

56th Meeting of the Standing Committee
“Report on Supply Management”
6 March 2013

Introductory Statement of Mr. Amin Awad,
Director, Division of Emergency, Security and Supply (DESS)

Madam Chair, Excellencies, distinguished delegates, ladies and gentlemen,

Over the past two years, since I last shared **UNHCR’s supply management** plan of action in March 2011, the Organization has faced several challenges, including the need to respond to continuous, large scale and simultaneous emergencies erupting in the Middle East and Africa. These emergencies placed the highest demands on our capacity to supply and deliver to these operations at precisely the time the Supply Management Service was being reformed and restructured with a view to building a modern, world class humanitarian supply chain. Furthermore, the adoption of IPSAS as of 1 January 2012 has had significant implications for supply management.

To try to provide some sort of comparison to what the Supply Management Service has faced, these past two years could be compared to a fire fighting service having to respond to continuous four-alarm fires, while trying to repair the fire trucks, train the fire fighters and construct the fire stations, all at the same time.

While this was a challenging context to operate in, I am pleased to review with you our progress and achievements to date as well as our plans for the next two years.

Firstly, I will outline our emergency response in terms of supply management (our so called “firefighting”);

Supply management in emergencies is about the rapid, on-time delivery of core relief items and equipment to operations to provide life-sustaining assistance to persons of concern. The three-pronged approach – which simultaneously activates air and surface transport, as well as stock directly from suppliers (“white stocks”) – has demonstrated its real value in responding to the large scale emergencies in 2011 and 2012, such as those in Syria and the surrounding countries, the Horn of Africa, West and Central Africa, as well as the Sahel. The Office dispatched 129 airlifts in 2012, which is double that of 2011, and, though less visible, we

moved even more assistance by surface. Our record of timely emergency delivery has improved in the past years, with over 90% of airlifts activated within 72 hours of the emergency operation's request.

While simultaneous emergencies of varying magnitude were occurring, UNHCR's Supply Management Service was called upon to meet its commitment to deliver for up to 600,000 persons in 72 hours. In doing so, the strategic network of seven logistical hubs and the "white stock agreements" proved their worth. Due to the expansion of the location of hubs, the Office was able to ensure the immediate delivery of relief items by surface and air to the operations in Syria and the surrounding countries from the stockpiles prepositioned in Amman and Dubai. Further, suppliers, who prepositioned their "white stock" in the region, enabled UNHCR to push those stocks directly to the operations. Equally, shipments by road from the hub in Accra supplied the emergency operations in Burkina Faso and Mali, while our hub in Nairobi provided a pipeline for the emergencies in Ethiopia, Rwanda and South Sudan.

Acknowledging that room for improvement remains and recognizing the challenges encountered, I believe it is fair to say, looking back at March 2011, that UNHCR's supply management for emergency operations has since been significantly strengthened.

Secondly, I will now turn to what went on **behind the scenes** while we responded to emergencies and meet the daily requirements of our other operations. As I mentioned earlier, these past years have been focused on rebuilding our Supply Management Service. To describe all the building blocks put in place would take far too long, so let me focus on a few examples: asset management, tightening oversight, and professionalizing the supply workforce.

Our Supply Management Service has focused on clean-up of; asset management, audit compliance, warehousing, recording, procurement and contracting. To ensure the recording accuracy of our **Plant, Property and Equipment**, required by IPSAS, UNHCR conducted a comprehensive physical verification of all assets in some 125 countries. This has permitted the Office to use existing assets more effectively, while maintaining the same level of service. In addition, obsolete, excess and slow moving inventory was identified and the disposal or reallocation initiated.

The Supply Management Service is under constant scrutiny from our auditors (both internal and external). Given the scale of spending required by the Organization to meet the needs of persons of concern, this **regular auditing** is called for, as well as welcomed. For this reason, a **Compliance Section** was created in 2011 with the goal of addressing compliance issues, monitoring the implementation of accepted audit recommendations and providing timely response to the auditors. I believe that the auditors would agree that, in comparison to the past, our record has improved markedly.

The **professionalization of the Supply Management workforce** is almost completed. After bringing on a new Chief of Service from the private sector, whom I introduced to you in 2011, UNHCR strengthened its management through the appointment of qualified and experienced experts. The impact of these recruitments for our procurement and contracting activities was immediately felt. Throughout 2012, the **procurement and contracting practices** were harmonized and related rules and regulations were updated and enhanced. Quality assurance tools and policies were strengthened and global frame agreements expanded. This allowed for better quality items and faster procurement for the operations.

While I have not touched on all areas of reform, I would like to take the remainder of my time to update you on the **next phase** of the Office's efforts to create a world class supply chain over the coming two years.

While SMS will continue to strengthen its emergency response capacity in preparation for the next expected - or unexpected - crisis and as it continues to build the expertise of supply staff world-wide, the primary focus in the coming years will be on reliable delivery, better asset management and stronger procurement processes. Let me say a few words on each;

Reliable delivery must be underpinned by effective planning and stock management. UNHCR will focus its efforts on improving planning through standardizing planning procedures including an assessment of needs as the basis of planning, followed by defining minimum stock levels for each warehouse, and an established replenishment plan. The intended result will be the ability to anticipate demands thereby reduce lead times required for procurement and delivery, improve order-size management, and rationalize the use of warehouse space.

I have already mentioned our steps, to date, to **improve asset management**, and the processes will continue to be applied and enforced. In addition, over the next two years, UNHCR will tackle one of the largest and most unruly of its asset categories – the fleet of some 5,000 vehicles. This past January, the High Commissioner launched a Global Fleet Management Project aimed at providing UNHCR operations with appropriate, cost-effective, safe vehicles. The aim is to reach a "right size" of fleet, while improving the services through a fleet management leasing programme.

The Office is also turning its attention to the **land and buildings** owned, leased or granted to the organization in some 420 locations. A Senior Engineering and Property Manager has been appointed to optimize the management and use of these properties.

My last point is on the **strengthening of our procurement processes**. UNHCR's global spending on goods and services has increased by 35.7% in the past three years, placing growing demands on the capacity of SMS. At the same time, two additional functional areas were added to the responsibilities of the service, namely the Global Fleet Management and Land and Building Management. Therefore, the High Commissioner has decided to segregate procurement and contracting from the other functions of supply by creating a separate Procurement Management and Contracting Service as of April 2013. This division of functions will ensure that while the breadth of services expands, while the depth and quality of service is not compromised.

Mr. Chairman, Distinguished Delegates,

Recalling where SMS started from when our efforts at reform began in 2010, as well as the challenges faced throughout this process, not the least of which I noted at the beginning of this statement, I believe significant progress has been made toward establishing a world class humanitarian supply chain and it is my hope that in two years, our statement will report on having achieved this status.

We are grateful for your continued support to these efforts.

Thank you.