Supply Division

Supply Chains for Children

Nutrition Supplier Meeting
30th June, 2015, Copenhagen
Critical Functions of the Supply Division

• Support programmes with an effective, efficient supply operation

• Help meet UNICEF’s Core Commitments for Children in emergencies by providing rapid response to emergency supply and logistics needs

• Provide support to and monitor the performance of the global supply operation

• Serve as a centre of expertise and knowledge on essential supplies for children and share know-how with others

• Provide procurement services to governments and development partners on strategic-essential supplies

• Establish policies for supply chain activities

• Lead product and technology innovation
UNICEF Supply Strategies for 2014-2017

UNICEF Outcome Areas

- Health
- HIV/AIDS
- WASH
- Nutrition
- Education
- Protection
- Inclusion

UNICEF Global Supply Strategies

Supply Strategies
- Service Delivery
- Emergency
- Influencing Markets
- Product Innovation
- Strengthening Supply Chains with Governments
- Monitoring
- Institutional Contracting for Services

Enabling Strategies
- Evaluation
- Partnerships
- Supply Community
- Optimising UNICEF Supply
- Working Together for Results
Quality and timeliness across all segments of the supply chain so that the right supplies reach the right place at the right time.

Real-time Monitoring of:
- Timeliness
- Quality
- Value for money
- Compliance (ethics, transparency, etc.)
- Corrective & Preventive Action
## Major commodity groups

### 2014: $3.382 billion in supplies and services

<table>
<thead>
<tr>
<th>Commodity Group</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vaccines</td>
<td>$1.48 billion</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>$251 million</td>
</tr>
<tr>
<td>Nutrition</td>
<td>$154 million</td>
</tr>
<tr>
<td>Medical supplies &amp; equipment</td>
<td>$140 million</td>
</tr>
<tr>
<td>International freight</td>
<td>$134 million</td>
</tr>
<tr>
<td>Water &amp; sanitation</td>
<td>$112 million</td>
</tr>
<tr>
<td>Bed nets &amp; insecticides</td>
<td>$85 million</td>
</tr>
<tr>
<td>Construction</td>
<td>$93 million</td>
</tr>
<tr>
<td>Education</td>
<td>$63 million</td>
</tr>
</tbody>
</table>

Approximately $1.650 billion funded via Procurement Services (procurement on behalf of governments and other partners)
Two thirds of countries in which procurement exceeded $10 million are those where UNICEF has development programmes.
Countries in which procurement exceeded $10 million
(based on country of invoice, in $ millions)
Two thirds of these are countries where
UNICEF has development programmes.
Global & local warehousing & transport

The SD Copenhagen Warehouse

- **319 thousand** Kits packed
- **$134 million** value of throughput
- **17,220 MT** Weight of supplies dispatched
- **1,570** Average number of pallets shipped weekly

**Inventory**
- $199 million Globally
- $44 million by SD
- 191 warehouses

**Kit-packing targets**
- Reduce lead-time (3 million items)
- Health kit-packing in Africa & India
Emergency

Provision of timely & appropriate emergency response via

- Supplies
- Supply chains
- People
- Preparation (supplies & people)
- Resilience (supply chains)
Emergency response

Each emergency has its own unique characteristics

- **Horn of Africa** (e.g., largest ever scale-up of RUTF, goods-in trust)
- **Pakistan** (e.g., > 60% of supplies were locally procured)
- **Syria** (protracted, logistics in the midst of conflict)
- **Philippines** (local inventory was key, deployed broader range of Supply staff, push logistics)
- **Iraq** (quick decision-making made it one of the largest & fastest supply response)
- **CAR & S. Sudan** (regionally led response)
- **Ebola** (able to quickly develop new specs/kits and sources, push logistics)

But many common issues:

- Timely decision-making
- Real-time Monitoring
- Preparation saves time and money
Influencing markets

Use analysis to set Targets

- Availability
- Quality
- Affordability
- Sustainability (including local production)
- Innovation

Employ Strategies

- Foster competitive markets
- Collaboration
- Volume guarantees
- Transparent markets
- Strategic procurement
- Forecasts
- Industry Forums
- Local markets
- Bridge financing
- Making public our QA for key products not covered by WHO or other SRA
- Establish clear, targeted results
- U.S. Fund for UNICEF, Bridge Fund
Market Updates

Ready to use Therapeutic Food (RUTF)- May 2014
Multiple Micronutrient Powder (MNP)- October 2014
Therapeutic Milk- March 2015

http://www.unicef.org/supply/index_54214.html
Innovative Finance & Increasing Fiscal Space

Transaction (Supplier)

Financial backing for special contractual terms to obtain lower prices, secured quantities, etc.

