCoLSC, literature reviews, and input from private sector stakeholders.

This guidance document presents a non-linear framework that may help guide engagement with the private sector, but it does not require a rigidly defined process. Each country or organization may have different needs, objectives, and historical preferences, so different steps or parts of the framework 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.

**How to Use this Guidance Document**

PSE can assume a variety of forms depending on factors ranging from the subject processes of the engagement to the specific country context and the private sector organizations involved. Thus, it is impossible to develop a step-by-step guide for PSE, and this guidance document, therefore, provides guidelines for PSE, examples of successful PSE projects, and supporting materials.

We have designed this guidance document for a variety of experiences and interest levels within entities such as government agencies, private sector organizations, and NGOs. This guidance document can be used in full or by section, depending on the needs of the parties involved.
An overview of the content of this guidance document is available in the box below. Users may access whichever chapters are most relevant and useful for their circumstances.

| Chapter 1 | Provides the context, giving some general background on health care supply chain functions and common challenges and explains the concept of private sector engagement (PSE). It discusses why PSE can be valuable in the current context of supply chain management. It also links specific supply chain challenges to different opportunities for PSE. Organized by the key challenges a government may face for its public health supply chain, users may access this chapter to begin defining specific engagement strategies. This is a good place to begin if you are relatively unfamiliar with PSE and wish to understand the potential benefits of PSE to your organization. |
| Chapter 2 | Is a quick start guide for setting up a PSE. It provides the nuts and bolts of the guidance document such as specific building blocks, interventions, and practical knowledge and guidance on engaging the private sector in different ways, ranging from simple dialogue to well-defined legally binding contracts. This chapter will be most useful as you begin fleshing out the partnership specifics. |
| Chapter 3 | Outlines the 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 4 | Introduces different approaches to PSE. If you already understand the concept of PSE, this chapter will help you understand the specifics of various PSE approaches, with concrete examples provided. |
| The Conclusion | Reminds us why this work is relevant for saving lives of women and children around the world. |
| Appendix A | Provides resources and tools for your engagement process, specific hands-on documents that can be adapted to your situation and needs. Users may jump to this appendix if they are looking for PSE-related resources that can be used immediately. |
| Appendix B | May be a helpful reference as it outlines the functions of the supply chain and related key barriers under each function. |
| Appendix C | Summarizes some questions that can be used to guide internal discussions for public and private sector actors in the early stages of considering a PSE. |
| Appendix D | Discusses selection criteria for identifying private sector partners. |
| Appendix E | Provides additional details on the value add of PSE to supply chains for health commodities, with concrete examples. |
Chapter 1. The Context: Getting Essential Medicines to the World’s Most Vulnerable People

Public Health Supply Chain Challenges
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. It is an ecosystem that integrates all aspects of a supply chain, including products, 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.

Public health supply chains are critical for ensuring medicines are available to the people who need them. In resource-limited settings, the prevalence of 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 procurement of health commodities necessary for the treatment of high burden diseases in low- and middle-income countries (LMICs). Yet each year almost six million children worldwide still die from preventable causes. Many life-saving commodities 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. Many of those lives could have been saved by improvements in medical supply chain performance. As the UN Commission on Life-Saving Commodities for Women and Children (UNCoLSC) helps scale-up access to thirteen underutilized and high-impact commodities, the existence of effective in-country supply chains is a critical success factor to ensuring these commodities reach the women and children who need them.

The public health supply chain ecosystem faces a range of challenges from policies and financing at the central level to the infrastructure and resources at the service delivery point, including policies that restrict selection of optimal products, lack of adequate transport, malfunctioning cold chains, lack of data that results in unresponsive systems, among other issues. Poorly functioning supply chains may result in redundancy of efforts, higher costs, frequent stockouts, product wastage or expiries, and, as a result, poorer health outcomes.

Private sector initiatives have contributed in various settings to addressing these supply chain challenges, increasing efficiency and extending private sector expertise.

Private Sector Engagement in Supply Chains
In recent years, in recognition of the challenges in implementing and maintaining a modern supply chain, there has been an increasing interest in leveraging private sector expertise to address the challenges faced by various ministries of health and implementing partners. Governments 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 improved health outcomes by a robust system to supply health commodities.

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, with the use of local service providers such as Imperial Health Sciences (IHS), Bolloré, and Riders for Health. Additionally, government policies can be established that promote the use of local private sector manufacturers in the production of quality health commodities.

There are several specific areas where the private sector can add value in public health supply chains. Understanding the range of benefits that private sector engagement can bring to the public sector is key to defining and operationalizing the criteria for a specific engagement. The values that PSE can add to health supply chains are detailed in Appendix E. Broadly, the value-adds of private sector engagement are:

- **Providing access to specialized skills and expertise.** Exposure to and experience with private sector supply chain practices (staff, information technology, networks, etc.) can help build the capacity of the public sector to better manage its own supply chains.
- **Promoting operational efficiency.** Strategies developed by private sector companies that can be leveraged by the public sector through information sharing/technical assistance or contracted outsourcing 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.
- **Allowing governments to focus on core competencies.** Contracting or outsourcing of non-core functions, such as warehousing and transportation, can enable 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.
- **Providing access to capital investment and innovation.** Private sector organizations are typically in a better position to make capital investments that enhance supply chains than public sector entities, for which it can be very difficult to make these large investments, such as in warehousing trucks, or information management systems.
- **Sharing risk.** By allowing each organization to accept a portion of the overall risks associated with a project, and allocating risks to the partner best-suited to assume it, 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 individually.

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

Each of these different functions can face a number of challenges or barriers; in this document, specific PSE strategies are identified along with the specific challenges that they can address.

Considering the core functions of a supply chain and the main system strengthening objectives that a government would likely pursue, different approaches to PSE could be applied in different contexts. Certain functions and roles within the supply chain lend themselves more appropriately to the public or private sector, as detailed in Figure 2, but there are overlapping areas as well.4

---

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.
Figure 3 focuses on four main objectives of health systems strengthening that will be addressed in this document – **increasing availability** of affordable, quality medicines and health supplies, **ensuring the quality** of health commodities, **improving the effective use** of health commodities, and **increasing the funds and resources available** for affordable, quality medicines and health supplies – recognizing that there can be many other objectives.

Different approaches to PSE may be used to address these four primary systems strengthening objectives and their related functions within the supply chain. Figure 3 provides examples of this. The lines of demarcation between use of public and private sector resources in these examples are not fixed, but flexible and overlapping. In most country-specific cases, a mix of private and public sector efforts are necessary to be most effective.

**Figure 3: PSE from a Health Systems Strengthening Perspective**

<table>
<thead>
<tr>
<th>Health Systems Strengthening Objective</th>
<th>Supply Chain Functions</th>
<th>Examples of PSE Approaches</th>
</tr>
</thead>
</table>
| 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 of the supply chain 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 |
<table>
<thead>
<tr>
<th>Health Systems Strengthening Objective</th>
<th>Supply Chain Functions</th>
<th>Examples of PSE Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>6. Engage with the private sector in market analysis to understand volumes and needs of public and private sectors service provision</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. Leverage private sector expertise to build long-term human resource plans for public sector that include minimum standards for positions and a strategy for meeting long-term human resource needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8. Build capacity for distribution planning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. Leverage private sector expertise in building new information systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10. Garner support for secondments of staff to fill critical public sector gaps and to build capacity within the public sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11. Introduce novel systems and processes that can help prevent leakage and increase product visibility throughout the supply chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12. Develop formal mechanisms for engaging the private sector and communicate those mechanisms throughout government structures</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13. Jointly develop and share key metrics and a business case for investment in the supply chain</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14. Advocate for improvements in communication infrastructure that support supply chain operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15. Implement contracting and partnering methods that promote positive collaboration and communication</td>
</tr>
</tbody>
</table>

| Ensure quality of health commodities | Regulatory policies & procedures |
|                                      | Warehousing and inventory management |
|                                      | Procurement |
|                                      | Human resources |

