

Service Level Agreements

Enhancing collaboration between the public and private sectors



VillageReach's Outsourced Transport Resource Center (OTRC) provides services to governments, technical partners and private sector transport companies (both land and drone-based) to integrate outsourced transport into public health supply chains. The OTRC develops resources for stakeholders interested in outsourced transport, based on its experience with implementation in Mozambique and provides technical assistance to governments and partners across Africa. Implementing Service Level Agreements (SLAs) between private sector transporters and the public sector is a critical step in developing sustainable public-private supply chain solutions. The following technical note is a resource for stakeholders that want to learn more about SLAs, and best practices for SLA implementation.

Understanding Service Level Agreements

Integrating private sector resources into public health supply chains creates a number of opportunities to build high-performing supply chains (a critical component of responsive primary health care systems). When public-private collaborations are successful they can improve supply chain performance and ensure essential medicines and vaccines are available when and where they are needed. However, private companies often require SLAs to invest in transport capacity for new markets, and this type of agreement is not always well understood among the public sector in low- and middle-income countries (LMICs)¹. For public-private collaborations to make an impact they have to be formalized, and SLAs are an important tool used by the private sector to ensure effective service delivery.

An SLA, sometimes referred to as a joint service agreement, formalizes a working relationship between a service provider (private sector partner) and its customers (government). An SLA serves as a guide for all stakeholders that details the necessary roles and responsibilities to complete agreed upon activities. It establishes clear expectations, communication mechanisms, performance monitoring and risk management. For example, an SLA for the routine delivery of commodities



The Outsourcing Toolkit (OSTK), developed by the Africa Resource Center and partners identifies developing an SLA as critical to the success of the formal contracting process between the public and private sectors. An SLA is used to define:

- Service requirements,
- Quality assurance measures; and
- Penalties if those service requirements are not met.

(See available template: bit.ly/OSTKRFPTemplate)

¹ Priya Agrawal, Iain Barton, Roberto Dal Bianco, Dana Hovig, David Sarley and Prashant Yadav
Global Health: Science and Practice September 2016, 4(3):359-365; <https://doi.org/10.9745/GHSP-D-16-00130>

might require the private sector to show proof of delivery, or to maintain on-time delivery. Outlining expectations of quality services and recourse if those expectations are not met helps the service provider align with customer objectives. An SLA is a collaboration tool that is sometimes confused with a legally binding contract or key performance indicators (KPIs) (Table 1). An SLA empowers governments to make informed decisions and navigate collaboration more effectively, while providing the private sector with a clear understanding of public sector goals and expectations - ultimately building trust between stakeholders (i.e., government agencies, health care facilities, technical partners, donors and private sector transporters distributors or suppliers).

Table 1: Contract vs. SLA vs. KPI

Item	Contract	SLA	KPI
Definition	Legally binding agreement between two parties that establishes rights, obligations and responsibilities of each party.	Specific agreement between a service provider and a customer that outlines the level of service to be provided.	A metric used to measure whether a stakeholder/organization is achieving its desired results.
Objective	Outlines the terms and conditions of each signatory.	Outlines the performance metrics that must be achieved and who is responsible for achieving them.	Measures performance.

Developing an SLA

The OTRC has experience with both implementation of outsourced transport solutions (i.e., Mozambique, the Democratic Republic of Congo, Ethiopia), as well as experience in offering [technical assistance services](#) to several African countries looking to develop and/or manage sustainable outsourced transport solutions (i.e., Zambia, Kenya, Nigeria, Chad and Liberia). Through its work the OTRC has developed best practices for implementing an SLA that other countries should consider before contracting private sector transport services for health product delivery.

OVERCOMING BARRIERS

There are three main barriers to developing a successful SLA that need to be addressed early to create an agreement that satisfies all stakeholders.

1. There is often a misconception about what an SLA is, and what purpose it serves (Table 1). Educating all stakeholders early on is important. Stakeholders need to be aware of, as well as trained on, how to develop an SLA before implementation.
2. An SLA needs to measure performance at all levels of the supply chain where the private transporter is distributing products (i.e., national, provincial and district). This means SLA planning and budgeting in advance for each level, otherwise implementation will have gaps in performance if for example only supply chain workers at the national and provincial level are aware of service requirements and performance expectations.
3. Managing contracts with private sector firms ultimately needs to be done by the government (the real long-term customer). In LMICs donors tend to manage contracts in the beginning on behalf of the government. Technical partners must work with donors to ensure an SLA is created between the government and private sector partners to ensure sustainable outsourced transport solutions, and all contracts transition from donor to government.

