

# Supply Annual Report 2015



FEATURE

## Supply financing solutions for children

Interventions to meet increased demand for affordable life-saving supplies in a rapidly changing global context



unicef  | for every child



## Cover photo

◀ **Nepal:** A porter carries UNICEF-provided vaccines to a health post in Gorkha District – the epicentre of the earthquake on 25 April 2015 – for a measles, rubella and polio vaccination campaign

▶ **Vanuatu:** Students sit inside a UNICEF tent being used as a temporary classroom after their school was badly damaged by Cyclone Pam on 13 March 2015



▶ **Bolivia:** Maribel, 8, and Shirley, 6, wash their hands at a hand-washing station in the Guaraní community. The girls wear the traditional dress of the indigenous Guaraní

### About UNICEF

UNICEF promotes the rights and wellbeing of every child in everything we do. Together with our partners, we work in 190 countries and territories to translate that commitment into practical action, focusing special effort on reaching the most vulnerable and excluded children, to the benefit of all children, everywhere.



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Savings of \$422.8 million achieved in 2015 took total savings to \$1.068 billion since 2012  
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### FEATURE

## Supply financing solutions for children

An expanding range of financing interventions helped avoid supply gaps, increased country self-sufficiency, secured lower prices and faster product availability, and fostered domestic growth  
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## Emergencies

Natural disasters, protracted conflicts and mass migration left millions of children vulnerable and in need of protection and life-sustaining humanitarian assistance  
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## Supply chain strengthening

New tools, platforms and partnerships are supporting countries to strengthen local systems, build technical capacity and ensure sustained supply chain performance  
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# Agile, resilient and sustainable supply chains for children

Improving accessibility, bridging financial gaps, generating savings and strengthening supply chains with governments

**F**or 70 years, securing the health and wellbeing of children around the world has been at the heart of everything UNICEF says and does.

Between 2000 and 2015, the global community made great strides to improve the lives of children and their families – galvanized by the common objectives of the Millennium Development Goals (MDGs). The collective commitment of governments, donors, partners and international institutions more than halved under-five mortality rates since 2000 (from 12.7 million to 5.9 million children); contributed to an almost 50 per cent fall in extreme poverty (from 1.9 billion to 836 million); provided access to water for 2.6 billion people; and helped 43 million additional children attend primary school each year – many of these are girls. But there is more yet to do.

In September 2015, world leaders committed to the Sustainable Development Goals (SDGs), a renewed global push, between now and 2030, to end extreme poverty, fight inequality and injustice and address climate change. The 17 SDGs include goals that are specific to the health and wellbeing of children and adolescents. Access to affordable, high-quality vaccines, medicines, water and sanitation and education supplies is critical to realizing the SDGs.

UNICEF remains one of the largest buyers of supplies for children and in 2015 procured over \$3.4 billion in supplies and services. At the same time, UNICEF Supply responded to increased requests from governments for technical expertise, knowledge sharing and collaboration to optimize supply chains,

prevent stock-outs, reduce costs and ensure timely delivery. UNICEF uses evidence-based strategies that focus on competition, transparency, special financing, special contracting and partner collaboration to tackle market issues to achieve value for money, sustainability and meet demand. These efforts contributed to increased availability and declining prices in 2015: Over \$422.8 million in savings and cost avoidance was achieved in 14 commodity groups across the year, bringing cumulative savings since 2012 to \$1.068 billion.

The rapidly growing supply financing area of UNICEF's work is core to achieving the above and is the theme of this year's annual report. Initially, UNICEF's support in this area focused on securing bridge financing for countries experiencing gaps in the timely availability of funds to buy supplies. However, in the last five years, the work on supply financing solutions for children has expanded markedly. It covers special contracting arrangements that help address market uncertainties and contribute to lower prices; technical support to build countries' budgeting, financing and procurement self-sufficiency; and efforts to encourage expansion of the local supplier-base. The report explains each of these financing interventions, and through country examples, illustrates the impact of these efforts on the lives of children.

Alongside efforts to establish agile, resilient supply chains, UNICEF Supply continued to respond to the needs of children caught in crisis and conflict throughout 2015. The Supply emergency response reached children in Burundi, the Central African Republic,

Ethiopia, Guinea, Iraq, Liberia, Malawi, Nepal, Sierra Leone, South Sudan, Syria and Vanuatu. UNICEF Supply also supported migrant and refugee children risking their lives to find safety and education in Europe.

