Outsourced Transport Resource Center
General Presentation-V2

March 2022
Contents

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2. Why outsource transportation in public health supply chains?
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What is Outsourced Transportation?
Definitions

**Outsourcing** - Outsourcing involves hiring a party outside an organisation to perform services and create goods that traditionally were performed in-house by the organisation’s own employees and staff. Outsourcing in the supply chain is a process of moving a segment, or segments, of the supply chain from within the organisation to an outside supplier. Examples of supply chain segments that can be transitioned to outside suppliers include production, procurement, warehousing, distribution, transport, etc.

Source: [OSTK](https://www.ostkonline.com/)

**Transport outsourcing key terms**

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<th><strong>Third Party Logistics (3PL)</strong></th>
<th>A third party that provides product delivery services. This third party may provide added supply chain expertise.</th>
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<td><strong>Fourth Party Logistics (4PL)</strong></td>
<td>Fourth Party Logistics differs from third party logistics in the following ways:</td>
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<td>1. The 4PL organisation is often a separate entity formed by a joint venture or other long-term contract between a client and one or more partners</td>
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<td>2. The 4PL organisation is an interface between the client and multiple logistics services providers (3PLs)</td>
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<td>3. Ideally all aspects of the client’s supply chain are managed by the 4PL organisation</td>
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<td>4. It is possible for a major 3PL organisation to form a 4PL organisation within its existing structure</td>
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Source: [APICS Dictionary, 16th Edition, Association for Supply Chain Management](https://www.apics.org/dictionary)
## 1. Government Strategy Development and Capacity Development
- Develop govt. strategy for use of outsourcing
- Define capacity development needs and Capacity Develop.
- Define Financing Plan for sustainability
- Implement Govt. Capacity Development and Financing Plans

## 2. Transport Industry Engagement and Capacity Development
- Inform private sector about the opportunity and how to engage
- Assess the transport market and capacity to respond to Government needs/tenders
- Develop private sector capacity to reach needed standards

## 3. Outsourced Transportation Implementation

### 1. Prepare
- Define strategies and implement agreements
  - Define Outsourcing Strategy
  - Define government service needs and develop RFPs
  - Develop contracts with 4PL and/or 3PLs
  - Sign MoU between stakeholders
  - Sign Service Level Agreements

### 2. Start Up
- Define SOPs and conduct training for initial scope
  - Agree Standard Operating Procedures
  - Identify target locations
  - Train govt. staff
  - Train 4PLs/3PLs

### 3. Ramp-Up
- Expand implementation and implement regular reviews
  - Implement improvement plans
  - Expand implementation to full scope
  - Conduct Monthly and Quarterly Performance reviews, including cost reviews
  - Set targets for on-going performance

### 4. Sustain
- Improve performance and update SOPs
  - Evaluate implementation and impact
  - Update the SOPs and associated Toolkits
  - Transition Strategy development

### 5. Transition to Government
- Transition management of OT to government personnel
  - Transition Readiness Assessment
  - Transition Planning
  - Transition Execution

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General presentation of the Outsourced Transport Resource Center
Outsourced Transport of health commodities in Sub-Saharan Africa – current situation

In low- and middle-income countries, weak supply chains are a major contributor to underperforming health systems. Although great strides have been made to improve commodity availability upstream at lower prices, issues with in-country supply chains are resulting in high stock outs and wastages at facilities. This in turn reduces the availability of medicines at the point and time of need.

Health Emergencies like COVID-19 have emphasized the need for agile supply chains that can rapidly adapt in capacity and coverage to respond to unexpected needs and irregular supply of health products.

Outsourcing is well established in high- and middle-income countries yet remains an emerging trend in low-income countries due to numerous obstacles, including capacity issues both in the private sector and in government.

A few countries in Sub-Saharan Africa have implemented outsourcing. Mozambique is one of the few that has a nation-wide outsourcing of health commodity transportation, from national to provincial level and from provincial level to all health facilities.
Outsourcing transport in public health has many obstacles

Private Sector obstacles

- Low understanding of public health challenges and of the overall ecosystem
- Private sector transporters missing needed capabilities to guarantee quality deliveries, provide needed data for management and ensure on-going continuous improvement
- Public sector seen as slow to pay invoices
- Public sector service needs and RFPs may not be clearly formulated
- Public sector clock speed is slow; hard to reconcile with private sector
- Considered as “just a supplier” by public sector

Difficult to even start discussions between private and public sectors

- Outsourcing efforts too small to have a meaningful impact
- Outsourcing efforts are short-term and not scalable

Public Sector obstacles

- Low understanding of the private sector
- Limited understanding of the range of outsourcing options available
- Limited experience or capacity in managing private sector relationships
- Negative perception of the private sector as “too expensive”, potential conflict(s) of interest
- Difficult to promote outsourcing without a government strategy

