



The Journey To Self-reliance:

Public-private partnership to achieve
pharma-compliant warehousing for
public health commodities in Nigeria

Ladi Stephen July 2019



USAID
FROM THE AMERICAN PEOPLE



USAID
FROM THE AMERICAN PEOPLE



U.S. President's Malaria Initiative

Project Objectives

After several years of efforts to establish a standardized central warehousing for public health commodities, Nigeria still has a significant gap in the availability of adequately-sized and effectively-maintained pharmaceutical-grade ‘central storage hubs’ for the storage of public health commodities; and the need to harness best practice through a private sector operator, to address challenges related to inventory management, human resources and quality assurance”



A central medical store in Lagos. Photo credit: Google



Project Objectives

- Increase availability of Pharma-Grade Public Health infrastructures with greater efficiency through management by the private sector
 - Access to substantial financial resources of the private sector
 - Strengthen collaboration between the Government of Nigeria and the Private Sector
- Build capacity of the Public Sector in benefiting from the Private Sectors technical expertise, experience and efficiency
 - Transfer of project related risks to the Private sector



PPP Concept Development - Background

“The genesis of the Project in Nigeria (at the LIFT workshop) was in response to the substantial supply gap for Federal warehousing for the storage of donated public health commodities; and the need to harness best practice O&M processes through a private sector operator, to address ongoing challenges related to inventory management, human resources and quality assurance”

PPP Concept Development - Background

LIFT WORKSHOP APRIL 2012	<ul style="list-style-type: none">• Workshop laid the groundwork interest in PPP's in Nigeria's medical Supply Chain with various Warehousing and Distribution experts.• As well as preliminary strategic planning for the design, structure and execution of the Abuja & Lagos Warehouse Facilities.
MOU BTW FMOH AND USAID	<ul style="list-style-type: none">• In 2015, USAID & FMOH signed an MoU to finance the development of two Pharma Grade Warehouses – Abuja and Lagos• MoU anticipated that a private sector operator, would provide the quality assurance and operational sophistication required to maintain the facilities to best practice standards.• This agreement led to the formation of a Project Delivery Team (PDT) – comprising of persons responsible for driving the process
WAREHOUSE DEVELOPMENT	<ul style="list-style-type: none">• FGoN through FMOH, contributed the land for both the Abuja and Lagos Warehouse facilities. FGN also contributed to the warehouse Project through the waiver of building fees.• USAID and Global Fund contributed the cost of building the facilities, in the amount of approximately 10 million USD.

Funding Structure: USAID, Global Fund and Federal Ministry of Health Collaboration

- FMoH provided land asset for the warehouse
- USAID and Global Fund contributed the cost of building the facilities, as shown in the table below:

Donors	Contribution Value
USAID	\$7,043,735
Global Fund	\$3,091,767
Total	\$10,135,503



Honourable Minister of Health cuts the ribbon at the official opening of the Lagos Federal Medical Warehouse
Photo credit: GHSC-PSM Sanumi Dawodu

PPP Planning and Stakeholder Engagement

- PPP in Nigeria is defined by the National Council for Public Private Partnerships as a “contractual agreement between a public agency and a private entity”.
- The focus is on real partnership where risks and rewards are shared
- Following the project was identified by the MDAs and its partners, the MDAs involved and engaged the ICRC prior to commencement
- The Ministry of Finance was consulted to minimize risks and contingent liabilities arising from such projects
- A transaction advisor (TA) was engaged by the PMT through competitive bidding process under the Public Procurement Act 2007



