



Global Health
Supply Chain Summit

LAGOS, NIGERIA ~ NOVEMBER 12-15

2024

**SUCCESSFUL APPLICATION PROCESS OF THE
OUTSOURCING TOOL KIT(OSTK) FOR THE OUTSOURCING
OF TRANSPORT AT EPSS- RESULTS OF ASSESS AND
EVALUATION PHASES**

VALUE CHAIN INNOVATIONS FOR UNIVERSAL HEALTH COVERAGE



***SUCCESSFUL APPLICATION PROCESS OF THE OUTSOURCING TOOL KIT(OSTK)
FOR THE OUTSOURCING OF TRANSPORT AT EPSS- RESULTS OF ASSESS AND
EVALUATION PHASES***

Authors;- Tariku Belachew Beyene, Deputy Director General,
Ethiopian Pharmaceuticals Supply Service (EPSS)
Email: tariku.belachew@epss.gov.et Tel:+251-930416485
November 2024

Endalew Asmamaw
Alemayehu Lemma Wolde
Engdayehu Dekeba

Presentation Outline



-  **1** Background
-  **2** Problem statement
-  **3** Objective of the intervention
-  **4** Approaches
-  **5** Major findings
-  **6** Lessons learned in the process
-  **7** Recommendation

Background



➤ Ethiopia is the second populous and land locked country in Africa.

- **Road Infrastructure:**

- Total: 144,027 km
- Area: 1.1 million km²
- Truck Operations: Over 17,000 trucks

- **Air Transport:**

- Dominated by government-owned Ethiopian Airlines
- Limited regular cargo services; mainly chartered for logistics

- **Rail Transport:**

- Operational stretch is 750 km from Addis Ababa to Djibouti.



Background...

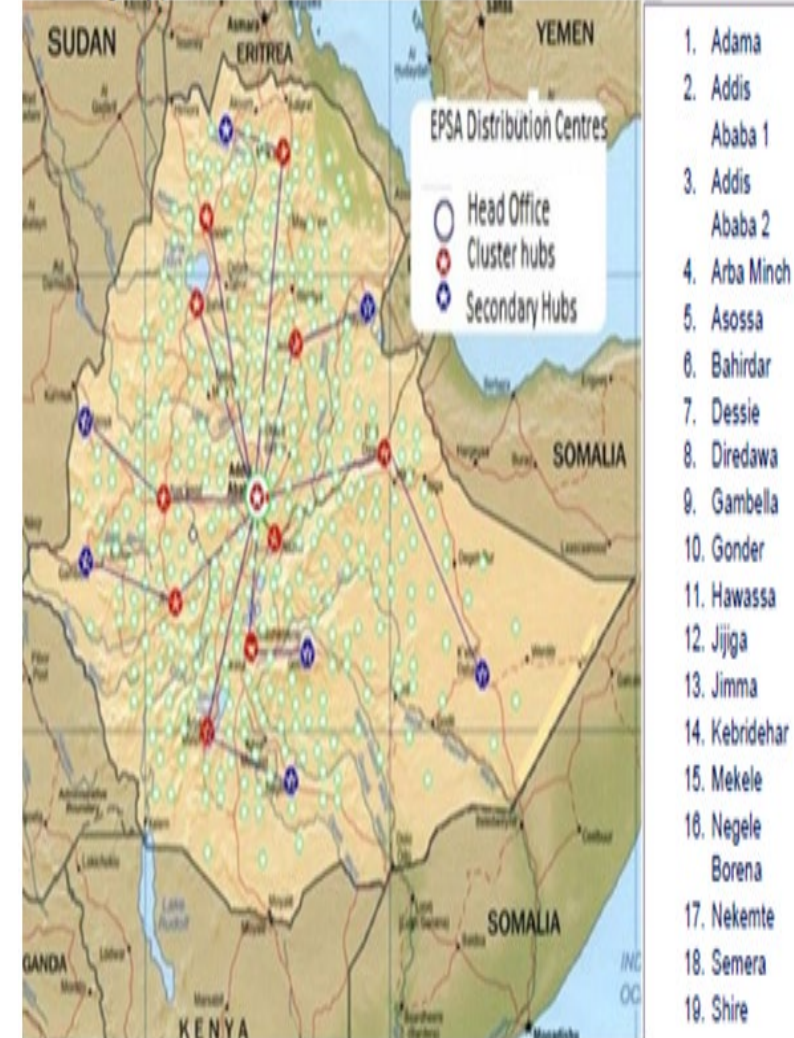


Ethiopian Pharmaceutical Supply Services (EPSS)