<p>| 1. Collaborate with private sector to facilitate harmonization of regional regulatory practices |
| 2. Provide regulatory guidance to new vendors to ensure they meet proper quality guidelines |
| 3. Support use of local manufacturing to help improve pre-positioning and availability of quality commodities when appropriate |
| 4. Build capacity for improved procurement processes and for developing procurement indicators to measure, monitor, and adjust procurements |
| 5. Advocate for less bureaucratic procurement processes that promote transparency and quality |
| 6. Leverage private sector training capacity to strengthen skills within public sector |
| 7. Develop forums for engagement between public and private sectors to discuss needs and changes in policy, regimens, or other issues |
| 8. Examine the potential for use of local manufacturers, suppliers, and distributors from a tactical, on-the-ground perspective |
| 9. Leverage private sector capabilities to ensure proper and secure storage of inventory |</p>
<table>
<thead>
<tr>
<th>Health Systems Strengthening Objective</th>
<th>Supply Chain Functions</th>
<th>Examples of PSE Approaches</th>
</tr>
</thead>
</table>
| Improve the effective use of health commodities | • Service delivery & utilization  
• Data management  
• Human resources | 1. Engage the private sector to develop curriculum and/or to train staff on the use of specific commodities and in data management  
2. Seek guidance from manufacturers on the use of their commodities at service delivery point and to discuss optimal packaging requirements to address local needs  
3. Foster partnerships to extend favorable pricing on commodities to private sector drug shops and distributors  
4. Partner with the private sector to improve quality of drug shops and commercial distributors  
5. Engage the private sector to develop custom software for public sector 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. Supplement public sector data with private sector data to provide a full market view of all commodity needs in the country and true operational costs  
2. Develop portals or mechanisms for sharing data between the public and private sectors on commodity usage and needs, providing "whole market view" and enabling better decision-making at all levels |
Chapter 2. Building Blocks to Engage the Private Sector

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.\(^5\) PSE is most beneficial when the engagement demonstrates a clear added value for all parties, improves public health outcomes, 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 by situation and country. Given the importance of and the focus on supply chains in private sector organizations, leveraging private sector expertise through appropriate and well-structured partnerships in the right situation can help better meet public sector objectives.

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 with a clear goal for engagement. 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).\(^6\) In this model (figure 4), the P stands for Phase, although it is not essential for all PSE interventions to reach all three phases. It merely implies that this is a step-wise process that can complete/end at any phase (and the P3 level of Agreement is not as common).

Figure 4: P3 Model for PSE

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1: Public-Private Interaction</td>
<td>Emphasis on communication of information to assist each entity</td>
</tr>
<tr>
<td>P2: Public-Private Dialogue</td>
<td>Emphasis on cooperation around an issue of mutual interest</td>
</tr>
<tr>
<td>P3: Public-Private Agreement</td>
<td>Emphasis on collaboration formalized in a contract that is jointly designed and implemented</td>
</tr>
</tbody>
</table>

Each of these levels of engagement builds on the previous one with varying degrees of complexity and formality. A formalized agreement (P3), develops after deliberate interactions (P1) and dialogue (P2) have taken place. These phases include a number of key interventions and actions for effectively engaging the private sector on a specific project, or “building blocks”, but the scope and implementation of these activities will vary depending on the country context. Moreover, some building blocks may not be applicable and can be omitted completely. As a final note, the implementation of building blocks can be

---


\(^{6}\) Conversation with authors. The P3 model is summarized in Designing Public-Private Partnerships in Health. Strengthening Health Outcomes through the Private Sector (SHOPS). 2011.
non-linear; building blocks from multiple phases and supporting activities can be implemented concurrently, and they can be mixed and matched to suit local needs.

Phase I - Interaction

Public-Private Interaction involves the exchange of information between the public and private sectors in order to align understanding. In the area of public health, this may be as basic as the public sector reaching out to ensure the private sector has received and understands government policies and regulations. Conversely, it could involve private providers sharing their data on case detection and treatment with the public sector. 

Activities associated with public-private interaction, as well as anticipated timeframes, suggested tools, and expected outputs, are detailed in Table 1 below.

<table>
<thead>
<tr>
<th>P1: Interaction</th>
<th>Building Blocks</th>
<th>Time frame</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private sector participation on task forces or leadership committees concerned with public sector institutions or interventions</td>
<td>Depends on exact nature of interaction, typically 1-2 weeks or conducted on an ongoing, periodic basis</td>
<td>&quot;The Partnering Toolkit&quot;</td>
<td>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.</td>
<td>This could include government and industry meetings, working groups, or preliminary procurement announcements.</td>
<td></td>
</tr>
</tbody>
</table>

| Implementation of mechanisms for sharing of information, policy changes, and/or priorities between the public and private sectors | | | | |

Phase II - Dialogue

Public-Private Dialogue goes further—in this type of partnership, the public and private sectors cooperate and negotiate around issues of mutual interest, usually government policies and regulations that impact the private sector. Dialogue does not require a formal agreement or a shared investment, but it does involve both sectors working together to ensure that policy is formulated effectively to have the best possible outcome for the health system.

Activities associated with public-private interaction, as well as anticipated timeframes, suggested tools, and expected outputs, are detailed in Table 2 below.

---

### Table 2: Phase 2: Public-Private Dialogue

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Time frame</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit sector organizations develop and implement policies and mechanisms to facilitate exchange with private sector actors, such as CSR initiatives</td>
<td>Depends on exact nature of interaction, typically 2-4 months or conducted on an ongoing, periodic basis</td>
<td>&quot;The Partnering Toolkit&quot;</td>
<td>Both parties have cooperated to achieve a common goal in a mutual area of interest. Contributions are well-documented and shared between parties afterwards.</td>
<td>Examples include projects through a company's CSR department, training for workers, a volunteer program (i.e., Pfizer or GSK)</td>
</tr>
<tr>
<td>Government entities develop and implement policies and mechanisms to share information and encourage collaboration with private sector actors</td>
<td></td>
<td></td>
<td></td>
<td>Examples include implementing mechanisms and sharing information to encourage health commodity manufacturers to begin operations in-country</td>
</tr>
</tbody>
</table>

**Phase III - Agreement**

The third form of engagement, *Public-Private Agreement*, is the most complex. It involves formal agreement between the public and private sector partners, with clearly defined roles and responsibilities for each around their joint implementation of an activity designed to address a weakness in the health system. Typically, the agreement specifies the investment from each partner and the conditions under which each will assume risks and reap benefits. Specific activities involved in a public-private agreement (table 3) should include: **completing a Request for Proposal (RPF) process, contract negotiations and award to a recipient, program implementation, and contract management.**

### Table 3: Phase 3: Public-Private Agreement

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Time frame</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RFP Process</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host bidders’ meeting to answer questions and meet the companies all together for fair and equal dissemination of information</td>
<td>Actual meeting should be no longer than one day, but preparation and time for RSVP may take 2-4 weeks</td>
<td>Templates for invitation letters</td>
<td>Bidders are well-informed of services requested and able to ask questions in a fair manner</td>
<td>This should include the procurement department.</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th><strong>Manage questions, feedback, etc., during submission period</strong></th>
<th>2 weeks to 2 months, depending on process and scope.</th>
<th>Bidding guidelines and procurement regulations</th>
<th>Bidders are well-informed of services requested and able to ask questions in a fair manner</th>
<th>Questions should be logged and acknowledged as they are received.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receive proposals from private sector organization</strong></td>
<td>Typically 1-2 months depending on the complexity of the PSE</td>
<td>Bidding guidelines and procurement regulations</td>
<td>Government receives sufficient number of quality proposals for a fair competition</td>
<td>Private sector organizations should be given sufficient time to respond. Proposals should be logged and acknowledged as they are received.</td>
</tr>
<tr>
<td><strong>Review and evaluate proposals to evaluate them and select the preferred bidder(s)</strong></td>
<td>Depends on the complexity of the PSE and number of proposals. Typically 2-4 weeks.</td>
<td>Evaluation criteria</td>
<td>Preferred providers are identified</td>
<td>Reviewers should have consistent criteria and scoring rules for the review to ensure a fair comparison of proposals. There may be follow up questions, clarifications and supplier meetings.</td>
</tr>
<tr>
<td><strong>Qualify selected bidder's capacity against presented bid.</strong></td>
<td>1-2 weeks</td>
<td>Evaluation criteria</td>
<td>A final selection is made based on in-person assessment of capacity</td>
<td>Generally, the bidder is conditionally selected, depending on a more detailed follow up evaluation of their capacity and expertise.</td>
</tr>
</tbody>
</table>