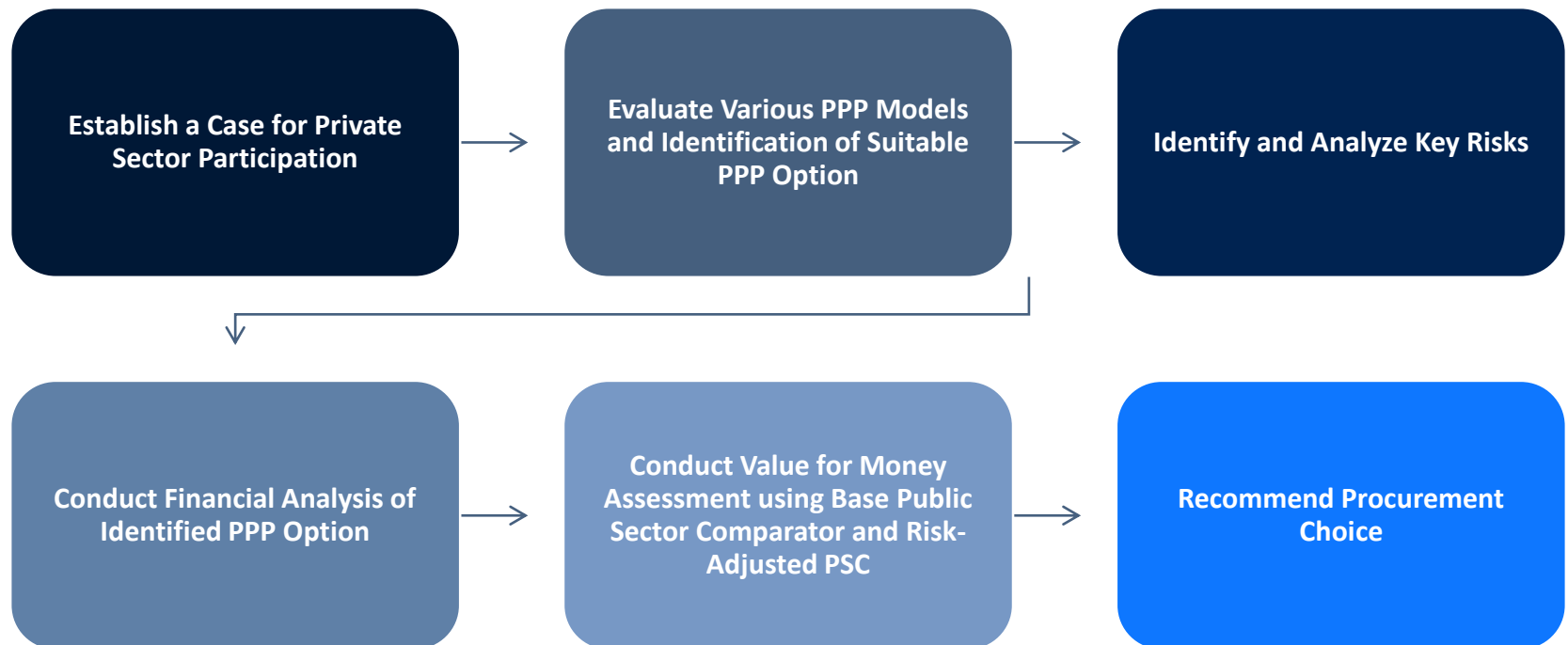
Outline Business Case: Options Analysis

The FGN had two principal options for operationalizing the Medical Warehouses:

- To manage the facilities directly OR
- To partner with a private sector operator under a PPP scheme

Approach to Determine Procurement Choice

OBC-stage: To determine the most appropriate method for operationalising the facilities, a six-step approach was followed:



Procurement Option: The Management Contract

- Ownership of the facilities remain with the Government
- Private sector partner is contracted to operate and maintain the infrastructure for a fixed contract term
- Private partner would have the technical know-how, managerial expertise and related experience to operate this type of facility
- In the classic model, the private partner is paid a predetermined rate for operating costs plus an agreed management fee, or a flat fee
- Operational performance:
 - Minimum key performance indicators (KPIs) included in the contract agreement

