

Fueling Growth By Sonali Rammohan

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Action Case Study

Fueling Growth

Riders for Health had won international acclaim for its novel approach to maintaining health transport vehicles in sub-Saharan Africa. Yet the organization was having trouble scaling its services at its first site: Gambia. Here is how the organization won both government support and private funding for its latest innovation.

BY SONALI RAMMOHAN

IN 1986, FORMER BRITISH motorcycle racer Andrea Coleman was managing public relations for American motorcycle race champion Randy Mamola. Mamola wanted to lend his prestige to help fundraise for a children's cause in Africa. Andrea and her husband, Barry Coleman, formerly a motorcycling correspondent and feature writer for the British *Guardian* newspaper, joined Mamola in raising funds through motorcycling events. They donated the money they raised to U.K.-based Save the Children, which used the funds to immunize children in Africa.

In 1988, Save the Children invited Mamola and the Colemans to witness how the money they had raised was helping a remote community in Somalia. Barry Coleman and Mamola made the visit and noticed that the majority of health workers' motorcycles had completely broken down, making it impossible to reach people in many rural villages. In some cases, the motorcycles just needed a new fuel filter. For want of simple maintenance and repairs, the two realized, motorcycles stayed grounded and people sickened and died.

Soon after, Save the Children and the World Health Organization (WHO) asked Barry Coleman to visit Gambia in West Africa to assess its fleet of 86 health delivery motorcycles. He found that a single Save the Children driver—Ali Ceesay—was keeping all the motorcycles in the easternmost province in some sort of working order, while the rest of the country's fleet was dead. Seeing Ceesay's work, says Coleman, "was a bit of an insight that a little action can go a long way."

With that insight, Barry and Andrea Coleman began building Riders for Health in the late 1980s. Originally a branch of Save the Children, Riders became a registered U.K. charity in its own right in 1996. The organization is now a \$5.5 million nonprofit social enterprise to which African governments outsource the maintenance of health care vehicles. Barry, a practical thinker, developed the vehicle management regimen that Riders calls its "planned preventive maintenance" system, and Andrea pioneered methods

of generating income to support the system. Today, Riders manages more than 1,200 vehicles delivering health care to more than 10.8 million people in nine sub-Saharan African countries. With the Riders program, motorcycles that used to last for less than one year now deliver health care for five or six years, saving both money and lives.

Award-winning social entrepreneurs Andrea and Barry Coleman jointly lead the organization, while Mamola continues to advocate for it in the motorcycle racing community.

Although Riders' founders received their bolt of inspiration in Gambia, the country's bureaucracy kept it from adopting Riders' signature service, the Transport Resource Management (TRM) program, for several years. With TRM, Riders manages government-



PHOTOGRAPH BY CHRIS HARRIS, THE TIMES, COURTESY OF RIDERS FOR HEALTH

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owned vehicles in exchange for a cost-per-kilometer fee. In the meantime, the organization established programs of varying scales in the Democratic Republic of the Congo, Ghana, Kenya, Lesotho, Nigeria, Tanzania, Uganda, and Zimbabwe.

In 2002, Riders finally made headway with the Gambian government, moving from a small-scale pilot program to a large TRM contract. But the organization didn't stop there. Over time, Riders had come to realize that owning its own fleets and then leasing them to governments, rather than managing governments' aging mishmashes, would be a better solution. With its own fleet, Riders could deliver more health care, more cheaply. The organization could also establish a system for replenishing its fleet every few years, ensuring the program's long-term sustainability. Riders also realized, however, that raising millions of dollars to fund the new program, called Transport Asset Management, would be a tall order.

Once again, Riders first looked to Gambia, a smaller country that would require a smaller fleet than the other countries in which Riders operated. With the help of the Skoll Foundation, the organization then pioneered a novel funding strategy: Nigeria-based GT Bank would lend Riders \$3.5 million to purchase a Gambian fleet as long as

Riders for Health technicians, who maintain the fleet of vehicles, at the regional workshop in Bansang, Gambia.



the Skoll Foundation would agree to pay the loan in case Riders defaulted. Riders would then repay the bank loan with fees collected for the services it rendered to the Gambian government. This creative program-related investment (PRI) is believed to be the first use of that funding mechanism to purchase a fleet of vehicles.