**Contract Negotiations and Award**

<p>| <strong>Award notice letter</strong> sent to the awarded party | This will need to be signed off by multiple parties and maybe ministries, may require 4 weeks to 4 months | &quot;Performance-Based Contracting for Health Services in Developing Countries&quot;; &quot;Example MOU for Ministry of Health and PSE&quot;, &quot;Office of Innovation and Development Alliances/USAID&quot;, &quot;Emerging | Contract is submitted to service provider for signature | | <strong>Term sheet</strong> to be sent to the awarded party | | | | | <strong>Prepare and submit a contract for partner.</strong> In addition, a Scope of Work can be submitted to show the costed | | | |</p>
<table>
<thead>
<tr>
<th><strong>Breakdowns of modules and expected timelines. M&amp;E plan should also be included.</strong></th>
<th><strong>Trends in Supply Chain Management</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Communication of award to stakeholders</strong></td>
<td><strong>Templates for notice letters</strong></td>
</tr>
<tr>
<td>Actual activity time should be 1 day maximum</td>
<td>Stakeholders are well-informed of awardee</td>
</tr>
<tr>
<td>This can be done in a meeting or else by written communication</td>
<td></td>
</tr>
<tr>
<td><strong>Program Implementation</strong></td>
<td><strong>Implementation of project or program begins under the direction of mutually-agreed upon plans and documents</strong></td>
</tr>
<tr>
<td>Commence operational activities under the guidance of resources such as SOPs, TORs, JDs, etc.</td>
<td>“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.</td>
</tr>
<tr>
<td>Input into implementation plan</td>
<td>Implementation is the responsibility of all 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</td>
</tr>
<tr>
<td>Approximately 1-2 weeks</td>
<td></td>
</tr>
<tr>
<td><strong>Contract/Supplier Performance Plan and Review</strong></td>
<td><strong>The performance should be reviewed against agreed-upon KPIs and other criteria 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</strong></td>
</tr>
<tr>
<td>Put in place a plan to monitor and review contract/supplier performance on a periodic basis</td>
<td>Examples of contract/supplier performance plans used by others; “Measuring Supply Chain Performance”, “Procurement Performance Indicators Guide”</td>
</tr>
<tr>
<td>Plan may be prepared in 1-2 weeks, and review should happen quarterly or six-monthly</td>
<td>Contractual agreement is regularly reviewed against agreed-upon KPIs</td>
</tr>
<tr>
<td>Qualify contract/supplier performance as provider of services</td>
<td>It is determined if contract/supplier is capable of providing services and PSE will continue</td>
</tr>
<tr>
<td>3 months maximum</td>
<td>This is an initial phase of (close) evaluation, when it is determined if the private sector service provider</td>
</tr>
</tbody>
</table>
Different opportunities for PSE discussed in this guidance document can also overlap between these three phases of engagement and might not be clearly attached to one phase or another. Due to the broad nature of supply chain functions, the many different areas of opportunity for engagement between the public and private sectors, and the different stages stakeholders are at in their engagement, it makes most sense to take a non-linear approach to the structure of PSE and to this guidance document.

Supporting Activities for Private Sector Engagement

For more complex engagements, supporting activities outside of but related to the three phases are useful to help define the goals of private sector engagement for a specific project, determine the actors involved, and identify what phases or phases are best suited to the current context and resources available (figure 5). In the earlier stages of developing a specific project, these could include preparations and project selection, and engagement preparation. A final activity, monitoring and evaluation, should be integrated into the scope of the engagement and take place continuously throughout all activities and phases.

Figure 5. Supporting activities to PSE
In the tables below, building blocks are described for each supporting activity. These building blocks can be implemented concurrently, or in stages, depending on needs and resources. Additionally, the implementation of the building blocks may be iterative; as you move from one phase to the next, it may be necessary to execute the same building block repeatedly to gather newly available information or reassess the landscape. Appropriate building blocks should be selected and applied depending on the needs of the country, the focus areas for improvements in the supply chain, and the willingness and capacity of partners to be engaged. These building blocks are most applicable when building a Phase 3: Agreement engagement with the private sector, but could also be mixed and matched to apply to phases 1 and 2.

This list of building blocks is not exhaustive or meant to be rigidly followed. The interventions can overlap in sequence, and timing can vary significantly. Some steps may even be omitted, depending on circumstances. All of these specific interventions should, however, be integrated into a larger PSE strategy and plan. Furthermore, the implementation of the building blocks may require the use of additional resources and tools. Examples of tools and resources are provided in the table, and Appendix A supplies a detailed list of such resources.

In the accompanying tables, strategic questions for stakeholders to consider are provided. Keep in mind that all building blocks can be supported by a third party and, when appropriate, can be accomplished informally and/or flexibly. Context matters greatly, so the framework should be viewed as constructive guidance and not as a rigid structure.

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

Preparations and Project Selection for Potential PSE

Preparations and Project Selection for Potential PSE (table 4) will help decide if a supply chain problem or challenge can be solved through engagement with the private sector and develop the necessary resources for the next step. Based on your objectives and the related functions of the supply chain, what are the key problems that could be addressed by PSE? Is there a base of private sector entities currently available to address this objective? This step is the foundation of effective private sector engagement, especially if you are exploring PSE at the (P3) Agreement level of engagement. Appendix B of this document, which lists supply chain barriers, will help to clearly identify the problem and root causes. PSE will not be the answer for every single activity or issue, and PSE is not one-size-fits-all.

Building blocks for this activity may include: key personnel developing expertise on PSE, fully defining the problem and identifying potential solutions, holding meetings to allow for an initial dialogue between the public and private sectors, and deciding if PSE should be pursued at the present time. Based on current capacities and needs, only some of these building blocks may be applicable, and should be adapted to suit the context. For example, personnel with PSE may already be available, or the problems and key objectives may already be defined. As mentioned above, these building blocks are designed to be flexible.

Stakeholder landscaping could be another initial activity in a private sector engagement strategy. This process involves stakeholder mapping to understand all options and acknowledge capacity of people who will be involved in PSE to ensure success. Again, the building blocks specified in table 4 below could be implemented before, after, or at the same time as other building blocks outlined in this document, depending on the nature of the private sector engagement and the preparation needed for it to succeed. This activity could involve building blocks that help identify stakeholders that should be engaged in both
the public and private sectors. The scope of these building blocks will depend on the level of knowledge and the nature of the relationships you already have with the public and private sectors.