- **Overview:** Sole public sector entity for pharmaceutical & medical supplies import/distribution.
- **Public Sector Reach:** Supplies over 400 hospitals, 3,500 health centers, & 18,600 health posts.
- **Logistics Functions:** Key role in logistics for pharmaceuticals & medical devices.
- **Infrastructure:** Central warehouse and 19 branch hubs nationwide, ensuring direct delivery to healthcare facilities.
- **Geographical Strategy:** Hubs strategically positioned to serve nearby facilities.
 - **Total Vehicles:** Over 300
 - **Central Warehouse:** 61 vehicles for distributing medicines and supplies

Branch Hubs: Remaining vehicles across 19 hubs for last mile delivery

The following map provides the distribution of the EPSS distribution centres.



Statement of the Problem: EPSS Transport Challenges



Idle Time:
Notable idle
time for
vehicles.



**Management's
View:** Current
delivery system
is suboptimal
due to inefficient
transport
management.



High Costs:
Significant
expenses on
fuel and
maintenance.



**Customer
Dissatisfaction:**
These issues
lead to
significant
customer
dissatisfaction.



**Delivery
Delays:**
Frequent delays
in delivering
products to
health facilities.

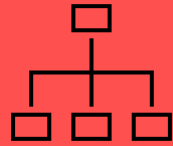
01



Policy

The governments attention to engage the private sector into public sector

02



PSTP II

The PSTP II initiative encourages private sector collaboration to enhance distribution efficiency.

03



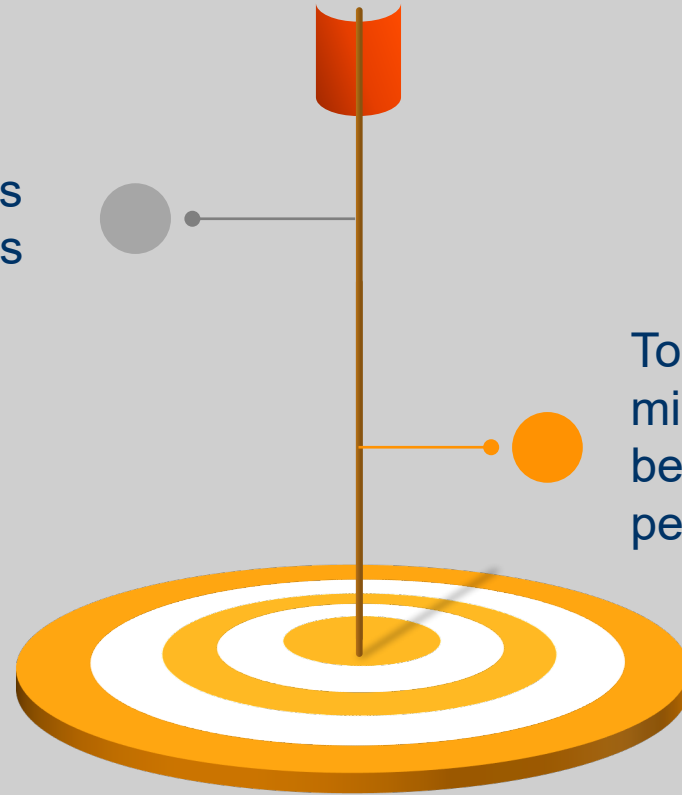
Private

Confirmation of private sector capability to perform effectively and efficiently.

Objectives



To outsource the transport of pharmaceuticals and medical devices from Central EPSS to the EPSS hubs by private sector service providers