Competitive Bidding – Evaluation Committee

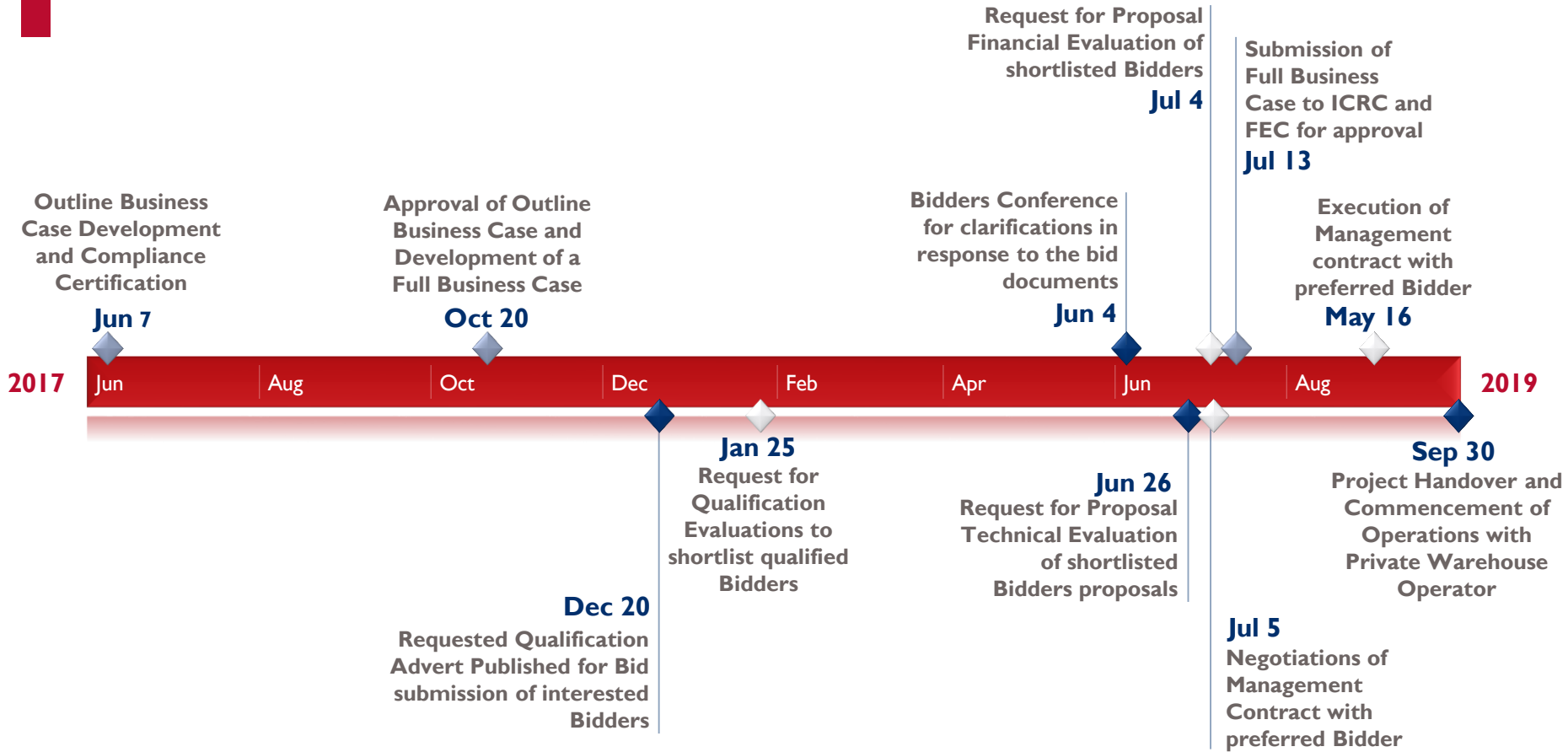
- The PDT in its entirety was represented at the Prequalification and Technical Proposal evaluations
- The Evaluation Committee comprised representatives of each Unit within the larger body:
 - PPP/Diaspora Department of the Federal Ministry of Health;
 - Procurement Department of the Federal Ministry of Health;
 - Legal Department of the Federal Ministry of Health;
 - Food and Drugs Department of the Federal Ministry of Health;
 - USAID/Nigeria;
 - GHSC-PSM
 - Infrastructure Concession Regulatory Commission (ICRC); and
 - Transaction Advisor.



Full Business Case Approval & Contract Signing

- The FBC was submitted along with the ICRC Certificate of Compliance to the Federal Executive Council through the Minister of health, for Approval.
- The FBC was approved by FEC on
- This was followed by the signing of the contract on the 14th of May 2019 between the FMOH and the preferred PPP Project Proponent (Investor).
- ICRC will thereafter take custody of the contract as required under the Section 20 of the ICRC Act.