SLA BEST PRACTICES

The OTRC recommends six steps to developing an effective SLA (Figure 1). The following best practices and lessons learned are categorized under each step to help stakeholders developing SLAs in Africa.

Figure 1: Six Steps for Developing an SLA

 Define the Scope
 Identify SMART Metrics
 Set Performance Targets & Define Consequences
 Define Stakeholder Responsibilities
 Establish Escalation Procedures
 Create Monitoring and Reporting Mechanisms



Define the Scope

Clearly identify all relevant stakeholders, the specific services/products provided and any exclusions or limitations.

An SLA must be flexible to be successful. It should never be a static document as service needs may evolve or unforeseen challenges may arise. Therefore, a strong SLA needs to be both specific and adaptable as outsourced transport solutions change overtime. In Mozambique, the OTRC began SLA development with private sector transporters and the government in January 2019. At this time implementation of the outsourced transport solution was already underway in 10 provinces via a signed contract. However, the contract did not provide clear roles and responsibilities or expectations for performance monitoring and risk management. Both the government and the private sector saw a need for an SLA to revise current processes and procedures and to have a document that held each other accountable to specific performance metrics. The SLA was finalized in July 2021 and despite the slow process to develop this agreement since its signature performance has improved. Overall, the average transport time has reduced from 12.1 to 6.4 days with 99.5% of all deliveries being received in full.



Identify SMART Metrics

Determine metrics that are Specific, Measurable, Achievable, Relevant and Time-bound (SMART) to assess service performance.

Tracking outsourced transport performance requires establishing SMART metrics that can be agreed upon by all stakeholders. Identifying these metrics in an SLA should also clearly identify the data source, calculation formula, reporting frequency and required data format.² In Mozambique implementing an SLA meant developing and adapting existing KPIs to measure performance. KPIs are central to guide and regulate contract performance, and well-defined KPIs are the indicators that will help measure adherence to the SLA. To adapt KPIs the OTRC held regular meetings between stakeholders and created SMART metrics collaboratively.³ This was a turning point to finalizing the SLA in Mozambique. Prior to the SLA some KPIs were vague or subjective, such as “good customer service.” The SLA defined this concept in a measurable way by adding indicators such as specific response time for inquires between customer and service provider, or specific timeframe to resolve any customer complaints or service provider challenges.



Set Performance Targets & Define Consequences

Establish specific performance targets for each metric identified in the previous step.

Stakeholders must negotiate realistic performance targets that adhere to the country context. Setting unrealistic targets will create dissatisfaction among stakeholders and hinder the overall effectiveness of the outsourced transport solution. For example, if it takes 36 hours to reach remote health facilities within a country it is unrealistic to set a performance target for delivery in 24 hours. Setting performance targets must be fair and equitable to all

² USAID | DELIVER PROJECT. John Snow, Inc. https://publications.jsi.com/JSIInternet/Inc/Common/download_pub.cfm?id=16930&lid=3

³ The Outsourcing Toolkit Project. Africa Resource Centre (ARC). May 2020. <https://www.ostkonline.com/ostkv1-0/>

stakeholders with built in allowances for conflict resolution.⁴ This means considering a country's infrastructure, transportation networks and communication systems before setting performance targets. From our experiences, in Chad, Liberia and DRC we set performance targets for delivery time, on-time delivery rate and damage rate. Having country specific targets in place allowed us to precisely measure the service provider's performance. We consistently reviewed these metrics with stakeholders during outsourced transport performance assessments and if targets were missed there was clear data to discuss with the service provider in order to make necessary adjustments and drive performance excellence.