Pre-Financing to address cash flow timing gaps

Country Financing

Increasing fiscal space for kids

2014-2017

- Contracts in contracts, primarily related to volume guarantees
- Contributed to savings

- More streamlined process for pre-financing
- Increased & expanded VII
- U.S. Fund Bridge Fund
- Transaction-specific tools

- Reducing prices (reaching more kids with same)
- Support country-owned budgeting and sustainability initiatives
- Local public-private Trust Funds (e.g.); access to commercial markets
Quality

Standard setting

Work with partners in setting product and manufacturing standards (WFP, MSF, USAID for RUTF, WHO and MSF for therapeutic milk).
Coordination of inspection plans.
Development of international standards (RUTF with WHO, FAO, WFP, MSF).

Quality Management System

Review in 2014 and ongoing implementation of action plan for improvements (policies, organization, sop, resources)
Product innovation for children

Greater opportunity for innovation
• New technologies, materials and ways of manufacture
• Growing private sector in LIC & investment in these markets
• Users ‘closer’ to producers
• Greater social awareness & responsibility

Product Innovation that
• is a part of UNICEF’s overall Innovation Strategy
• contributes to results or increases programme efficiency
• is credible
• done efficiently (right combination of process & creativity)

Innovation products
• Child friendly wheelchairs in emergency settings
• Latrine slab
• Real-time E. coli testing device
• Household water treatment systems
• School furniture design & procurement guidelines
• MobiStation
• ORS/Zinc co-packaging
• Weight measurement tapes
• Emergency packaging and Labelling
• Temporary structures
• Jerry can
• Latrine additives
• Food Online Nutrition Database (FOND)
• Visual Vaccines monitoring tool (ViVa)
• Acute Respiratory Diagnosis Aid (ARIDA).
• Personal Protective Equipment (PPE) & body bags

www.innovateforchildren.org
Supply chain strengthening with Governments

Improve Performance e.g.,
- Reduce stock-outs
- Lower transportation costs
- Timely delivery
- Reduce waste
- Reach all children

- Multi-year support to strengthen national supply chain systems.
- Learning Centre on supply chain
- Technical assistance
- South – South learning
Supply chain strengthening with Governments

- Recruitment of Supply Chain Specialist (Nutrition) working in Supply Chain Strengthening team in Supply Division.
- Analysis of supply chain studies in Africa and recommendations for integration of supplies for nutrition interventions in health supply chain.
- Supply chain analysis for Multiple Micronutrient Powder and development of recommendations and tools for supply chain management (collaboration with DSM).
- Training on supply chain management of nutrition products and plan for improvement.

www.supplychainsforchildren.org
Monitoring supply chain performance
Examples of monitoring activities

- Performance monitoring
- Markets monitoring
- Real time monitoring
- Results monitoring
- Efficiency and effectiveness monitoring
- Quality monitoring
- Innovation monitoring
- End use monitoring
- Supplier monitoring
Monitor supply outcome targets

**Innovation**
- Better diagnostic equipment
- Improve product QA
- Products for children with disabilities

**Market influencing**
- More countries self-procuring
- Publish more info on markets

**Supply chain optimisation**
- Access to strategic essential supplies improved
- Technical guidance published
- Local kit-packing increased.
- Excellence in direct delivery in fragile states

- Lower prices achieved
- Increase capacity of local suppliers
- Diversified, expanded supplier base
Supply Community

- Logisticians
- Procurement
- Warehouse managers
- Market and monitoring analysts
- Product experts
- Pharmacists
- Nutritionists
- Planners/Forecasters
- Construction Engineers
- Inspectors
- Quality Assurance Engineers
- & more

965 staff
136 nationalities
163 offices
94 countries

65 SD staff spent 2,104 person days in support to 37 COs, including emergency deployments, training, inventory management, capacity development activities, innovation, supply planning and supply monitoring.