Table 4. Building Blocks for Preparation and Project Selection for Potential PSE

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Estimated Timeframe</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Evaluate public sector requirements and performance gaps</strong> in order to define outcome requirements, scope of solution (TOR), performance requirements, and estimated investment (in order to achieve outcome).</td>
<td>This step may take 2-4 weeks</td>
<td>A written business case; rapid assessment of the PSE context (examples included in “Private Health Sector Assessments”); literature review.</td>
<td>The business case will provide an understanding of what challenges the public sector faces and should clearly define the desired outcome of improved performance, focused on the demand side. This will inform the scope of the solution, or terms of reference, as well as performance requirements and the estimated investment needed for the desired outcome.</td>
<td>There should be options to improve performance both with and without PSE.</td>
</tr>
<tr>
<td><strong>Develop a landscape of solutions providers</strong>, including identification of competencies necessary and available to manage PSE and appoint a focal point, if appropriate</td>
<td>2-4 weeks, depending on the context and on the MOH’s prior PSE experience, or more depending on time to develop a contract with an unbiased third party to conduct PSE</td>
<td>Results of the public-private dialogue meeting(s): identification of potential solutions providers. See Appendix D and IFC/World Bank/SHOPS relevant resources</td>
<td>A landscape report that defines the marketplace of activity, options, examples of transactions/engagements already taken place, and performance/impact results. The landscape analysis can also identify key stakeholders, level of interest, and approach for engagement. <strong>Internal competencies are identified</strong> and mapped in the document and a <strong>PSE focal point</strong> is identified based on this (MOH plus “trusted advisors”), if appropriate</td>
<td>This is the time to 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</td>
</tr>
<tr>
<td><strong>Decide if PSE should be currently pursued</strong></td>
<td>This may take consensus-building, so timeframes will vary</td>
<td>Supply chain costing tools to provide basis for cost-benefit analysis</td>
<td>A decision on whether or not PSE is the best option for this prioritized problem - if so, proceed with the intervention of Stakeholder Landscaping</td>
<td></td>
</tr>
</tbody>
</table>
Prior to moving forward with a public-private engagement for a specific project, stakeholders in both the public and private sectors should address a number of questions to determine if they have the internal resources and capacity to ensure the engagement is properly managed, implemented, and is beneficial to all parties. Appendix C summarizes some questions that can be used to guide internal discussions for public and private sector actors in the early stages of considering a PSE.

**Engagement Preparation**

Engagement Preparation focuses on identifying needs, collecting information, and defining the type of engagement. However, the details of these building blocks in this activity, detailed in table 5, will depend on the phase of engagement you are pursuing. For example, roles and obligations must be very clearly defined in P3 by an MOU or a formal contract, but these formalities may not be necessary in P1 or P2. Similarly, developing an action plan is likely more useful in P3 than in P1 or P2. However, the application of these building blocks will depend on context.

**Table 5. Building Blocks for Engagement Preparation**

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Time frame</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collect information and ask relevant questions to understand procurement procedures and identify who needs to be involved</td>
<td>This should involve a meeting with procurement but may take longer to schedule, typically 1-2 weeks total time</td>
<td>Internal MOH/country procurement documents; Rapid initial assessment of problem or pre-feasibility assessment may also be helpful</td>
<td>PSE team understands how to procure PSE services for this specific engagement</td>
<td>Procurement procedures are different in every country and should be understood - this will involve liaising with the MOH procurement department and potentially MOF</td>
</tr>
<tr>
<td>Input into procurement department’s terms of reference (TORs) for request for proposals (RFP) including evaluation criteria and proposed KPIs</td>
<td>This should involve a meeting with procurement but may take longer to schedule or complete, typically 2-4 weeks</td>
<td>Terms of reference templates</td>
<td>TORs for RFP are clearly explained for services desired</td>
<td>Consider: non-disclosure/confidentiality agreements, legal and financial risks, outline the PSE Requirements—the basic or core tasks and activities that the private sector will be to conduct under the proposed project</td>
</tr>
<tr>
<td>Develop action plan, if appropriate</td>
<td>This can be done in conjunction with the above step of defining the engagement</td>
<td>“Emerging Trends in Supply Chain Management”, “Building Support for Public Private Partnerships for Health Service Delivery in Africa”, Workplan template</td>
<td>PSE team has clear SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) action plan for PSE, if appropriate</td>
<td>The action plan may be drafted by stakeholder group (gov’t, private sector, third party organizations, donors); and the plan may also include cost estimates and</td>
</tr>
</tbody>
</table>
Monitoring & Evaluation

Monitoring and evaluation, which may include assessment using Key Performance Indicators (KPIs), is an important element of any project. Key building blocks for monitoring and evaluation are detailed in table 6. In PSE in particular, it is essential that the monitoring and evaluation framework is agreed-upon by all actors in order to ensure that the roles and expectations are understood by all the parties involved, and the criteria for success are well-defined and measurable. Although this is true for all three phases, it is absolutely necessary in P3, where private sector awardees are contractually obligated to deliver outcomes of a pre-defined quality level. Additionally, the monitoring and evaluation plan should specify who will be responsible or conducting and validating M&E activities to ensure that roles are clear and that the quality of the results is assured. Ensuring that a mutually agreeable M&E plan is in place can help avoid conflict as activities are implemented and provide all parties with a means for measuring results.

Table 6. Building Blocks for Monitoring and Evaluation

<table>
<thead>
<tr>
<th>Building Blocks</th>
<th>Time frame</th>
<th>Inputs or Tools</th>
<th>Outputs</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create M&amp;E plan to help the MOH track success</td>
<td>Continuous: throughout the engagement</td>
<td>“Measuring Supply Chain Performance”, “Procurement Performance Indicators Guide”, Reports, review of SOPs, contracts, procurement documents, examples of M&amp;E plans used by others</td>
<td>Identification of lagging or successful performance on either side; a corrective action plan to improve performance.</td>
<td>M&amp;E planning should start early as the project scope is being formed. Effective M&amp;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.</td>
</tr>
<tr>
<td>Implement M&amp;E activities for proper comparison</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Stakeholders

A variety of key stakeholders influence the evolution of partnership creation and the level of public-private engagements, whether through interaction, dialogue, or formal agreements, as seen in figure 6.
Each of these stakeholders may have a role to play.

- Private and social investors, as well as foundations, are good candidates to make investments in initiatives, particularly early stage innovations. Through technical assistance, national governments and international donors can play a major role as enablers by improving the quality 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, pharmaceutical regulatory authorities, 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 can be engaged to carry out the work in the different functions of the supply chain such as outsourcing of transport, infrastructure development, or public-private partnerships (PPPs) for capacity building, for example.
Chapter 3. Approaches to Engagement

Operationalizing PSE
In this chapter we will look at different opportunities for engagement between the public and private sectors. When deciding to move forward with PSE, the approach chosen requires careful analysis of the key stakeholders, the policy environment, regulatory and contract monitoring capacity, market forces, and other contextual factors. With that in mind, some easy wins may be possible to leverage private sector best practices and management approaches with a view to improving the public sector supply chains. Starting with the 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.

Engagement Opportunities
Within the P3 framework (interaction, dialogue and agreement), there are many forms that engagements can take for public and private sector stakeholders to collaborate in significantly improving public health supply chains. The different forms of engagement involve different levels of collaboration, 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 opportunities for engagement.

Technical Assistance
Providing technical assistance (TA) is an opportunity for the public sector to use PSE to learn from examples of successful process improvement. TA can be provided for many kinds of professional expertise, such as forecasting, supply planning and procurement, as well as warehousing and inventory management. Human resource management and training are also opportunities for TA, as well as building capacity to execute effective supply chain management. TA can also be used to design effective payment and incentive schemes for private sector providers in order to best serve the health needs of the public.

The first barrier to overcome is typically for the public sector to recognize that there are opportunities to engage the private sector in providing technical assistance. Other barriers include lack of knowledge of how to effectively engage the private sector, including identifying qualified companies, determining their core competencies, and defining a common language to use and a model for engaging and learning with limited resources. Additional barriers include lack of examples of success and value-added from PSE and lack of ability to measure impact.
Outsourcing and Contracted Services

More frequently, governments are considering contracting out to the private sector different aspects of supply chain management, in order to free up human and financial resources. Outsourcing can take many forms. Contracted services can be tailored to address start-up costs or initial barriers to PSE. Outsourcing has often 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 building to increase the capabilities of health care workers has also been outsourced successfully. Private sector organizations can provide training and supervision at the point of service delivery, or can train the trainers on administration of commodities, moving away from a silo approach. Universities can be engaged for pre-service training of health care personnel. Private sector engagement initiatives can also strengthen contracting skills in the public sector.

Case Study 1. Coca-Cola and Ghana Health Services

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 2. Riders for Health in Nigeria

Riders for Health in Nigeria

Over half of Nigeria’s population lives in rural areas and is 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 a 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.

Barriers to outsourcing may include lack of funding for initial investments to start up outsourcing agreements. Additionally, lack of experience and expertise in the public sector in 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.