PPP approach in Warehousing

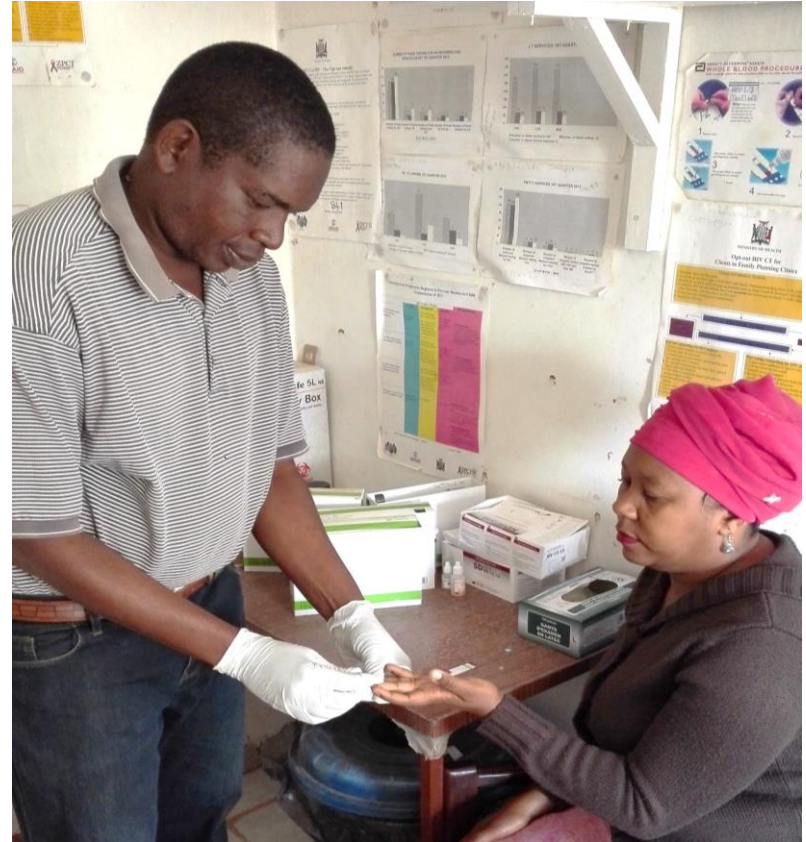


Results

- The Abuja Premier Medical Warehouse (APMW) and the Lagos Federal Medical warehouse (LFMW) have been fully commissioned by the Honorable Minister of Health and operationalized.
- The two warehouses were managed by an interim warehouse operator pending the engagement of a Long-term private sector pharmaceutical warehouse manager.
- A commercial pharmaceutical warehouse operator engaged with a five-year contract to manage operations with the government in the lead.
- This intervention is the first infrastructural management PPP initiative the Federal Ministry of Health successfully executed through the ICRC guidelines .

Outcome / Benefit

- This PPP initiative serves as a replicable and sustainable model for State-level governments in Nigeria to leverage private sector resources and expertise to address warehouse management challenges and
- Improved access to quality medicines within the public healthcare system.