In addition to setting realistic performance targets it is also critical that the SLA outlines specific recourse if those targets are not achieved. For example, initially, in Mozambique we had an SLA with a logistics provider that included clear performance targets, but lacked defined consequences for underperformance. During the first quarter, we saw several missed deadlines and inadequate service, but it was difficult to hold the service provider accountable without specific recourse. Realizing this gap, the OTRC helped revised the SLA to include penalties for missed targets, such as financial deductions and mandatory corrective action plans. Once these consequences were defined the service provider's performance improved dramatically and as a result, there were fewer delays with 99% of all deliveries distributed according to plan.



Define Stakeholder Responsibilities

Clearly outline the responsibilities of each relevant stakeholder.

For an SLA to be successful, all stakeholders involved need to understand and agree to the terms. This includes clearly listing all the people involved and the specific roles and responsibilities of each person. Without a level of buy-in from each stakeholder it is difficult to maintain adherence to an SLA, making an overall contract for outsourced transport more likely to fail. Ensuring that stakeholders also have the necessary training and support to carry out their defined roles also helps with overall communication, collaboration and adherence to the SLA.

In Mozambique, the OTRC worked with four groups of stakeholders to finalize the SLA: donors, technical partners, government and the private sector transporter. Before signing the SLA, there were quarterly review meetings to assess the performance of outsourced transport delivery with all stakeholders. However, defining an action plan was challenging without clearly defined roles and responsibilities. Once we outlined stakeholder roles in the SLA, implementing improvement plans to address challenges became much easier and more effective.



Establish Escalation Procedures

Define a clear escalation path for resolving issues and handling disputes.

In any solution challenges will arise overtime, even if an SLA is developed early, prior to solution implementation. Environments and needs change and any challenges need to be addressed quickly to maintain sustainable and effective implementation. With escalation procedures in place stakeholders can ensure:

- Problems are resolved quickly, efficiently and effectively;
- The right stakeholders are involved in problem resolution; and
- Problems and solutions are documented for future accountability.

Before developing an SLA in Mozambique, addressing problems with solution implementation was time consuming, and it was not always clear who was responsible for addressing a particular issue. With the SLA we were able to establish clear escalation procedures when issues arose, such as not have the right size or the correct number of vehicles ready for health products distribution to specific provinces or health facilities. With the SLA in place we had a process in place to escalate and resolve this issue ensuring that the right vehicles were allocated to move products

⁴ USAID | DELIVER PROJECT, Task Order 1. 2010. Emerging Trends in Supply Chain Management: Outsourcing Public Health Logistics in Developing Countries. Arlington, Va.: USAID | DELIVER PROJECT, Task Order 1. https://publications.jsi.com/JSIInternet/Inc/Common/download_pub.cfm?id=11107&lid=3

more efficiently. Additionally, because the SLA also established clear performance targets an acceptable timeframe, across all stakeholders, issue resolution was included in the escalation procedures.



Create Monitoring and Reporting Mechanisms

Implement a system for reporting on and monitoring on-going service performance.

An SLA should have a clear schedule to review performance. These reviews are typically done after each service delivery and on a quarterly basis to review overall compliance. Effectively monitoring services and enforcing compliance requires a system, which can be challenging in LMICs where automated monitoring systems may not be available. Outsourced transport solutions have routine operations that require regular monitoring of performance throughout the life of the contract.² This monitoring and reporting system is what helps the government get the most value out of a partnership with a private sector transporter.

Designing a monitoring and reporting mechanism that fits country context requires strong coordination and communication between the service provider and customer. This means it should prioritize collaborative problem solving between stakeholders. While having defined consequences for non-compliance is an important component of an SLA, having a collaborative mechanism to resolve issues helps strengthen partnerships and ensure the trust necessary to share information and data. Without establishing an effective monitoring and reporting mechanism it is difficult to address SLA violations, and keep stakeholders informed and accountable for outsourced transport solution performance.

Conclusion

Creating an SLA adds needed structure to the outsourced distribution process. It provides governments with greater insights for distribution planning from the number of trucks required to move health products to the proper warehouse planning at the national, provincial and health facility levels. An SLA helps service providers and customers measure efficiencies and costs, as well as understand the root causes of distribution challenges. Through creating accountability and communication mechanisms between sectors an SLA serves as a living document to continuously improve outsourced transport solutions.

Connect with OTRC to learn more about how to establish an SLA for outsourced transport solutions in your country at otrc@villagereach.org

See other OTRC resources at otrksupport.org