Case Study 3. Outsourced supply chain for commodities in Bangladesh

<table>
<thead>
<tr>
<th>Outsourced Supply Chain for Commodities - Social Marketing Company, Bangladesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>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).</td>
</tr>
<tr>
<td>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 products as well as a robust distribution infrastructure including SMC-owned vehicles and partnerships with local transportation providers.</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>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 <a href="http://www.smc-bd.org/index.php/page/view/19">http://www.smc-bd.org/index.php/page/view/19</a>. 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 to grow their capabilities and overcome barriers to effective PSE.</td>
</tr>
</tbody>
</table>

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 that could be considered a conflict of interest by some civil society members. Many companies have separate CSR objectives and want the company to positively support the health value proposition of engagement and are less focused on costs as expenses 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 due to 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 potentially 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. An additional barrier is identifying suitable suppliers and distributors that are willing to engage through CSR.

Financing
Private sector approaches to financing present many opportunities to strengthen public health systems. For example, a government can better engage in long-term strategic and financial planning to achieve supply chain management (SCM) objectives. These approaches can minimize supplier risks and create an opportunity for wider use of performance-based financing or for establishing private health insurance. PSE can enable better contractual alignment of donor funding to support the best practice demand-supply balance or allow for total market analysis and the use of market intelligence across segments and within regions; within this approach, pricing analysis can lead to pricing guidelines nationally and regionally.

Barriers to this form of engagement may include lack of coordination among all stakeholders, lack of data, particularly of price and cost, insufficient transparency on payment timing and terms, and a lack of willingness to provide information about price and cost. The public sector may also have limited knowledge of, or lack of accurate data on, their public health supply chain costs.

Case Study 4. Performance-based Financing in Rwanda

| Performance-Based Financing in Rwanda |
|--------------------------------------|---|
| In the early 2000s, user fees for health services were reintroduced in Rwanda, leading to a significant decline in service utilization. Many public sector health workers left for the private sector where working conditions were better and salaries higher. Based on the success of regional PBF schemes implemented by aid organizations, a national PBF scheme was introduced countrywide in 2006. The scheme incentivized progress on 14 maternal and child output indicators. Some indicators were based on visits (such as facility-based births) while others were based on services provided during visits (such as delivering the tetanus vaccine during antenatal care visits). Facilities reported monthly to a district steering committee that was responsible for authorizing payments. The committee conducted unannounced quarterly visits to verify records and conduct interviews with patients. Very little false reporting was discovered. Not surprisingly, indicators less in the control of the provider (such as timing of a woman's first antenatal visit) were less likely to show improvement than those more directly in the power of the provider (such as providing tetanus vaccination during antenatal care). Facility-based births, however, were so highly incentivized that providers not only encouraged women to deliver at the facility during prenatal visits but also sent community health workers (CHWs) on outreach visits to encourage pregnant women to deliver at the facility. Building on the success of the PBF system at the community level for clinical outcomes, in 2011 nine supply chain indicators to improve product availability with CHWs were tested. After a one-year midline assessment, three of the tested indicators were seen to have significant improvement across all quarters in all three test districts. Based on these results, a supply chain indicator (stock card accuracy) has been added to the national community PBF scheme to help draw attention to the importance of supply chain tasks and improve supply chain data recording practices at the community level. |
Public-Private Partnerships

Public-private partnerships (PPP) involve cooperation and risk sharing between organizations, under contractual agreements, for activities designed to produce new and better products or services that no single organization in either the public or the private sectors could produce alone. PPPs can increase the level of comfort and trust over time between partners. While traditionally PPPs have been created for large infrastructure deals that require significant 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, and this can present a barrier for some entities that are not able to enter into long contracts due to uncertainty of funding. Additional barriers are related to misaligned priorities and interests and lack of understanding of how a partnership can work and be beneficial to both sides. Mapping out what private sector stakeholders can do and their value added to a component of the supply chain can be helpful to overcoming barriers. Public sector entities must also realize that PPPs may involve some loss of control, as other entities are engaged, and could potentially lead to some conflict of interest, perceived or not. As with any PSE, an additional potential barrier is access to funding.

Case Study 5. Public-Private Partnerships: UTi Full Service 3PL in South Africa

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 products 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 health 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](https://www.3plogistics.com/UTi_2-2010.htm)

Advocacy and Coordination

Adapting private sector data management approaches to advocacy, information sharing, and coordination can increase transparency, improve access to information and create a greater inclusion of all stakeholders in the policy-making debate.

Specific opportunities may include performing market surveys of cost and conducting pricing studies. Efforts can also involve advocacy on cross-border and regional collaboration across sectors or policy support for improved opportunities in procurement and distribution.
Potential barriers for this form of engagement include the lack of understanding among the sectors of each actor's role. Information is not always freely shared between the entities, thus contributing to a lack of trust. Additionally, changes in leadership in the public sector can lead to a lack of continuity for PSE.

Case Study 6. Regional Distribution Centers (RDCs) in sub-Saharan Africa

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.

Innovations
Innovation is a very broad term that can mean new product development (disruptive), process improvement (incremental), redesign (radical), low-end (frugal), and reverse innovation. Private sector organizations must often continue to innovate in order to effectively compete with other businesses. Innovative private sector operating models and product designs present many opportunities for PSE. There may be opportunities to create social enterprise for distribution at the last mile, redesign transportation routes to deliver directly to health centers, or engage community health workers outside of traditional commodity distribution channels. Private sector tools, such as network optimization, can be applied to improve public sector efficiencies. Other examples of recent innovations include a new product delivery mechanism - oxytocin in Unject - and the opportunity to include this in existing cold chain infrastructure which has often been reserved for immunization supplies.

Governmental regulations and policies present potential barriers to innovation, as do cost, means of financing, and the possible lack of effective government input and participation. Successful implementation of innovations also requires well executed coordination and prioritization of opportunities. 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 of PSE in order to ensure that the projects pursued are in alignment with the overall PSE goals.
Local Manufacturing and New Supplier Development

Local and regional manufacturing may present a great opportunity for the private sector in low- and middle-income countries. Local manufacturing may provide an alternative to other private sector suppliers, such as generic manufacturers, and may result in reduced costs for transportation and for maintaining the supply pipeline. Using PSE to develop a more diverse set of suppliers can strengthen supply chain security.

This form of engagement can be adversely affected by challenges: the lack of information about the market, such as pricing and cost data, the size of the overall market, and the presence of and policies and regulations that discourage new forms of distribution, monitoring, and developing a health supply chain ecosystem that could be vibrant. Quality assurance issues must be considered, as well as registration. These can be influential for total market shaping. For certain pharmaceuticals, the lengthy process to attain WHO pre-qualification, as well as the risk attached to 'breaking even' when bringing products to market and quality assurance issues, are potentially additional barriers.

Case Study 7. Partnering with UPS to adapt commercial supply chain software

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 private sector 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.
VidaGas in Mozambique

VidaGas is a for-profit energy distribution company in Mozambique that provides liquid petroleum gas (LPG or propane) to commercial and residential customers and to the public sector.

The company was created in 2002 to serve a social mission by addressing a particular challenge of the public healthcare system: the ministry of health’s energy requirements for rural health centers, the majority of which are off the electrical grid. As with many countries in sub-Saharan Africa that have large rural populations, the Mozambique Ministry of Health (MISAU) struggles to provide the necessary communications, transport and energy infrastructure it needs to ensure adequate supply of healthcare to all of its citizens. Energy supply is a critical component: rural health outposts need fuel to provide refrigeration for vaccines and some essential medicines, for lighting for evening medical procedures, and to power medical instrument sterilizers.

When VidaGas was created, the initial network of rural health centers comprised 100 percent of gas shipments. Today, that percentage is 17 percent. The majority of VidaGas’ service is now directed at enterprise customers – restaurants, hotels, small factories, and a growing retail network that enables households to replace traditional wood and charcoal that produce harmful indoor pollutants. The message is that without revenues from the private sector, the company wouldn’t have the resources to support its obligations to the health system.
Chapter 4. Risks and Challenges of PSE

While there are many potential benefits, PSE is not without challenges. The key challenges experienced with these types of engagements include potential conflicts between the philosophies of the two sectors (private and public), mistrust and misunderstanding, (the lack of) information sharing, and the capacity to effectively 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 deteriorate 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.