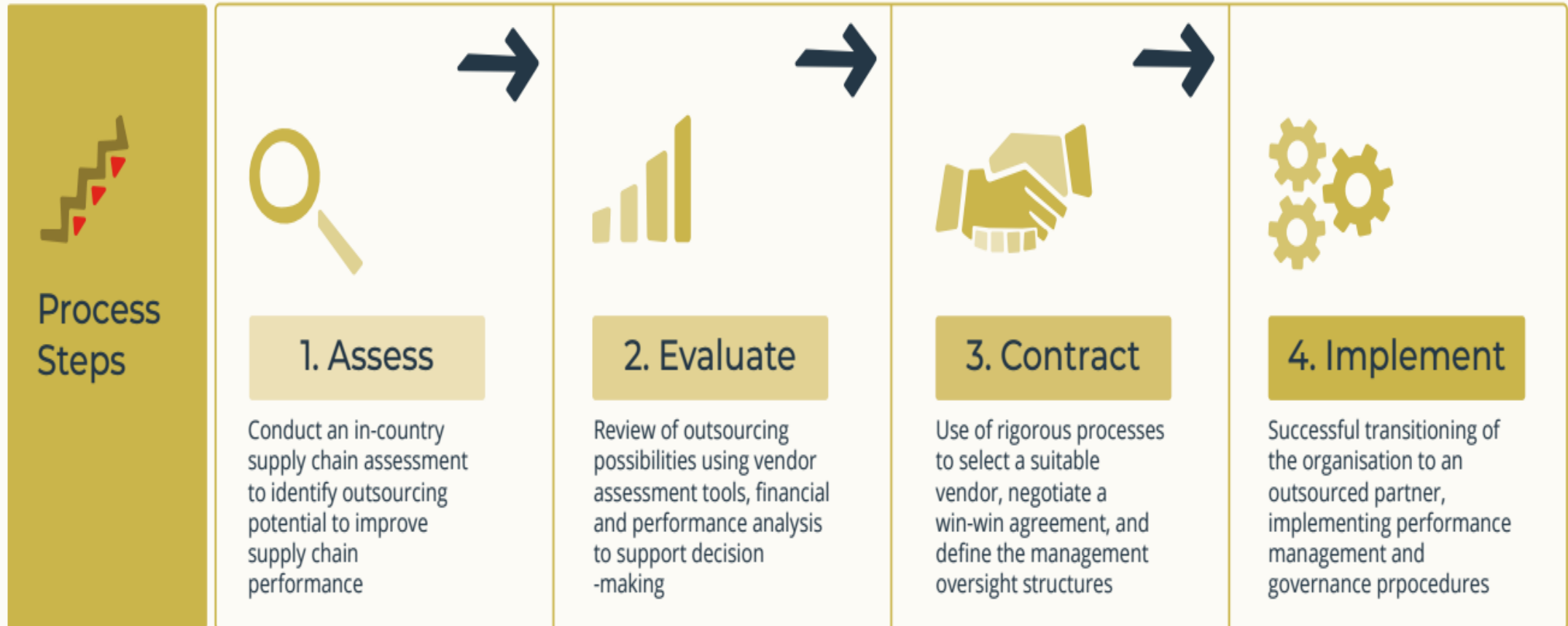


To increase transportation efficiency and minimize logistics costs so that medicines become available and affordable to people in need.