Blood testing of patient Photo credit: GHSC-PSM



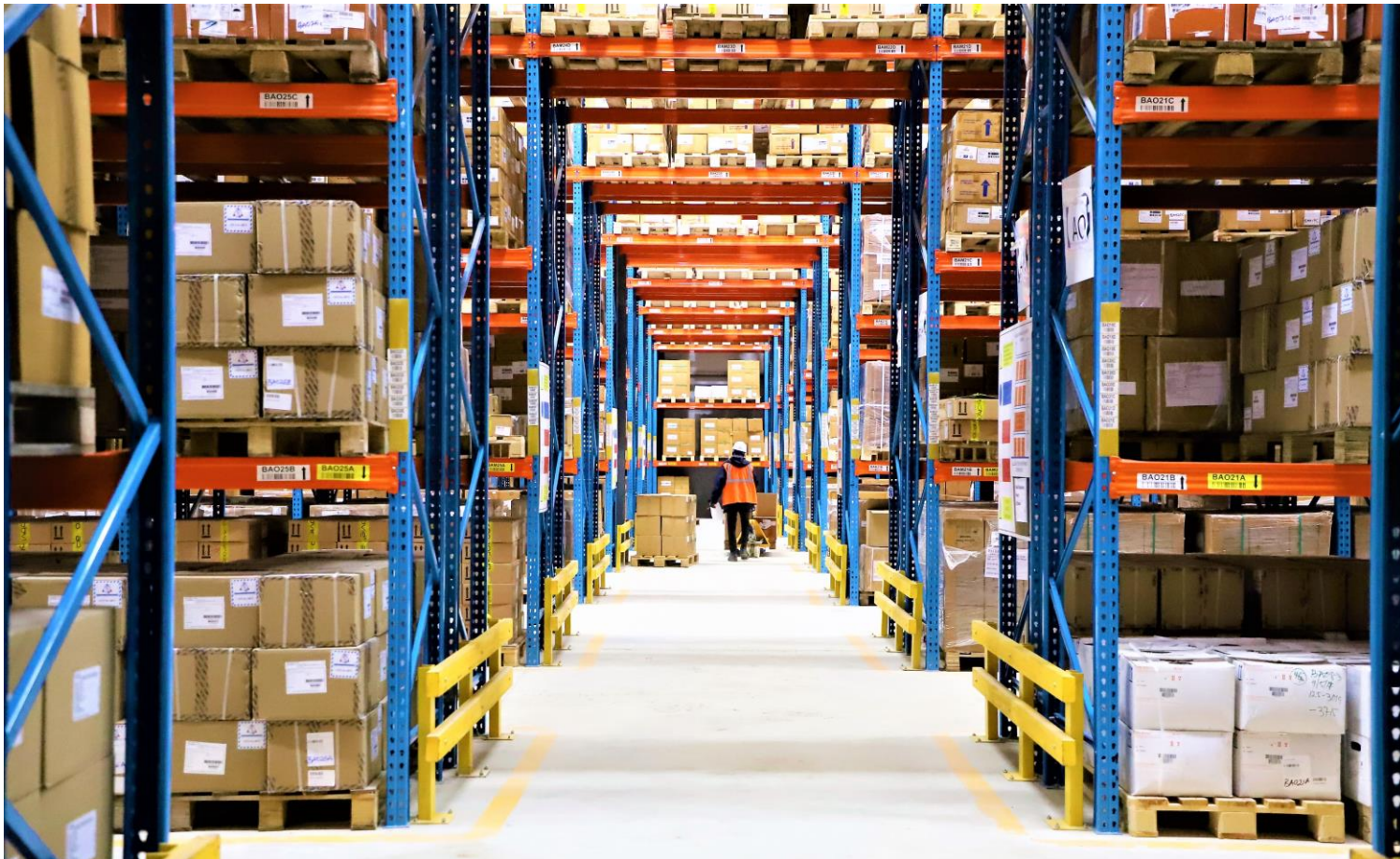
Lessons Learnt

- Stakeholder engagement and involvement is key to project success and management of bureaucracies that could result in execution delays. Wide stakeholder involvement also assures transparency and provides an opportunity for experience sharing and several perspectives
- Involvement of the legal teams of all parties during the negotiation and contract review process
- Strong donor support facilitates access to best practices