Despite this varying and often challenging operational environment, achievements across the year demonstrate the scope and value of UNICEF Supply and its potential to contribute to global efforts to ensure children and young people are healthy, safe, educated and empowered. The drive to integrate sustainability into supply chains for children is built upon ingenuity, perseverance and compassion – qualities that define UNICEF colleagues who procure and deliver supplies that help fulfil every child's right to a full and healthy life. •



▼ **Pakistan:** Skakil, 2, sits with his mother at home in Sheikhupura District, in Punjab Province after having being vaccinated against measles. More than 1 million children in the district were vaccinated (nearly 100 per cent coverage of children under 5) as part of a measles immunization campaign conducted by the district health authorities



# UNICEF Supply strategies

Improving efficiency and strengthening coordination for sustainable supply chains for children

UNICEF established ‘**supply strategies**’ to improve supply and logistics operations, and strengthen partnerships with governments and other organizations. Improved efficiency and effectiveness enables UNICEF to meet priorities and humanitarian objectives.

These strategies are: timely and quality **Service Delivery; Preparation and Emergency response**, including responses to public health emergencies; **Strengthening Supply Chains with Governments** to ensure supplies are financed, reach children and are sustained; **Monitoring** to increase transparency through real-time data and to allow for early identification and mitigation of issues and bottlenecks; **In-Country Logistics** so that customs clearance, inventory management and inland transportation are timely and of quality; utilizing **Product Innovation** to drive supplies that are fit-for-purpose and scalable; **Influencing Markets** so markets are healthy and life-saving supplies are accessible, and **Supply Financing Solutions** to bridge timing gaps, secure demand and achieve affordable pricing. In addition, strategies that underpin this work include **Optimizing** internal systems

and processes, improving our work via external **Partnerships** applying **Project** and **Results-based Management** to our work, drawing on **Evaluations** as a source for continuous learning and improvement, and the professional development, mobility and connectedness of staff working in UNICEF’s supply function – the **Supply Community**.

While the Supply Strategies are global, adoption at the local level is based on country context and programme priorities. UNICEF collaborates with governments and partners, to tailor activities and approaches with the aim of generating the greatest impact for each country situation. ●

## Overview of strategic supply interventions by country classification

The below provides an overview of the strategic supply interventions across 2015 applied in different country contexts, as defined by the World Bank’s Gross National Income (GNI) classifications

GNI classification	Supply interventions					
	Emergency supply preparation and response	Supply via UNICEF programmes	Procurement services	Capacity development of national supply chains	Influencing markets	Financing
Low-income countries (LICs)	22 ●	31 ●	31 ●	16 ●	31 ●	4 ●
Lower-middle-income countries (LMICs)	19 ●	51 ●	46 ●	11 ●	45 ●	16 ●
Upper-middle income countries (UMICs)	9 ●	45 ●	21 ●	1 ●	16 ●	6 ●
High-income countries (HICs)	3 ●	9 ●	4 ●		2 ●	
Total number of countries by Supply interventions in 2015	53 ●	136 ●	102 ●	28 ●	94 ●	26 ●

### Emergency supply preparation and response

Provision of timely and appropriate supplies and services for emergencies

### Supply via UNICEF programmes

for children using funds donated to UNICEF

### Procurement services

Using UNICEF’s purchasing capacity and expertise to support countries procuring supplies for children with their own and donor resources

### Capacity development of national supply chains

Engaging with, and providing technical expertise to governments to strengthen national supply chains and build local capacity

### Influencing markets

Shaping local and global markets to ensure the sustained availability, quality and affordability of supplies for children

### Financing

Strategic supply financing solutions deployed to ensure the uninterrupted flow of supplies, to capitalize on reduced product prices, build governments’ financial capacity and support domestic economic development



▼ **Uganda:** Students play at an Early Childhood Development Centre in Gulu District





## UNICEF's supply financing work focuses on the following areas:

### Pre-financing:

a range of tools deployed to 'bridge' timing gaps in grant or government disbursements that could lead to supply shortages or stock-out.

### Increasing governments' fiscal space:

support to country-owned budgeting, domestic resource mobilization and financing initiatives through the identification and implementation of structured and sustainable supply financing solutions.

### Special contracting arrangements:

contracts negotiated with suppliers, employing non-standard terms, typically with accompanying financing structures, to secure improved pricing (resulting in savings) and accelerated availability of supplies.



# Supply financing solutions for children

As an intergovernmental organization, UNICEF procurement is governed by UNICEF's Financial Regulations and Rules. These provide a framework to ensure competition, fair treatment, transparency and safeguard donor funds.

Within this framework, UNICEF has developed and expanded a number of financing interventions to keep pace with the demand for essential life-saving commodities for children. Financing interventions are becoming increasingly important in light of economic transformations affecting countries

Pre-financing mechanisms are used to bridge temporary gaps when funds are not immediately available at the time a procurement must take place. Such misalignments between the timing of funds availability and the timing of procurement can leave children without supplies when their need is critical.

Normative support and technical assistance to countries on supply financing matters (e.g., budgeting and core disbursement processes) improve the efficiency and sustainability of government-led programmes, while

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