“Collaborative” working with private sector needed to unlock efficiencies is not well understood

How to Bridge the Gap?
Why outsource transport in public health supply chains?
Potential benefits of outsourcing health commodity transport

FOR THE GOVERNMENT

- No diversion of vehicles and no issue of out-of-service vehicles so more reliable transport to Health Facilities
- Greater flexibility as private sector can add transport capacity on relatively short notice
- No need to develop and maintain transport expertise. Government staff can focus on core mission of providing health care
- Transport company systems (Transport Mgmt. System, Proof of Delivery ...) can provide operational data needed to improve overall service and cost

FOR THE PRIVATE SECTOR

- More revenue streams - public health can be an additional source of revenue and can also lead to new business (Govt., INGO, NGOs...)
- Can be an opportunity to develop a company’s processes and tools, to reach international norms, and offer new services
- Involvement in public health strengthens company’s public image and motivates employees

✓ In addition to specific benefits for government and the private sector, outsourcing can promote development of the overall economy and create employment
The Outsourced Transport Resource Center (OTRC) approach
General presentation of the Outsourced Transport Resource Center

Outsourced Transport Resource Center (OTRC) overview

✓ OTRC is funded by a BMGF grant and is staffed with 2-3 VillageReach employees

✓ OTRC will partner with other organizations targeting the development of health private sector transport in Sub-Saharan Africa that can contribute to stronger public health supply chains

✓ OTRC will be a catalyst, increasing the outsourcing skills of TA partners, to ensure governments have access to high quality TA for outsourcing

✓ OTRC will provide free support in the form of tools, coaching and training to enable the successful implementation of outsourcing.

✓ OTRC support will also be provided for assessment and evaluation activities that enable the government decision to adopt outsourcing.

✗ OTRC will not replace or do work targeted by existing in-country government TA partners
General presentation of the Outsourced Transport Resource Center

**Capabilities:** combination of processes, tools, skills and behaviors, and organization that delivers a specified outcome

**Targeted Outcome**
- Successful integration of private sector transport in a country’s public health supply chain

**TA Provider attributes**
- Seen as trusted partner by the Public Health System
- Experience in implementation at provincial and HF levels
- Experience driving collaboration across TA partners
- Understands health commodity transportation issues
- Understands needed changes in public health systems to manage outsourced firms
- Understands how to manage impacts on public workforce

**Private sector engagement**
- Seen as valuable partner by local transport industry
- Can develop and maintain collaborative agreements between Govt. and companies
- Can set up on-going Govt. dialogue with private sector, including trade associations

**Transportation expertise**
- Understands network and route optimization, transportation planning, scheduling and management
- Understands transport cost elements, ratios and drivers
- Understands transportation information systems
- Understands key transport data, KPIs and performance management

**Business strategy & financial models**
- Understands transporter business strategies
- Understands transportation operational strategies related to services menu and geographical presence
- Understands transporter financial models

**Transition to government**
- Can develop Transition Strategies and Plans
- Can use Outsourcing Toolkits
- Can conduct Transition Readiness Assessments
- Can provide oversight for transition implementation

Technical Partners supporting Government already have many capabilities; OTRC will help the technical partner fill capability gaps related to outsourced transport.
Outsourced Transport Resource Center services

- Government education on value and pre-requisites for outsourcing
- Private sector participation development

Outsourced Transport Resource Center

Supporting Govt. technical partners to implement Outsourced Transport

- Transition Strategy development
- Transition Readiness Assessment
- Transition Planning

Advocacy

- Transport market capability assessment
- Government outsourcing strategy development
- Government service needs definition
- Social impact assessment
- Implementation planning support
- Outsourced Transport performance framework

Transition to government

- Government capacity development
- Transporter capacity development
- Outsourced transport implementation planning

Strategy & Planning

- 4PL and 3PL contracting support
- RFP and Service Level Agreements development
- Transport costing and cost management
- 4PL and 3PL performance management

Implementation Support

General presentation of the Outsourced Transport Resource Center
Countries will be at different starting points
**OTRC support can be injected at any phase**

**EXPLORE**  
Country wants to understand benefits of outsourcing and assess the opportunity

**PLAN**  
Country has started planning implementation and wants to enrich their plans

**IMPLEMENT**  
Country has started implementing outsourcing and wants to strengthen its implementation approach

**OPTIMIZE**  
Country wants to improve the delivery, quality or cost of the existing outsourced solution

**TRANSITION**  
Outsourced solution managed by a technical partner is to be transferred to Govt. management
Operating principles of the Outsourced Transport Resource Center

1. Focus on developing the capacity of Technical Partners and, or Governments directly to support the implementation of outsourced transportation; do not replace or do work targeted by existing in-country government TA partners.