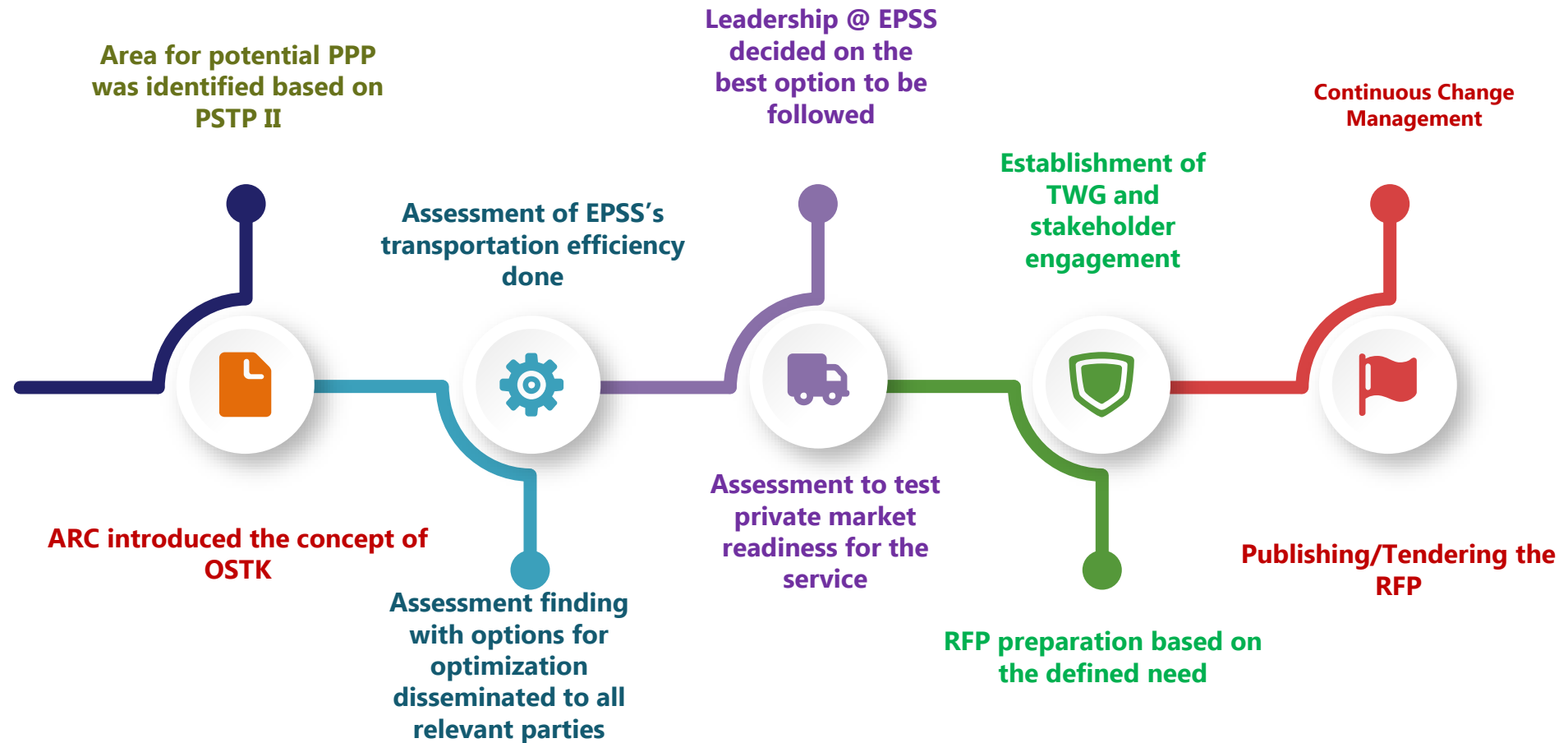
Approaches



There are four Process Steps. Each Step builds on the one before it.



Approaches



ASSESSMENT RECOMMENDATION



Option A:

EPSA to outsource the Transportation and Fleet Management Operations but continue owning and managing Vehicles. This shall include management and control of the supply chain processes beginning with loading, transportation, tracking of the fleet, unloading and acknowledgement of deliver

Option B:

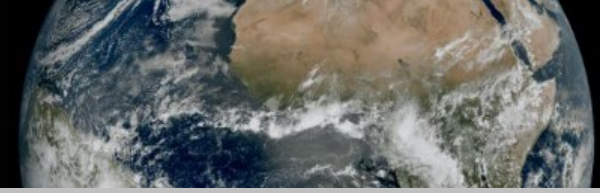
Maintain the present Transportation and Fleet Management model EPSA shall continue to insource the transportation and fleet management function. However, the management must invest in a complete overhaul of the transportation and fleet management function.

Option C:

Outsource the Head Office Transportation and Fleet Management but retain the present operating model for in-country last mile transportation to the Health Facilities.



Approaches



Partners engaged

ARC, USAID/GHSC-
PSM, VillageReach

Phase Based Approach

6 Branches are selected as
a pilot and scaleup to all
branches

Benchmarking

The experiences of
various types of
organizations were used
as a comparator

Experts Involved

International and local
consultants are engaged
at every stage of the
process



Results of Assessment and Evaluation Phases of OSTK



Hub Performance:
Fuel and Per Diem Costs: 7 hubs account for 68% of fuel costs and 70% of per diem costs.
Productivity: These hubs only move 40% of CBM products and make 39.6% of trips.
Conclusion: Significant misalignment between productivity and cost, indicating inefficient fleet use and low return on assets (ROA).

01

Trucking Efficiency:
Average Daily Mileage: EPSS trucks average 223.87 km/day, which is 64% of the industry benchmark (350 km/day).
Impact: Low daily mileage leads to longer trip durations, higher per diem costs, and low fleet utilization/productivity.

02

03

Round-Trip Days:
Comparison: EPSS's average round-trip days to the hubs are double the industry average (6 days vs. 3 days)..

04

Garage Days and Costs: Ten trucks out of a fleet of 61 account for 25% of garage days and 32% of total maintenance costs, totaling USD 99.2K.
Conclusion: Indicates low and unsustainable serviceability, delays in fleet retention/replacement decisions, weak garage contracting, and poor monitoring and tracking of repairs.