Benefits individuals & receiving office
Partnerships for children

In addition to working with governments:

Over 85% of procurement is done in collaboration with other UN agencies
Anthropometric equipment

Orders processed
2013: $9.3M
2014: $9.6M
2015(01.06): $1.8M

- Child weight and height monitoring remains priority including for expansion of use in primary health care and community care
- Product range has been rationalized and some equipment phased-out
- Ongoing review of options for increase in accuracy while maintaining operability in field conditions and affordability (further discussion in afternoon session)

Mechanical scales: awards to be announced mid-July
Tenders 2016: Electronic scales, MUAC tape
Multiple Micronutrient Powders (MNP)

Need to expand supplier base
MNP tender 2014- awarded, follow up with potential suppliers
Next tender planned 2016
Multiple Micronutrient Powders (MNP)

Scale-up plans in Africa:
WB funding Mozambique, Senegal (2014) and Malawi (2015)
UNICEF funding DRC expansion, Madagascar, Rwanda and new in 2015 Cameroon, Sierra Leone, Cape Verde.
Procurement for Governments: Peru, Sri Lanka.

41 countries ordered 13.5M packs for $9.7 M in 2014
Therapeutic Milk

Essential for management of SAM: no alternative solutions for ready-made products. Limited sources.
Need to focus on safety and risk of microbiological contamination (manufacturing and in-use)
Tender 2014: awarded, follow up with potential suppliers
New tender 1H 2016
Ready to Use Therapeutic Food

- **56 countries** ordered RUTF in 2013 and 2014
- Continued expansion of CMAM, but challenges in funding and implementation

Tender 2014: awarded and extended 2015
New tender 2H 2015
Supplementary Food

Increase in demand for emergencies (HEB and RUSF/LNS-MQ Syria and Iraq, emergency food rations Iraq and South Sudan, CSB+ Eritrea)

Prepositioning of emergency food rations in Dubai.

CSB+ and HEB: 2014 tender – awarded
Emergency Food Rations: 2015 tender – awarded
RUSF and LNS-MQ plan for tender 2H 2015
Thank you
UNICEF 2014-17 Strategic Plan Nutrition

- Explicit equity focus on the disadvantaged & excluded to ensure UNICEF is as effective as possible in promoting and protecting children’s rights

- Maintain momentum in thematic areas: health, HIV, water & sanitation, nutrition, education, child protection, social protection, social inclusion

- Strengthened linkages between humanitarian action & development programmes

- Concrete actions to better address fragile contexts and build resilience
Result 4: Protected from malnutrition and reach their optimal growth and development

GLOBAL COMMITMENTS

Millennium Development Goals:
MDG 1: Halve, between 1990 and 2015, the proportion of people who suffer from hunger (halving the prevalence of underweight children by 2015)
MDG 4: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate 2012

World Health Assembly Goals:
40% reduction of the global number of children under five who are stunted by 2025
50% reduction of anaemia in women of reproductive age by 2025 * Increase exclusive breastfeeding rates in the first six months up to at least 50% by 2025 Reducing and maintaining childhood wasting to less than 5% by 2025

Ensure availability of and access to essential supplies, services, skilled human resources and delivery systems at national and subnational levels for scaling up quality evidence-based nutrition interventions.

Supply Indicators

• adequate availability of supplies for SAM
• iron-containing micronutrients for under 5y
• adequate iron folic acid or micronutrients for pregnant women
Divisional Strategies to help achieve the MTSP 2014-2017

1. Provide service-delivery to UNICEF programmes and procurement services partners
2. Provision of timely and appropriate emergency response via supplies and supply
3. Influence markets and policies for strategic essential supplies
4. Innovate for children via products to have high impact on programme results, bottlenecks, or value for money
5. Optimise SD supply chain to improve performance, efficiencies & help achieve programmatic results
6. Strengthen and optimise key supply chains with Governments for targeted products and locations to reduce costs, stock-outs, wastage and improve performance & help achieve results
7. Ensure the professional development of staff working in the Supply Community, further foster a sense of professional belonging, team and togetherness
8. Support the Capacity Development of national supply chain systems via a strategy that acknowledges such occurs locally under multi-year capacity development programme
Divisional Strategies to help achieve the MTSP 2014-2017