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, and their operational constraints, in order to develop a successful partnership. The difference in philosophies between the two entities, as well as in capacities and access to information, 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 have faced many challenges, one of which is aligning their philosophy with the philosophy of the private sector to create a strong partnership. Governments are often unwilling to share functions and tasks that are seen as their core responsibilities. Some of the key challenges that are often raised by the public sector are shown in Figure 7 below.
Figure 7. Public Sector Challenges

Public Sector Challenges for Engagement with Private Sector

Motivation Misalignment
Performance metrics of the private sector, such as profit and return on investment, are typically not a focus in the public sector, which leads to misalignment and concerns over sharing information which could be misused. When engaging the private sector, the public sector often has to address concerns around competition and conflicts of interest. There is also concern that the private sector will not complete the project on time and on budget, a concern fueled by the lack of transparency of true costs and aggressive bidding processes.

Limited Capacity to Engage the Private Sector
Typically the public sector has insufficient experience in working directly with the private sector around contract management, etc. This inexperience can lead to poorly designed contracts that place the government in a vulnerable situation. This also leads to a weak capacity to manage private sector partnerships and to develop, monitor, and enforce contracts. This may increase the likelihood of conflict of interest and corruption.

Contracting and Regulatory Issues
Procurement and contracting are often defined by legal or regulatory bodies outside of the two parties, and as a result, the public sector is restricted in contract structure. Contracting period, terms, or the key performance indicators (KPI) established by the public sector may be unrealistic, which becomes unappealing to the private sector and will drive up costs. In order for the private sector to invest in a new engagement, the contract length must be long enough to spread their risk and investments over time. In most cases, one or two year contracts do not provide enough benefit to the private sector to warrant the up-front expenditure of resources that may be needed to reach the outlined objectives of the partnership.

Information Sharing Challenges
The private and public sectors use different sources of information for consumption data. For example, the pharmaceutical industry uses sales data from distributors, health providers, and retail outlets as a proxy for actual consumption or use. The public sector typically uses consumption data from health centers which is often collected manually.

External Constraints
The political and economic climate will influence decisions about any engagement opportunities, including any reductions in public sector workforce due to private sector engagement. Donor structures through various projects and different national agencies also create complexities and which may not be apparent to the political entities making decisions. Developing, bidding and managing PSE initiatives are likely to cost more than internal government processes. Moreover, any government must respond to civil society and their expectations of what is possible through PSE.

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 8 below.

**Figure 8: Private Sector Challenges**

**Private Sector Challenges for Engagement with Public Sector**

**Lack of Control over Resources**
The private sector may be required to work directly with public sector staff and resources in a PSE, which sometimes include contractual requirements on the use and allocation of resources or timing of processes. These can be affected by external politics and can drive up costs and time. Private sector entities need to find ways to manage these constraints or, as a result, contracts may look expensive in order to compensate for not having full control over the resources needed to carry out the expected activities.

**Delayed Decision-Making by the Public Sector**
Delayed decision-making has real costs to the private sector, as staff time and engagement costs continue while decisions are being made. Governments often have drawn out decision-making processes due to the structure of the government or due to contractual processes. Private sector partners often feel that the cost implications of delayed decision-making by the public sector is not well understood or taken into consideration when evaluating the real costs of an engagement or contract.

**Contracting Issues**
Many governments do not have standard and transparent tender processes to contract services, opening the door to prolonged contract negotiations or corruption. Additionally, governments typically provide shorter contracts (a year or two), which do not allow sufficient time for return on investment for the private sector. Government contracts can ask the private sector to cover risk instead of sharing risk, which is often untenable for the private sector. Standard private sector contract terms must be adjusted as well.

**Payment Terms**
Private sector entities must get paid on-time in order to continue to support the resources needed to continue to carry out the agreed upon work. Due to bureaucratic processes and budget challenges, payment is often delayed by governments. This can cause a partnership to fail if not addressed up front or resolved with other options, such as dividing the payment terms.

**Information Sharing Challenges**
Policy frameworks, standards, and revisions to these may not be shared in a timely fashion with the private sector, creating a larger gap between the two. There is a poor understanding of how the public sector operates and the “language” and responsibilities around affordability, universal coverage, and more health-focused concepts. Additionally, centralized data compilation often doesn’t exist, leading to each sector being unaware of the contribution. Formalized stakeholder meetings or task forces formation could assuage this challenge.
Recommendations 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 7 and 8:

Start with a realistic vision of what can be achieved.

The best PSE partnerships are developed when someone can provide the vision for PSE and work across sectors to identify opportunities 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, and it can help to strategically think about what is needed. Be realistic in the time available 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 assist by emphasizing the importance of understanding costs and by helping to build public sector capacity to understand true costs of delivering services. Knowledge regarding the actual market dynamics—both private and public—is needed. This means that the public and private sectors should share information in order to develop a total market view of needs that will benefit both parties.

Demonstrate commitment to PSE.

Governments can demonstrate their commitment to a partnership with the private sector by regulating both the private and public sectors fairly and equitably. If the private sector feels that the relationship is punitive or “blame” oriented, instead of a true 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.

ALL PARTIES NEED TO BE REALISTIC IN EXPECTATIONS AND BE OPEN TO COLLABORATION AND DEVELOPING TRUST OVER TIME.
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 PSE strategies. Openness to innovative ideas and to adapting PSE models from other sectors to health care delivery can be very helpful.

Advocate for change.
Advocacy is needed to change 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 the 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 choose to remain at the status quo. One suggestion could be to designate a Change Champion to help encourage and lead change within the organization.
Conclusion. Lessons Learned on Overcoming Barriers to PSE