Picture Gallery – Lagos Federal Medical Warehouse



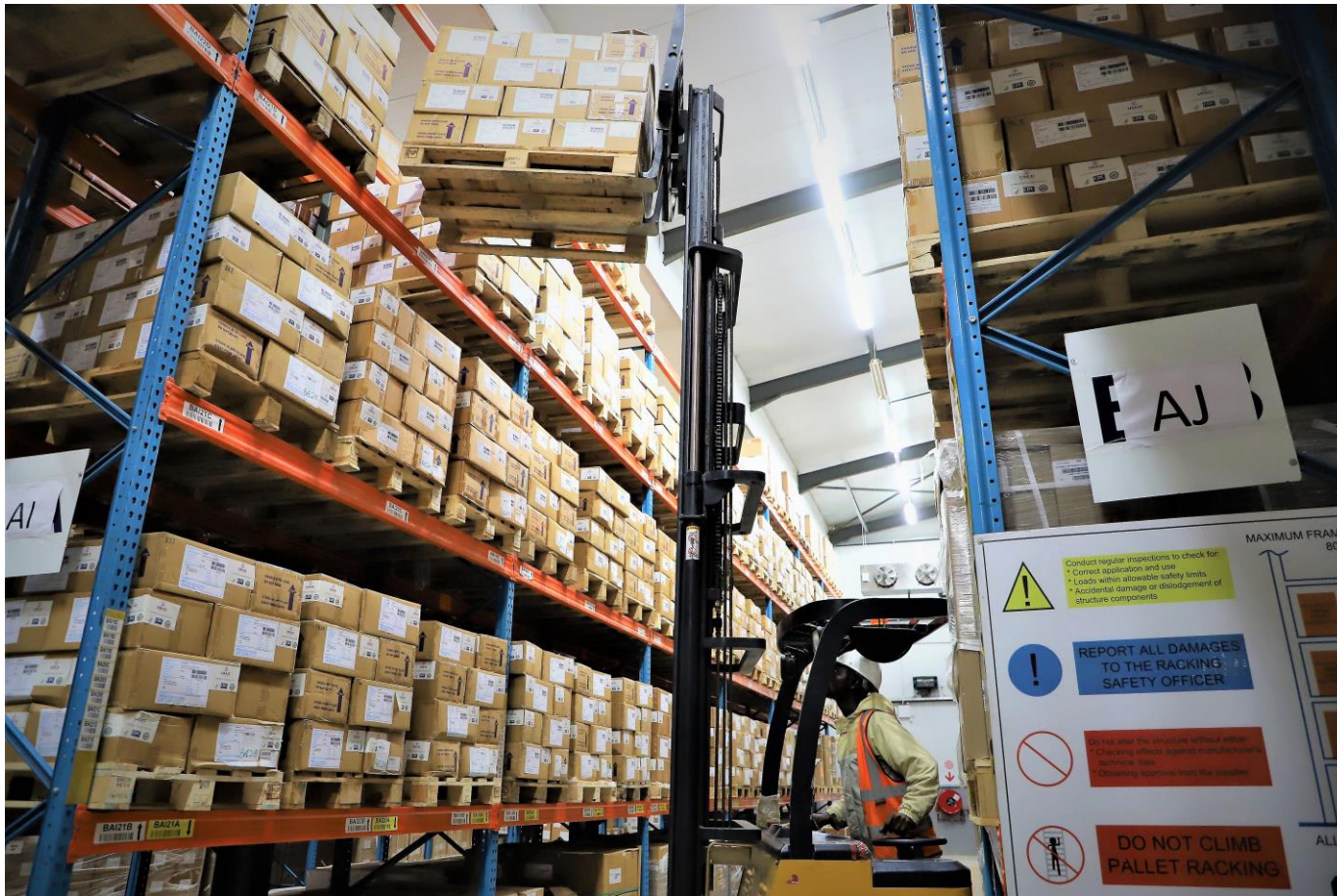
Picture Gallery – Lagos Federal Medical Warehouse



Picture Gallery – Abuja Premier Medical Warehouse



Picture Gallery – Abuja Premier Medical Warehouse



Authors

- **Ladi A. Stephen**, Director, Health Systems Strengthening, GHSC-PSM Nigeria
- **Pharm. Lawal Mashood**, Head, Department of Food and Drug Services, Federal Ministry of Health, Nigeria
- **Babatunji Odelola**, Lead, Integrated Service Delivery Team, HIV/AIDS-TB Office, USAID/Nigeria
- **Dr. Bola Olowu**, Head, Department of PPP and Diaspora, Federal Ministry of Health, Nigeria
- **Adenike Adelanwa**, Pharmaceutical Commodities Logistics Manager, USAID/Nigeria
- **Emmanuel Ogwuche**, Logistics & Commodities Program Manager, Health, Population & Nutrition Office, USAID/Nigeria
- **Kenny Otto**, Deputy Country Director, GHSC-PSM Nigeria
- **Saratu Mantu**, Central HSS Advisor, GHSC-PSM Nigeria
- **Smatt Abdulaziz**, Central HSS Manager, GHSC-PSM Nigeria
- **Lola Babatunde**, Central HSS Advisor, GHSC-PSM Nigeria

Ladi STEPHEN

Director, Health Systems Strengthening

Contractor for **USAID Global Health Supply Chain Program**

Procurement and Supply Management

Floor 01, 23, Ibrahim Tahir Lane, Cadastral Zone B05,

Utako, Abuja. Nigeria.

M: +234.908.720.2378

lstephen@ghsc-psm.org

The USAID Global Health Supply Chain Program-Procurement and Supply Management (GHSC-PSM) project is funded under USAID Contract No.AID-OAA-I-15-0004. GHSC-PSM connects technical solutions and proven commercial processes to promote efficient and cost-effective health supply chains worldwide. Our goal is to ensure uninterrupted supplies of health commodities to save lives and create a healthier future for all. The project purchases and delivers health commodities, offers comprehensive technical assistance to strengthen national supply chain systems, and provides global supply chain leadership. For more information, visit ghsupplychain.org.

The views expressed in this presentation do not necessarily reflect the views of USAID or the U.S. government.