

improvement in the understanding of basic supply management by Assistant Project Officers, which has boosted commitment to supply planning and meant that better-quality orders are issued.

Paying suppliers: There have also been substantial improvements in Supply Division's commitment to paying suppliers on time. Almost 100 per cent of supplier invoices were paid within 30 days, as agreed. Moreover the Division has also been increasingly successful in meeting the more stringent supplier payment targets that qualify for cash discounts, resulting in savings for the organization of over \$250,000 over the year.

Global consultation: Since 2001, the annual 'Ting' (Norse word for consultation) meeting organised by Supply Division has strengthened cooperation with Regional and Country Offices, and other Divisions. Building on the results of the VisionTing (2001), the PlanTing (2002) and the ConsulTing (2003), the Evalu@Ting in 2004 focused on the future of the UNICEF supply function. For the first time, sessions were reported live on the UNICEF Intranet, offering other UNICEF staff the opportunity to take part and send their comments to the 78 participants from all parts of UNICEF. The consultation followed the 'Future Search' methodology, and resulted in 11 project areas and corresponding action plans being identified:

- Building alliances and partnerships
- Capacity building
- Decentralization
- Development and promotion of innovative products for a child-friendly environment (home/school)
- E-business (e-procurement)
- Effective dissemination of information (external/internal)
- Fair trade/ Procurement ethics
- In-country logistics and end-user monitoring
- Procurement Services/ responding to emerging opportunities
- UNICEF supply function within the new development assistance environment
- UNICEF supply policy.

Work in these 11 areas progressed throughout the year and will feed into plans for the future.

II - WAREHOUSES

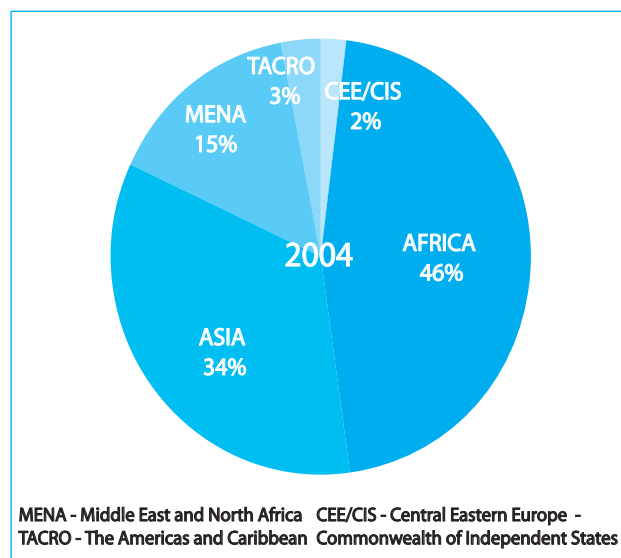
2004 was a record year for warehouse activities, with throughput up by 21 per cent in terms of value, weight, volume and the number of orders handled. Total throughput reached \$76 million for the year (see table below for breakdown), a significant increase on the *status quo* that had been maintained for several years. Some 125,000 kits (from School-in-a-Box and recreation kits to emergency health kits and family water kits) were also produced in 2004.

The processing time for purchase orders for warehouse stock fell from 21 days in 2003 to 13 days in 2004. In addition, the establishment of LTAs for many warehouse items has been instrumental in speeding up stock replenishment.

Production throughput (millions of US dollars)	2003	2004
Copenhagen warehouse goods issued	53	59.7
Vitamin A in-kind donation	8.1	8.3
Johannesburg & Dubai Hubs	N/A	6.5
UNHCR stock	2	1.7
Total	63.1	76.2

In 2004, nearly 8,000 sea and air shipments were managed by Supply Division, including 32 full charters.

PERCENTAGE OF UNICEF SUPPLIES USED IN:



Top 20 UNICEF warehouse items shipped in 2004

Item	Quantity
Pencil,black	28.5 million
Book,exercise, A5, ruled	17.6 million
Eraser,soft,for pencil	11.9 million
Pen,ball-point,blue	9.2 million
Pencil sharpener,plastic	7.6 million
Book,exercise, A5, squared	6.9 million
Pen,ball-point,black	6.1 million
Pen,ball-point,red	5.9 million
Bag,carrier, A4,interlock seal	4 million
Crayon,wax,assorted colours	3.8 million
Pencil for slates	3.6 million
Tetracycline eye ointment	3 million
Book,exercise, A4	2.2 million
Slate,student, A4	1.9 million
Syringe,A-D,0.5ml,Soloshot	1.6 million
Chalk,white	1.4 million
Amoxicillin powder/ oral suspension (penicillin)	1.1 million
Book,exercise,A4,ruled	1 million
Sulfamethoxazole with trimethoprim (antibacterial) 100 + 20mg tabs	0.9 million
Bandage,gauze	0.8 million

Several developments over the year have expanded the scope of warehouse activities. A small stock of antiretroviral medicines was added to the Copenhagen warehouse inventory, to deal with urgent requests and for expediting very small orders. The Dubai emergency hub that opened in June quickly became an invaluable resource, both speeding the delivery of emergency items and cutting the cost of sending bulky supplies. Since it opened, mosquito nets have been added to its inventory, and a stock worth \$3 million is expected to be stored in Dubai in the future.



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Expanding supply capacity for emergencies has been a priority in 2004. Here, items are packed in the Copenhagen warehouse in response to the emergency in Darfur, Sudan.

The Office of the United Nations High Commissioner for Refugees (UNHCR) and the International Federation of Red Cross and Red Crescent Societies stockpile emergency items in the Copenhagen warehouse. This stock accounts for 30 per cent of the total warehouse volume.

The warehouse maintains its Good Distribution Practice license to store and distribute pharmaceutical products.

III - QUALITY CONTROL

While striving to get the most affordable prices, Supply Division also makes quality a priority, and works to ensure that all supplies procured by UNICEF comply with international norms such as WHO or International Organization for Standardization (ISO) standards.

All suppliers for standard pharmaceutical and medical items, antiretrovirals and antimalarials are pre-qualified either by the Division or by the WHO Pilot Procurement, Quality and Sourcing Project.

The year 2004 saw an increase in the efficiency and efficacy of bid sample evaluations in the Division, helping shorten internal processing time and further ensuring the quality of the products procured. A total of 55 factory inspections were undertaken during the year. Besides Supply Division's usual focus on inspecting pharmaceutical manufacturers, special attention was also paid to bednet and school supply manufacturers. Supplier evaluations continued to run on target, with 95 per cent of business done with evaluated suppliers.

An additional check on the quality of supplies is the Complaints Database. Upon receipt of a complaint, Supply Division takes immediate action, involving where relevant the supplier and working on finding the most appropriate solution. Complaints are analysed regularly, with lessons learned and recommendations presented to management. Most complaints are related to product quality deficiencies and delivery delays.

In 2004, Supply Division undertook a new tendering round for inspection companies and identified four companies to provide inspection services at agreed rates in specified countries. These companies will be used by Supply Division to inspect incoming shipments. Country Offices can also contract them at the rates agreed, or can use the rates for comparison purposes when investigating the prices of other local inspection companies.