2. Support a Technical Partner only when Government *expresses interest* in outsourcing transportation.

3. Support *3PL and 4PL capacity development*, so they are qualified to work with Governments, as part of OTRC work with an in-country technical partner.

4. Technical Partner role is to *work directly with 4PLs or 3PLs* to implement outsourcing transportation; OTRC to only support.

5. Technical Partner role is to *fund the costs* of transport and *contract* with transporters.
How do you engage with the OTRC?
Engaging with the OTRC is a 4-step process

**Pre-intervention**

**Govt. Expression of Interest**
A government technical partner obtains an expression of interest by government to explore the opportunity for outsourcing transport

**1. Evaluate the opportunity**
The Govt. TA partner discusses with the OTRC whether OTRC support could be useful to help the technical partner achieve its objectives and that of Government

**2. Agree to collaborate**
After reaching agreement on OTRC support, the OTRC and TA partner sign an agreement that outlines their intent to work together and key joint objectives

**3. Assess the Capacity needs**
The OTRC works with the TA partner to assess TA partner, Govt. and private sector capacity and to define a workplan. Gain TA partner agreement on workplan.

**4. Provide OTRC Support**
The OTRC provides capacity building to the government TA partner based on the agree workplan using coaching and by developing joint deliverables

**Post-intervention**

**Assess impact of OTRC support**
At a pre-agreed interval, OTRC conducts a joint evaluation with the local TA partner to assess skills acquisition and the partner’s ability to continue outsourced transport work without OTRC support
Typical situations which might trigger a need for the OTRC

| **EXPLORE** | • Today’s health commodity transportation isn’t working well, and the Ministry of Health (MoH) want to explore different options to improve transportation  
• Current transportation only reaches the Province or District levels. There is a desire to reach Health Facilities and the MoH wants to options before making a major investment in vehicles and maintenance.  
• A few people in the MoH think outsourcing might be a good idea but others are not convinced. Facts are needed to reach a consensus on the right direction. |
| **PLAN** | |
| **IMPLEMENT** | • The implementation teams at the MoH and the private transporter want to improve how their collaboration and are looking for ideas on their roadmap, team structure and standard operating procedures. |
| **OPTIMISE** | • Quality, Cost and Delivery times achieved with transport outsourcing are not at the targeted levels. The MoH has decided that delivery performance needs to be improved and is looking for ideas on how to improve performance. |
| **TRANSITION** | • A technical partner is supporting the MoH in implementing and managing outsourced transport, but the government now wants to transfer those activities to its government personnel. The MoH wants to know the organizational structure, capabilities, positions and Level of Effort needed to manage outsourced transport. |
For more information on the OTRC approach, please contact **Alvaro Lopes**— Outsourced Logistics Expert & Team Lead of OTRC  
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**Article - POSITIONING PRIVATE SECTOR ENGAGEMENT FOR SUCCESS THROUGH A MULTI-SUPPLIER STRATEGY**

To obtain a copy of the *Outsourced Transport Resource Center Service Menu and Support Model*, please contact either Alvaro or Esselina

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To watch a video on the Mozambique Transport Outsourcing work, see this link
APENDIX
The transport outsourcing journey in Mozambique

**2015:** With the lead of CMAM/DPS Tete started Outsourced Transport in Tete Province working directly with 3PLs and integrating medicines with vaccines for the 1st time.

**Introduction of outsourced transport in DPS supply chains**

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**2018:** Start Outsourced Transport to Zambezia. Total provincial coverage by August 2019.

**2018:** Introduction of 4PL model (October 2018)

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**2020:** Scale up to more 2 provinces Inhambane and Nampula, making a total of 4 provinces.

**2020:** Introduction of second 4PL (March 2019)

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**2021:** Scale up to more 6 provinces (covering 90% of the country).

**Commodity integration in all provinces (April 2021)**

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**2021:** OT in all provinces with over 1540 HF being served with medicines, vaccines and chirurgical material regularly ever month.

**Transition to CHEGAR (Sept. 2021)**

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General presentation of the Outsourced Transport Resource Center
Performance results - Tete

Results of 6-month implementation. Baseline study conducted in October 2015. Impact study conducted in July 2016.

- Health facility visits: 69%
- Stock outs incidents: 37%
- Distribution data usage: 95%
- Not damaged stock during transportation: 99%

More regular deliveries to health facilities: Increase in the availability of medicines and vaccines at HF level. Data monitored monthly through VAN meetings. Strong performance for safe and secure handling and transport.

Performance results - Zambezia

Conducted in September 2020. Results of full-year implementation. No baseline data available.

- Delivery notes quantities matching received quantities: 95%
- Deliveries between 25 to 35 days considered on time: 74%
- Health facilities receiving medicines according to plan: 95%
- Percentage of facilities receiving medicines together with vaccines (integration of supply chains): 72%

General presentation of the Outsourced Transport Resource Center