This guidance document has outlined how and why governments and organizations may choose to pursue opportunities for private sector engagement, and has also identified a number of potential barriers or challenges that need to be considered and overcome to ensure a successful partnership that contributes to medicines being available to the people who need them. Strengthening supply chains is essential to saving lives and protecting public health, and PSE can play an important role in this. There are many ways to overcome the potential barriers to effective PSE, 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’s stewardship capacity and its readiness to improve supply chain management. It is now time to push all partners to meet this goal of strengthening supply chains, including through the use of PSE when appropriate. There has been increased attention and support for supply chain strengthening and more willingness to engage the private sector. In order to take advantage of potentially new opportunities and resources, there is a need to highlight existing partnerships and methodologies that have been successful and to focus on developing new partnerships that can advance both global and country-level goals. 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 around the world, and that is the overarching goal for us all.
Appendices
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. Links will guide you to the websites where these resources are housed. 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
<table>
<thead>
<tr>
<th>Category</th>
<th>Document Name</th>
<th>Description</th>
<th>PSE Framework Link</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOOLS</td>
<td><strong>The Partnering Toolbook</strong></td>
<td>Describes the generic partnering process from inception to conclusion; useful background to begin PSE</td>
<td>P1 Interaction</td>
<td>GAIN / UNDP / IAEA / IBLF</td>
</tr>
<tr>
<td></td>
<td><strong>The Brokering Guidebook</strong></td>
<td>To provide guidance to broker the function that enables partners to work well together and ensure the maximum effectiveness of their partnership</td>
<td>P1 Interaction</td>
<td>IBLF / The University of Cambridge Programme for Industry</td>
</tr>
<tr>
<td></td>
<td><strong>The Guiding Hand: Brokering Partnerships for Sustainable Development</strong></td>
<td>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</td>
<td>P1 Interaction</td>
<td>United Nations Department of Public Information</td>
</tr>
<tr>
<td>Developing Partnerships</td>
<td><strong>Public Private Dialogue</strong></td>
<td>Resources for creating public-private dialogue, including M&amp;E tools, lessons learned and operational resources <a href="http://www.publicprivatedialogue.org">www.publicprivatedialogue.org</a></td>
<td>P1 Interaction</td>
<td>DFID / World Bank / IFC / OECD Development Center</td>
</tr>
<tr>
<td></td>
<td><strong>Private Health Policy Toolkit for Africa: Tools for Engaging the Private Health Sector</strong></td>
<td>Resources and tools for engaging the private health sector</td>
<td>P1 Interaction</td>
<td>Investment Climate / World Bank Group</td>
</tr>
<tr>
<td></td>
<td><strong>Partnership Fundamentals: A 10-Step Guide for Creating Effective UN-Business Partnerships</strong></td>
<td>Serves as a step-by-step roadmap for maximizing the transformative potential of your partnership</td>
<td>P1 Interaction</td>
<td>UN Global Compact Office / Unilever / Dalberg</td>
</tr>
<tr>
<td>Contracting</td>
<td><strong>Performance-Based Contracting for Health Services in Developing Countries</strong></td>
<td>Toolkit provides practical advice to anyone involved in performance-based contracting of health services with private sector providers in the context of developing countries</td>
<td>P3 Agreement</td>
<td>World Bank</td>
</tr>
<tr>
<td>Implementation Plans</td>
<td><strong>Emerging Trends in Supply Chain Management: Outsourcing Public</strong></td>
<td>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</td>
<td>P3 Agreement</td>
<td>USAID</td>
</tr>
<tr>
<td>Category</td>
<td>Document Name</td>
<td>Description</td>
<td>PSE Framework Link</td>
<td>Organization</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td></td>
<td><strong>Health Logistics in Developing Countries</strong></td>
<td>supply chain management. Annex B: Sample implementation plan (p 43-45)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Building Support for Public Private Partnerships for Health Service Delivery in Africa</strong></td>
<td>Framework to promote partnerships through communication activities to define audiences, behavior objectives, messages, tactics and tools as well as the monitoring indicators</td>
<td>All steps</td>
<td>The Center for Development Communication</td>
</tr>
<tr>
<td><strong>Monitoring &amp; Evaluation / Key Performance Indicators</strong></td>
<td><strong>Measuring Supply Chain Performance: Guide to Key Performance Indicators for Public Health Managers</strong></td>
<td>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</td>
<td>Monitoring and evaluation</td>
<td>USAID</td>
</tr>
<tr>
<td></td>
<td><strong>Procurement Performance Indicators Guide: Using Procurement Performance Indicators to Strengthen the Procurement Process for Public Health Commodities</strong></td>
<td>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</td>
<td>Monitoring and evaluation</td>
<td>USAID</td>
</tr>
<tr>
<td><strong>Private Health Sector Assessments</strong></td>
<td><strong>Ivory Coast Private Health Sector Assessment</strong></td>
<td>Results summary of assessment with key findings and recommendations</td>
<td>P3 Agreement</td>
<td>USAID / SHOPS PROJECT</td>
</tr>
<tr>
<td></td>
<td><strong>Malawi Private Health Sector Assessment</strong></td>
<td>Results summary of assessment with key findings and recommendations</td>
<td>P3 Agreement</td>
<td>USAID / SHOPS PROJECT</td>
</tr>
<tr>
<td></td>
<td><strong>Nigeria Private Health Sector Assessment</strong></td>
<td>Results summary of assessment with key findings and recommendations</td>
<td>P3 Agreement</td>
<td>USAID / SHOPS PROJECT</td>
</tr>
<tr>
<td></td>
<td><strong>Tanzania Private Health Sector Assessment</strong></td>
<td>Results summary of assessment with key findings and recommendations</td>
<td>P3 Agreement</td>
<td>USAID / SHOPS PROJECT</td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td><strong>Risk Management for Public Health Supply Chains: Toolkit for Identifying, Analyzing and Responding to Supply Chain Risk in Developing Countries</strong></td>
<td>Toolkit presents a number of principles for formalizing and strengthening the risk management process</td>
<td>P3 Agreement</td>
<td>USAID</td>
</tr>
<tr>
<td><strong>Supply Chain Costing</strong></td>
<td><strong>Supply Chain Costing Tool</strong></td>
<td>Tool to input data to evaluate supply chain costs</td>
<td>P1 Interaction</td>
<td>USAID</td>
</tr>
<tr>
<td></td>
<td><strong>Supply Chain Costing Tool User's Manual</strong></td>
<td>Guide for use of the costing tool which supports the implementation of public health supply chain costing exercises</td>
<td>P1 Interaction</td>
<td>USAID</td>
</tr>
<tr>
<td>Category</td>
<td>Document Name</td>
<td>Description</td>
<td>PSE Framework Link</td>
<td>Organization</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>------------------------------------</td>
</tr>
<tr>
<td><strong>Guide to Public Health Supply Chain Costing: A Basic Methodology</strong></td>
<td>This guide details the reasons for conducting a SC costing exercise, a recommended methodology, and recommendations and considerations for conducting a SC costing activity.</td>
<td>P1 Interaction</td>
<td>USAID</td>
<td>DELIVER PROJECT</td>
</tr>
<tr>
<td><strong>Supply Chain Compass: An Online Diagnostic and Planning Tool for Public Health Supply Chains</strong></td>
<td>An on-line tool to determine how mature your health commodity supply chain is across key managerial and functional areas.</td>
<td>P1 Interaction</td>
<td>USAID</td>
<td>DELIVER PROJECT</td>
</tr>
<tr>
<td><strong>Disease-Specific Programs with Private Health Sector</strong></td>
<td><strong>Engaging All Health Care Providers in TB Control: Guidance on Implementing Public-Private Mix Approaches</strong></td>
<td>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.</td>
<td>All non-linear steps, general overview of steps</td>
<td>WHO</td>
</tr>
<tr>
<td><strong>Kenya: Reaching the Poor Through the Private Sector – A Network Model for Expanding Access to Reproductive Health Services</strong></td>
<td>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.</td>
<td>All non-linear steps, general overview of steps</td>
<td>World Bank / Health, Nutrition and Population Family</td>
<td></td>
</tr>
<tr>
<td><strong>Meetings</strong></td>
<td><strong>Templates for a Technical Meeting on Market Analysis and Future Strategies</strong></td>
<td>To facilitate analysis of the FP market to help develop strategies to strengthen FP services and supplies; could be adapted to other commodities.</td>
<td>Project Selection for Potential PSE</td>
<td>USAID</td>
</tr>
<tr>
<td><strong>Memorandums of Understanding and Contracts</strong></td>
<td><strong>Example MOU for Ministry of Health and PSE</strong></td>
<td>A template to follow to create a memorandum of understanding</td>
<td>P3 Agreement</td>
<td>generic</td>
</tr>
<tr>
<td><strong>Emerging Trends in Supply Chain Management; Outsourcing Public Health Logistics in Developing Countries</strong></td>
<td>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</td>
<td>All non-linear steps, particularly useful for P3 Agreement</td>
<td>USAID</td>
<td>DELIVER PROJECT</td>
</tr>
<tr>
<td><strong>Model Contracts for Small Firms:</strong></td>
<td>A framework for an alliance or collaboration between two parties</td>
<td>P3 Agreement</td>
<td>International Trade Centre</td>
<td></td>
</tr>
</tbody>
</table>

