

USAID MEDICINES, TECHNOLOGIES, AND PHARMACEUTICAL SERVICES (MTaPS) PROGRAM

Improved Access. Improved Services. Better Health Outcomes.

ADVOCACY BRIEF: NIGERIA

BUILDING A MORE EFFICIENT PUBLIC HEALTH SUPPLY CHAIN THROUGH FOURTH-PARTY LOGISTICS

Nigeria has made substantial progress in reforming and modernizing its public health supply chain. Coordinating structures now synchronize supply chain interventions, integrate donor efforts, unify performance standards, and clearly define roles and responsibilities. Divided responsibilities between the federal government, states, and local levels have disconnected planning from execution and the COVID-19 pandemic has further strained health systems. Nigeria's National Health Products Supply Chain Strategy calls for increased state ownership and capacity; integration of warehouses and last mile delivery; and optimization of product selection, procurement, and inventory and demand management.

During 2021 and 2022, the USAID-funded Medicines, Technologies, and Pharmaceutical Services (MTaPS) Program assessed the family planning supply chain in Plateau and Sokoto states and the Federal Capital Territory. This assessment included a cost-benefit analysis, operational capability audit, and political economy and stakeholder analysis (see key informant quotations below). This document reflects the key findings, providing a framework for consideration of action steps to strengthen public health supply chains across Nigeria, improving patient outcomes and reducing fiscal spending at all levels of government.

Partnership with the private sector to achieve this integration offers a spectrum of increasing value, ranging from outsourcing specific, niche services (e.g., last mile delivery) to a **logistics service provider (LSP)** to contracting out broader SCM services (e.g., data collection, analytics, and monitoring) to a **third-party logistics providers (3PL)**.

Introduction of **fourth-party logistics (4PL)**—end-to-end coordination of all supply chain functions, from demand planning to last mile delivery, by a private-sector provider, based on sophisticated analysis of comprehensive, near-real-time data—offers the potential to most comprehensively improve MOH's and State's visibility and insight into supply chain performance and its ability to take informed decisions, proactively manage the supply chain, and exert clear ownership over all processes and functions. By transforming its role from

operational to managerial—from *rowing the boat to steering it*—the government can strengthen its oversight capacities, improve system efficiency, and foster accountability by tracking performance and taking timely corrective action. Introduction of a 4PL provider can support progress across all National Health Products Supply Chain Strategy pillars.

ASSESSMENT FINDINGS

- Despite limited availability of comprehensive cost data, the **cost-benefit analysis** suggested that opportunities exist to significantly reduce operating costs. Experience from a range of private industry sectors suggests that engagement of a 4PL provider could significantly reduce supply chain operating costs over the medium to long term—freeing up funds for increased pharmaceutical spend—while improving service levels. Any reduction in those costs could also enable mobilization of resources to strengthen and sustain the supply chain system.

'It is more cost-effective because there are a lot of structures that you need to put in place as a government, if you want to take on a particular task. And a 3PL or 4PL provider probably has the system established already.'



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'It is an opportunity for you to learn best practices and skills based on their efficiency as a private sector.'

- The **operational capability audit** determined that implementation of a best practice public-private partnership could improve supply chain performance by 46% – 62% across all supply chain functions, with some variation by region. The results showed that there are professional providers that have the expertise to provide 3PL services. These could potentially evolve into 4PL partners, which would require the MOH and States to strengthen its oversight capabilities.

- The **political economy analysis** showed private-sector enthusiasm about a 4PL partnership, but mixed opinions in the public sector based on concerns about current infrastructure deficiencies (e.g., lack of an end-to-end IT system), inadequate MOH capacities (e.g., to forecast spending and oversee providers), potential loss of control, and potential public-sector job losses (based on experience with LSP outsourcing). There were many misunderstandings about the services 3PLs and 4PLs can provide that led to these concerns and although initial support was limited in the public sector, many public sector issues could be ameliorated with 4PL implementation.

'The presence of the private sector will make it be operated more like a business, rather than just normal supply chain where people feel everything is free and they can do as they want with it.'

Together, the assessments suggest that collaborative partnership with a 4PL provider could help the MOH and States strengthen their SCM capacities, gain further insight into supply chain processes while taking greater ownership of performance. As the roles of existing public sector staff evolve from operational to managerial and their skills improve, attrition is not expected to be a significant factor. Further details are included in the full technical report.

Potential benefits of 4PL. Incremental supply chain strengthening and outsourcing initiatives are unlikely to deliver the critical performance improvements that are needed. Contracting a best-in-class 4PL provider, in contrast, could:



Improve public trust. Improvements in supply chain efficiency will translate directly into an improved patient experience, leading to increased public trust, which has been shown to be critical for proactive health-seeking behavior and improved health outcomes.



Enhance health spending efficiency. A 4PL provider's pricing expertise and market knowledge can help reduce cost fluctuations, delays, and product wastage due to expiry and damage. It also improves oversight and maintenance of 3PL fleets and other assets.



Increase ownership, visibility, and transparency. The private sector's market competitiveness and monitoring culture offer substantial benefits for Nigeria's public health supply chain, as near-real-time data, cutting-edge IT, and smart logistics foster transparency, accountability, and quick reaction to any underperformance.



Improve administrative flexibility. Transitioning MOH and State's leadership and staff to an oversight role will focus their attention on strategic issues rather than administrative functions.



Sustainably strengthen capacity. Working closely with the 4PL provider will build MOH's and State's expertise in key SCM areas including contract management and performance monitoring during the National Health Supply Chain Strategy implementation with the aim of sustaining the supply chain.

'The private sector can strengthen the capacity of the public sector, by bringing in the expertise and the right equipment. Many government agencies do not have the right equipment.'

Implementation considerations. Broad stakeholder buy-in across all levels of government will be critical to successful implementation of a 4PL strategy in Nigeria. This will require strategic, persistent advocacy, aimed at stakeholders who are reluctant to adapt to the new system; systematic preparation and planning; and a thoughtful, inclusive change management strategy.