When Riders finishes rolling out the fleet this year, Gambia will become the first African country with enough health care delivery vehicles to serve its entire population. But this is not the only win: Riders itself has also learned much about navigating contracts with foreign governments and crafting innovative deals to fund growth.

POLITICAL ROADBLOCKS

Gambia was Riders' first site. In 1989, it employed only one worker—Ceesay—to service motorcycles. At the time, the Gambian government's health transport system was disorganized and poorly financed. The government often had trouble paying Riders for the minimal services it provided.

The Gambian Ministry of Health and Social Welfare was not alone. Although experts estimate that transport should be the third greatest expense (after personnel and drugs) for ministries of health, this vital item usually falls farther down the list of spending priorities in many developing countries. And because these regions also usually have a shortage of qualified mechanics and transport managers, they do not always make the wisest decisions when procuring new vehicles. Many government fleets include expensive vehicles that are not suited for Africa's often unpaved, dusty, and rugged roads. As a result, vehicles break down prematurely, and sick people suffer needlessly for want of reliable health care transportation.

Riders' main program, TRM, promised to improve health care while cutting costs. The cornerstone of TRM is that it simply does not allow vehicles to break down. TRM trains health care workers in proper motorcycle riding and daily maintenance (for example, checking lubricant levels, tires, and chains). It also employs technicians in workshops that are close to health centers, so that there is no downtime in health care. Without this system, vehicles are often sent to a main city where a private garage might take days or weeks to do the repair. Forcing health care workers to travel long distances to have their vehicles serviced reduces routine maintenance, wastes fuel rations, and increases the burden on already strained health care workers.

The TRM program's payment system also results in cost savings. By charging the government a fee for each kilometer traveled, rather than the typical system of charging for each time a vehicle goes to the workshop, Riders can limit the misuse of vehicles for personal purposes. When a vehicle's monthly kilometer allocation runs out, it no longer moves. Plus, regular maintenance is cheaper than breakdown repairs, which often require expensive parts. Riders spends the fees it earns not only on fuel and parts, but also on regular maintenance, driver training, and other investments that often extend a motorcycle's life from 20,000 kilometers (about 12,425 miles) to 80,000 kilometers (about 49,710 miles). The organization also sets aside money in a replenishment fund, with which governments can purchase additional vehicles after retiring existing ones. With these steps, Riders changes how people view their vehicles, says Barry Coleman. "They are now assets rather than consumables."

Independent evaluations support Riders' claims. A 2005 report by business consultancy OC&C estimated that in Gambia, Riders' fleet maintenance costs per person treated were 24 percent less than the estimated costs of an "unmanaged" system, in which health care workers would sporadically take vehicles to a private garage for service. Likewise, in 2004, Riders' annual motorcycle fleet maintenance costs (per thousand people treated) in Zimbabwe were 62 percent lower than those that would have been spent in an unmanaged system.

As early as 1991, Barry Coleman began writing to Gambia's Ministry of Health asking permission to implement some form of vehicle management system. But the government refused, saying that the policy changes necessary to adopt Riders' program would be very difficult. "People were more focused on the cost of Riders' system, not the benefits," recalls one former World Bank program manager based in Gambia.

Over the next 10 years, Riders appealed to the government numerous times in different ways. Barry Coleman eventually found a sympathetic ear in Vice President Isatou Njie-Saidy, who took office in 1997 and understood the importance of a well-maintained fleet and well-trained riders. A former community health nurse, she had suffered her own share of crashes and had the scars on her legs to prove it.

Several consecutive ministers of health, however, did not share Njie-Saidy's understanding. With other political and public health battles to fight, she decided not to spend her political capital on the TRM issue. "She didn't want to pull rank on her colleagues," Barry Coleman explains. Meanwhile, by 1991, Lesotho had adopted TRM, and in 1993 Zimbabwe followed suit.