Targets

• Improved QA for key health products (specially nutrition)
• Sharing of information on markets and products for strategic-essential supplies
• Support/conduct 20 in-country Supply Chain optimisation assessments per year, including for nutrition
• Increased sourcing of RUTF from local manufacturers

Enablers

Increase in resources for nutrition (procurement, QA, supply chain)
Enhanced partnerships (SUN, SCN, WFP, WHO, FAO, others)
HOW WE PROCURE: THE FOUR PILLARS OF UNICEF’S PROCUREMENT PROCESS

QUALITY

PRICE

SPEED

ETHICS
UNICEF PROCUREMENT ETHICS

• Compliance with UNICEF Financial Rules and Regulations
• Compliance with Public Procurement Principles
  • Integrity
  • Transparency
  • Fair competition
  • Equal Treatment
  • Best value for money
  • Organizational Objectives

• Apply procurement strategy that supports a healthy development of the market
UNICEF uses various methods for identifying sources of products so as to ensure access to sufficient relevant suppliers and increase competition.

**ACTIVE SOURCING**
- U.N. roster (UNGM - [www.ungm.org](http://www.ungm.org))
- Recommendations from other partners
- Contacts made at trade fairs, UN Business Days
- Requests for Expressions of Interest (REOIs)
- Market surveys
- Internet

**PASSIVE SOURCING**
- The Suppliers contact the organisation wanting to do business:
  - writing an email introducing their company
  - expressing interest in invitations to bid (for example responding to e-published Tender Calendars)
  - registering in the UNGM

Sourcing is done independently by UNICEF or jointly with other partners.

In Nutrition, references from programme implementers is an important source of contacts.
Majority of procurement conducted through competitive bidding, but direct/sole source procurement also conducted under certain circumstances.

Overriding principle is to ensure competition and equal treatment.

Solicitation conducted through:
• Request for Quotation (RFQ)
• Invitation to Bid (ITB)
• Request for Proposal (RFP)
Evaluation of offers

- **Technical Evaluation**
  - Technical characteristics and manufacturing quality

- **Commercial Evaluation**
  - Based on technical and QA reports received
  - ITB “lowest evaluated bid”
  - RFP “most responsive evaluated proposal”
  - Based on lowest acceptable offer, including landed cost and possible discounts for early payment (payment terms), lead times, minimum order quantities, etc.
  - Considers commercial risks (SEU evaluation)
KEY CRITERIA FOR CONTRACT AWARD

Price
Quality
Delivery Time / Speed

Availability/market development

Compliance

\{ 
Best value for money

Healthy Market
\}

The tender outcome is reviewed by an internal independent body (Contracts Review Committee) who recommends approval to SD Director
Type of Contracts and Agreements

- UNICEF awards contracts (Purchase Orders) or establishes framework agreements (Long Term Agreements or LTAs) under which Purchase Orders are placed.

- LTAs can be time-bound (open quantity) or value targeted (specific quantity). Value targeted LTAs are established when there is confidence in forecast and consideration of multiple awards.

- Duration of LTAs vary from 1 to 3 years, with options for revision and renewal.

1. Establishment of Long Term Arrangements for supply for 1 to 3 years

2. Purchase Order
   - Purchase Order
   - Purchase Order
   - Purchase Order
Long Term Agreements are for fixed prices/terms.

Requests for changes in prices/terms need to be justified sufficiently to allow evaluation against procurement objectives on which the LTA was established and Financial Rules and Regulation, and notified with sufficient time for review.

If changes can not be accepted then LTAs are terminated and if needed a new tender initiated.
Contract Management

‘Contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract.’

Key enabling factors:

Communication
Monitoring (including performance)
Feedback

UNICEF values the relation it has with suppliers, and makes a priority the establishing effective processes to manage it.