Cost Benefit Analysis



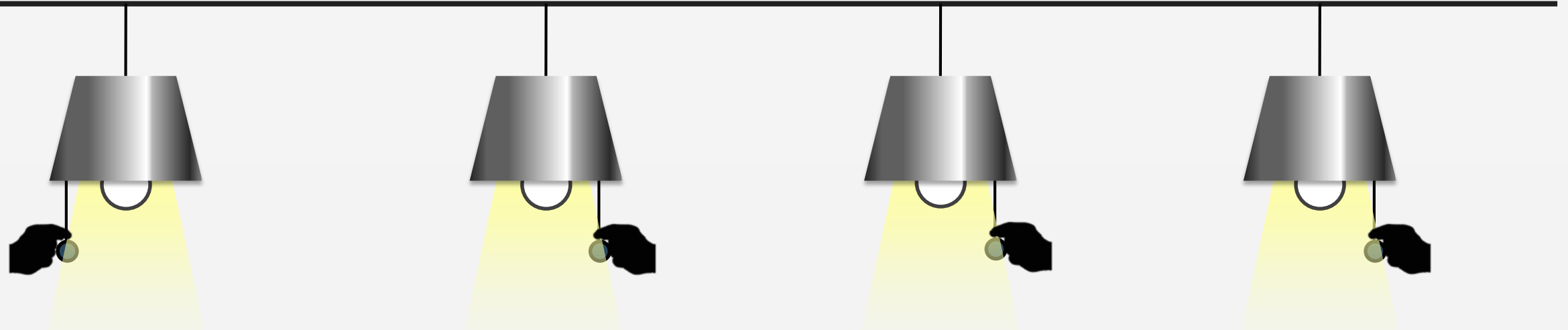
Cost-Benefit analysis : - Determinations for this outsourcing option hinged to performance levels comparisons between the as-is EPSS fleet and transportation performance and the in-country vendors demonstrable performance for similar activities

Functional Activity Performance	Garage Days	Fleet utilization	Trip Days	Trucking Kms/ Day
EPSS Avg	36	59%	4.98	144
Vendor Benchmark	3	92%	2.96	300
Best performance improvement	-33	+33%	-2.02	+156

Description	Potential Performance improvements/ Financial Savings in %
Estimated Savings Opportunity vs EPSS Benchmark Per Diem	40%
Trucking KMs/Day	208%
Fleet availability/ Utilization	33%
Average Trip Days	40%



Result



Next Steps:

Finalizing the procurement process(Tendering and evaluation)
Engage private sector based on the RFP and SLA

Current Status:

BID on published on eGP.
SLA finalized and
Transportation strategy on development.

Efficiency:

Private sector outperforms current EPSS operations

Private Market:

Transport companies are willing and capable of partnering with EPSS

Lessons learned



Project Summary

Assessment Phase: Completed in 2 months.

Implementation: Took 10 months to select options and proceed with OSTK.

Evaluation Phase: Assessment took 2 months; convincing the board and starting contracting took 8 months.

PPP Process

Requires time, continuous effort, and strategic approaches to convince government officials.

Tool Clarity

Gave confidence to the executive committee for strategic decisions.

Impact

Triggered EPSS management to develop a transport and fleet management strategy and focus on last mile delivery



Perseverance Needed

Introducing new concepts, especially with private sector involvement, requires relentless effort.

Convincing Stakeholders

Demonstrating benefits to convince the board and MOH to pilot the OSTK tool.

Change Management

Implementing innovative ideas needs top management commitment and skillful persuasion.

Risk-Taking

Convincing management to try new solutions for chronic problems is challenging.



Recommendations: Supply Chain Management Insights

01

Awareness Creation

Essential for health care managers, politicians, and leaders to embrace new initiatives like PPP and outsourcing



02

OSTK Benefits

Enhances transparency and effectiveness in outsourcing.



03

Decision-Making

Present practical evidence to enable confident outsourcing of non-core processes.





Thank You!



Thank you to our 2024 Sponsors!



PLATINUM



Chemonics
Development works here.



Logenix
International



GOLD



KAIZEN™
INSTITUTE

sanofi



**World Health
Organization**

SILVER

VILLAGE REACH®
X

BRONZE



Technology & Operations
UNIVERSITY OF MICHIGAN

CONTRIBUTORS

BIXAL



PANAGORAGROUP



LIBRA CIRCLE
... a procurement and logistics company