SMOOTHING THE PATH

In 2001, Riders' track record in Gambia finally changed. A charismatic permanent secretary of health, Therese Drammeh, arrived on the scene with the right level of authority to get things moving. Although the vice president had been sympathetic, she had also had many non-health-related duties. The permanent secretary, by contrast, reported to the minister of health and was responsible for the country's health program and budget. Drammeh had also worked in many other government departments. Consequently, she had deep knowledge of the procedures for approving programs.

Dick Seifman, a World Bank official, suggested to Drammeh that the Ministry of Health might outsource the maintenance of its fleet to Riders. Drammeh then met with Barry Coleman, who had all but abandoned the idea of expanding Riders' activities in Gambia. Yet "Drammeh was a visionary civil servant who could see the necessity for innovation, particularly in money management, if a viable transport system were to be put in place," says Barry Coleman.

Convinced that outsourcing to Riders was the right choice, Drammeh prepared her case for the minister of health. She learned that a general maintenance policy was already "gathering dust" on an administrator's desk, she says. This policy would allow the gov-

CASE STUDY QUESTIONS:

Why is it difficult for even successful programs to grow?

How can nonprofits better broker agreements with governments?

When should nonprofits seek investments rather than donations?

ernment to outsource various types of maintenance. Drammeh moved that policy forward to Gambia's legislature, and then proposed to the minister of health that the government select Riders' TRM program as its vehicle maintenance system.

Officials had previously complained that Riders' vehicle management would cost the government more than its current system. Drammeh demonstrated, however, that by combining various smaller health transport expenditures into one larger expenditure for Riders, the costs would not

be higher and, in fact, could potentially be less. She then sought support for the outsourcing idea from the Ministry of Finance and Economic Affairs, the Personnel Management Office, and the Ministry of Justice. All three institutions supported the proposal, so the minister of health submitted it to the cabinet, which then approved a four-year outsourcing agreement for its entire fleet. At last, in 2002, 12 years after first entering Gambia, Riders began managing the entire government health transport fleet so that the Ministry of Health could focus on health care.

GEARING UP FOR GROWTH

Winning the TRM contract with the Gambian government ushered in challenges similar to those Riders was encountering in other countries. Aging government fleets included donated vehicles of different makes and models, making program management more complicated and costly than Riders first anticipated. Also, having many models of vehicles meant Riders had to keep a dizzying array of spare parts on hand in its workshops—a costly proposition. And because Riders charged a steady per-kilometer rate for its vehicle maintenance, governments had no incentive to protect their new vehicles or retire old ones—adding even more costs.

By 2007, Riders knew that it wanted to develop a "version 2.0" of its services, one that would solve the problems of managing many types of government-owned vehicles. If the organization owned a standardized fleet and leased vehicles to the government, it could better manage its costs and the vehicles themselves. The new version would be called Transport Asset Management, or TAM. With TAM, Riders would still manage vehicles and motorcycles on a zero-breakdown basis, and conduct the same training and maintenance as with TRM. The only difference was that ministries of health would now pay Riders a per-kilometer fee that not only reflected maintenance and training costs, but also the purchase price of the vehicles.

Riders decided not to pursue donor funding to purchase the new fleet. If donors funded one fleet, Riders would again have to pursue donor funding for future generations of vehicles. This model, the organization felt, was not sustainable and could possibly result in an interruption in service. A better solution would allow governments to pay for TAM over time and receive a new fleet when needed, without interruption to service. Yet few governments had enough cash on hand to purchase an entire fleet.

What Riders needed was a way for African governments to get loans to purchase a fleet. Andrea Coleman knew that once she

established this financing model, Riders could replicate it with other African governments. To purchase the first fleet for TAM, she planned to secure a standard commercial loan. Andrea Coleman and other Riders senior managers felt strongly that the loan should come from an African bank to engender more confidence in African institutions. Yet commercial banks were not willing to lend funds to a nonprofit organization that depended on an African government for revenues.