43
<table>
<thead>
<tr>
<th>Category</th>
<th>Document Name</th>
<th>Description</th>
<th>PSE Framework Link</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Request For Proposals (RFPs)</td>
<td>International Contractual Alliance</td>
<td>where no separate jointly owned corporate entity is created</td>
<td>P3 Agreement</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td></td>
<td>International Distribution of Goods</td>
<td>A model contract for the distribution of manufactured goods between a supplier and distributor</td>
<td>P3 Agreement</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td></td>
<td>International Long-Term Supply of Goods</td>
<td>A model contract for use in connection with manufactured goods rather than commodities between a supplier and customer</td>
<td>P3 Agreement</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td></td>
<td>International Supply of Services</td>
<td>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</td>
<td>P3 Agreement</td>
<td>International Trade Centre</td>
</tr>
<tr>
<td></td>
<td>Developing Bidding Documents and Inviting Offers</td>
<td>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</td>
<td>P3 Agreement</td>
<td>PATH</td>
</tr>
<tr>
<td></td>
<td>Template: Request for Proposal Fixed Price Goods or Services</td>
<td>Template for RFP</td>
<td>P3 Agreement</td>
<td>JSI</td>
</tr>
<tr>
<td>Terms of Reference</td>
<td>Terms of Reference for Partnership Agreements, Bangladesh Urban Primary Health Care Project</td>
<td>Template for establishing expectations of partnerships between the private and public sectors</td>
<td>P2 Dialogue</td>
<td>Bangladesh government</td>
</tr>
<tr>
<td>Terms of Reference for Private Health Sector Assessments</td>
<td>Terms of Reference: Ghana Country Assessment</td>
<td>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</td>
<td>P3 Agreement</td>
<td>IFC/World Bank Group</td>
</tr>
<tr>
<td></td>
<td>Terms of Reference: Health Care in Second Tier Cities and Rural India</td>
<td>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</td>
<td>P3 Agreement</td>
<td>IFC/World Bank Group</td>
</tr>
<tr>
<td></td>
<td>Terms of Reference: Kenya Country Assessment</td>
<td>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</td>
<td>P3 Agreement</td>
<td>IFC/World Bank Group</td>
</tr>
<tr>
<td>Category</td>
<td>Document Name</td>
<td>Description</td>
<td>PSE Framework Link</td>
<td>Organization</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>sector and to improve the delivery of health related goods and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Terms of Reference: Mali Country Assessment</td>
<td>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</td>
<td>P3 Agreement</td>
<td>IFC/World Bank Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Case Studies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gambia Case Study / Stanford Social Innovation Review</td>
<td>Summary of Riders’ activity in Gambia, challenges faced, how these challenges were overcome</td>
<td>P3 Agreement</td>
<td>Riders for Health</td>
</tr>
<tr>
<td></td>
<td>Riders for Health and the Lady in Glasses, developed by London Business School, parts A &amp; B</td>
<td>Describes the process of introducing a new business model</td>
<td>P3 Agreement</td>
<td>Riders for Health</td>
</tr>
<tr>
<td></td>
<td>Advancing Delivery of International Aid &amp; Development</td>
<td>Description of UPS’ approach to working with public sector in supply chain management</td>
<td>P3 Agreement</td>
<td>UPS</td>
</tr>
</tbody>
</table>

45
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 expounds on barriers identified by the UN Commission on Life-Saving Commodities for Women and Children Commissioners’ Report, September 2012, and also draws from additional resources, to summarize the key barriers that need to be addressed to ensure good in-country 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.

**FUNCTIONS OF SUPPLY CHAIN**

**Regulatory Policies & Procedures**
- Policies and systems (registration, quality control, drug authenticity verification, importation) that can potentially restrict product selection, delay shipments, or make entry prohibitive
- Omission from the National Essential Medicines List that can prevent procurement
- Weak quality control and assurance systems along the supply chain
- Limited quality control capacity that 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)**
- Lack of mechanisms and tools for proper forecasting and supply planning
- Poor, inadequate, or inaccessible data that 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 that do not take local context into account, and therefore cannot be applied properly
Limited number of staff trained in proper quantification, forecasting, and supply planning processes
Focus on public sector forecasting, rather than the whole market approach
Lack of understanding of the difference between quantification for budgeting and quantification for supply planning

**Procurement**
- Poor collaborative planning between quantification and procurement
- Unpredictable and long lead times for delivery of procurements
- Bureaucratic and encumbered procurement processes
- Lack of coordination and/or standardization of products to procure
- 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 Medicines List
- Lack of knowledge and skills for procurement planning and tendering within the public sector
- Limited competition in the private sector, leading to 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 the public and private sectors 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)
- Duplication created by a lack of communication between public and private sectors
- Lack of capacity of those managing inventory
- Administrative, rather than functional, positioning of warehouses
- Very little knowledge of operational costs, cost of goods in public sector
- Low-skill levels for managing outsourced warehousing

**Distribution**
- Inconsistent 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
- Excessive 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
- Limited engagement with private sector providers
- Lack of organization and consolidation of 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, and 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 points (SDPs)
- 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 SDPs (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 or 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
- 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 SDPs and 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 SDPs
- 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, and quantification (proprietary nature of data)

Communications & Coordination

• Lack of synergies from technical and financial partners; poor communication and coordination among partners
• Lack of staff adequately trained in procurement processes—inaattention 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 stove-piped 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 to accomplish routine supply chain tasks such as reporting
• Lack of supportive supervision
• Lack of a systemic approach to human resources for supply chain
• High number of temporary and external staff involved in managing the supply chain
• No defined minimum standards for supply chain management positions, no professionalization

Governance

• Lack of commitment from leadership at every level of the health system to improve supply chain management and 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
• Lack of metrics and understanding of the business and management aspects of supply chain performance (private sector invests in supply chain overhauls because it’s good business)
• Lack of holistic planning and long-term planning
• Budget inefficiencies due to lack of an effective coordination mechanism for commodity decision making across products and programs
• Lack of accountability on supply chain performance at all levels

RECOMMENDED CITATION

Appendix C. Questions to Consider Prior to Engaging in a Public–Private Partnership

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

- Involve a relevant person with sufficient 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 a good option in these circumstances?
- 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 your capacity to manage this partnership?
- What is your BATNA (Best Alternative to the Negotiated Agreement)?
- What is your 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?
- Are there other actions that can be taken to reduce risk?
- What type of contract will be needed and will that be feasible for us?
- What are our deliverables? What will the contractual expectations be?
- What is the timeframe for engagement and is it long enough to reduce our 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, political will, and capacity on the side of the public sector to make this partnership work?
Appendix D: Selection Criteria to Identify Potential New Private Sector Partner(s)

As alluded to in this guidance document, the public sector may be inexperienced in engaging with the private sector. While internet searches and networking through professional associations can be used to identify and help initiate 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 partners, as well as a checklist for use 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.
Appendix E: The Value Add of PSE

There are several specific areas where the private sector can add value in public health supply chains. Understanding the range of benefits that private sector engagement can bring to the public sector is key to defining and operationalizing the criteria for a specific engagement. Broadly, the value-adds of private sector engagement are access to skills and expertise, operational efficiencies, allow governments to focus on core competencies, access to capital investment and information, shared risk. These value-adds are detailed below.

Access to skills and expertise
The private sector has demonstrated skills and expertise in addressing supply chain challenges across many industries, and these skills and resources (staff, information technology, networks, etc.) can help build the capacity of the public sector to better manage its own supply chains. Some governments have previously leveraged private sector training programs to build their own staff’s skills, or have partnered with private sector companies 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; for instance, they can leverage 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 enable them to 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.

Allow governments to focus on core competencies
Many industry leaders outsource their non-core functions to partners better placed to provide those services, thus enabling themselves 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.

Access to Capital Investment & Innovation
In order to strengthen profitability, successful private sector organizations 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 enhancing supply chains than are public sector entities, for which it can be very difficult to make these large investments, such as in warehousing, trucks, or IT systems.
These types of investments would usually require long-term contracts to facilitate return on investment. As another example, vouchers for health through social security organizations can be introduced, often through large workplaces. 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, where the concepts may be successfully adapted through collaborative work between public and private sector partners. Additionally, the private sector can benefit through the opening of new markets, investment opportunities, and the generation of goodwill.

**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 partner best-suited 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.
References


UN Commission on Life-Saving Commodities for Women and Children: Commissioners' Report September 2012. Every Woman Every Child.

UN Commission on Life Saving Commodity Country Plans from Tanzania, Malawi, Democratic Republic of Congo, Uganda, Ethiopia, and Sierra Leone.

UNFPA Supply Chain Issues, Part 1 & 2 (from the Knowledge Gateway/Supply & Awareness library).