Seeking other ideas, Riders approached one of its main funders, the Skoll Foundation. Skoll gave Riders a planning grant to develop an unusual PRI called a credit enhancement. The foundation would guarantee a commercial bank loan, meaning that, if the government



Environmental Health Technician Barbara Nyati with residents of a village in the Binga district of Zimbabwe.

did not pay Riders for its services, and Riders defaulted on its bank loan, the foundation would repay the loan.

Foundations often use PRIs to fund affordable housing initiatives, community development projects, and other charitable activities that have the potential to earn back the initial investment within a fixed time frame. In this case, a PRI made sense because Riders had a client (the Gambian government) that could pay back the commercial bank's initial investment over time.

Skoll offered a credit enhancement that helped Riders secure a loan for the fleet from the Gambian branch of Nigerian GT Bank. Skoll deposited \$3.5 million at GT Bank, which the bank can claim if Riders defaults. If Riders does not default, the foundation can reclaim the \$3.5 million. Meanwhile, GT Bank pays an annual interest rate of up to 5 percent to Skoll, and Riders pays GT Bank an annual interest rate of up to 8 percent for using the funds to buy the fleet. The resulting 3 percent "spread" goes to GT Bank as profit.

The per-kilometer fees the Gambian government pays Riders for TAM will eventually allow Riders not only to pay back the initial loan, but also to purchase an entire replacement fleet outright without obtaining a loan. "In eight to 10 years, we should be debt free," predicts Andrea Coleman. Andrea Coleman expects that social enterprises could use this type of model to buy, say, hospital equipment, and then to repay the loan by charging the government or patients per use. An

important piece of this arrangement is that Riders has leverage if the government does not pay its cost-per-kilometer fee. Riders can simply stop providing vehicles. Similarly, a social enterprise could remove its hospital equipment if payment stopped.

The TAM PRI did not come quickly, however: The deal took more than two years to broker. "It was quite a struggle for the GT Bank team to get their minds around this whole idea of a nongovernmental organization conducting this large, multiyear business transaction," says Ed Diener, Skoll Foundation counsel. Moreover, GT Bank wanted a much higher interest rate than what it eventually agreed to, says Andrea Coleman. "We convinced them that it was good public relations [to agree to a lower interest rate]," she says.

Despite the initial hiccups, all parties believe that this model could be more easily replicated in the future. "If we were to do this today, it would take two weeks now that the structure is set," says Olalekan Sanusi, managing director of GT Bank.

THE LAST MILE

Shifting to the TAM system has required many different stakeholders to make adjustments. Donors that used to give money to the Ministry of Health to pay for vehicles must now make donations that the government can use to pay Riders' fees. On the government's end, it was used to paying for vehicles according to what its fluctuating budgets would allow. Now it must set aside consistent funding every year to fulfill its five-year contract.

Riders is also weathering changes. Historically, Andrea Coleman raised money by hosting charity motorcycle racing events and obtaining grants. These funds supplemented the earned income from the field contracts and paid for initialization and setup costs. But with TAM, the organization now has to borrow money, instead of asking for straightforward donations. Andrea Coleman says she has had to learn how to navigate the organization through the unique issues that debt capital presents, such as recruiting "people who can do high-level deals with banks."

Yet Riders' experiences in Gambia have left the organization with blueprints not only for brokering PRIs, but also for contending with bureaucracies. "Whenever we start working with a new agency, we look for the lady in glasses," says Barry Coleman. "She's the dedicated civil servant who knows ministries inside out. Find [her] and you have found the key to unlock the door." In Gambia, this lady in glasses turned out to be Drammeh. In another country, the search for her will continue. "There is no point getting frustrated when working with African governments," Barry Coleman adds. "Nothing happens for months, and then everything has to be done in a week."

Once Riders establishes funding strategies and government relationships, access to health care is not far behind. There is an old adage in health delivery: The last mile between help and need is the most important one. If caregivers and patients do not connect in time, then all the previous miles of travel are for naught. In remote areas throughout Africa, Riders for Health is making inroads that help health workers cover this last mile. And with a new leasing model successfully operating in one country, Riders is now poised to cover more last miles in more countries, and in turn, to increase access to health care for years to come. ■