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GLOBAL INITIATIVE ON CONTRACEPTIVE REQUIREMENTS AND LOGISTICS MANAGEMENT NEEDS IN DEVELOPING COUNTRIES IN THE 1990s

Report of the Executive Director

1. This report has been prepared in response to Executive Board decision 95/21, in which the Executive Board took note of the report on the Global Initiative on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s contained in document DP/1995/24/Part II, and requested the Executive Director to submit to the Board at its third regular session of 1995 a proposal, in the context of the proposed UNFPA intercountry programme, for the continuation of the Global Initiative beyond 1995, including therein an outline of the objectives, modalities and procedures for a possible future global contraceptive arrangement.

A. Proposal for the continuation of the Global Initiative

2. Since 1992, the activities of the Global Initiative have been implemented by a secretariat consisting of two professional and one support staff. This secretariat is directly supervised by the Chief, Reproductive Health Branch and is under the overall management of the Deputy Executive Director (Technical Services). During this period, funds to support the secretariat were provided by the Australian Agency for International Development (AusAID), the Rockefeller Foundation, the Swedish International Development Authority (SIDA) and the World Bank. Funds for consultants, mission costs and publications have been provided by UNFPA, and in the case of the country studies these have been supplemented by a number of partners including: the Canadian International Development Agency (CIDA), the International Planned Parenthood Federation (IPPF), the British Overseas Development Administration (ODA), The Population Council, The Rockefeller Foundation, SIDA, the United States

Agency for International Development (USAID), the World Bank and the World Health Organization/Global Programme on AIDS. Current funding will come to an end in 1995.

3. The Consultative Group on Contraceptive Requirements at its annual meetings in June 1994 and June 1995, endorsed the work of the Global Initiative and recommended that the secretariat of the Global Initiative should be made an integral part of UNFPA. The meetings emphasized that the time had come to institutionalize the work of the Global Initiative at UNFPA. The Executive Board in decision 94/19 endorsed the continuation of the Global Initiative and authorized the Executive Director to make appropriate arrangements through the use of project funds to continue the work of the secretariat of the Global Initiative for a further two-year period. As noted above, at its annual session in June 1995, the Executive Board in decision 95/21 requested the Executive Director to submit a proposal for the continuation of the Global Initiative.

4. In the context of the UNFPA intercountry programme for 1996-1999 (see document DP/1995/44), the Fund proposes that the secretariat of the Global Initiative, consisting of two professionals and one general staff, be continued. Activities proposed to be undertaken by the Global Initiative during the next four years include: medium-term follow-up to the in-depth studies; technical assistance and training in logistics management and forecasting; development and regular updating of the contraceptive commodity database; publication of additional technical reports; development of mechanisms for coordinated procurement; and monitoring of country follow-up action plans. As in the past, UNFPA expects to continue close collaboration with all its partners in these activities.

5. The implementation of these activities over the next four years is contingent upon the continuation of the current institutional arrangements, specifically, the three-person secretariat as mentioned above, and the provision of $2 million.

B. Global contraceptive arrangement

Background

6. The idea of setting up a global contraceptive commodity facility (which is referred to as the global contraceptive arrangement in the Executive Board decision) had first been discussed by the Consultative Group on Contraceptive Requirements four years ago. This was deemed necessary for a variety of reasons: to ensure that all developing countries were able to secure contraceptives at the lowest possible cost; to ensure that the contraceptives provided were of appropriate quality; and to facilitate a prompt response to urgent demands in order to avert potentially critical disruptions to contraceptive supply and the resultant problems.

7. Although the first two issues were often addressed via a combination of existing channels, the last issue remained a key problem. In this respect, discussions between agencies involved in the provision of contraceptives have noted considerable increases in the number of urgent requests being

received. Numerous examples may be cited in recent years where developing countries have faced the prospect of critical shortages or depletions of essential contraceptives (for example: Pakistan, IUDs; Bangladesh, condoms; Niger, injectables; and Egypt, injectables). Regrettably, prompt response to such demands is often impossible due to lack of dedicated funding and the fact that no stock of commonly required contraceptive products are maintained. In this context it is noted that UNFPA, in line with prevailing rules and regulations, can only procure upon receipt of a firm demand and only after dedicated funds have specifically been made available. The subsequent lead-time for many contraceptive products is therefore months rather than weeks. The prompt response required in the event of pending supply disruption is consequently precluded under the existing system.

8. When the idea of the global contraceptive commodity facility arose, it was decided to first conduct a series of twelve in-depth country studies on contraceptive requirements and logistics management needs in order to better understand the scope and extent of the problem. These studies were completed earlier this year. In early 1995, with funding from the Rockefeller Foundation, UNFPA engaged a consultant to prepare a draft discussion paper on the need and feasibility of a global contraceptive commodity facility. The discussion paper examined, inter alia, a number of institutional arrangements for such a facility: (a) to establish the facility as an integral part of UNFPA with either adequate staff at UNFPA headquarters or with a small staff at UNFPA headquarters supplemented by project personnel; (b) to establish the facility as a special project of UNFPA; (c) to establish the facility under an alternative United Nations agency or organization that already had experience in the area of procurement such as UNICEF's warehouse operation in Copenhagen, UNDP's Inter-agency Procurement Services Office (UNDP/IAPSO), or the United Nations Office of Project Services (UNOPS); (d) to request the IPPF in London to set up a semi-autonomous institution under the control of a board whose members would be donors to the facility and such other persons as they might wish to include; and (e) to establish a separate, independent institution responsible to its own board, which would include representatives from the donors to the global contraceptive commodity facility and such other members as the contributing donors might wish to include.

9. This paper was discussed and further elaborated on at both the Working Group Meeting on 27 February 1995 and the Consultative Group Meeting on 2 June 1995 held at United Nations Headquarters in New York. It was agreed that the preferred option was for UNFPA to undertake the establishment and management of a global contraceptive commodity facility. The Consultative Group endorsed the establishment of such a facility and recommended that this suggestion be placed before the Executive Board at its annual session commencing 5 June 1995.

10. Objective. The primary objective of such a contraceptive commodity facility would be to respond promptly to increasing requests for the emergency provision of contraceptives supplies from developing countries and, in so doing, to eliminate discontinuities in the supply of contraceptives. The facility would ensure that the products provided complied with WHO quality standards and were made available at the lowest possible cost in order to ensure the most cost- effective utilization of donor funding.

11. Mechanism. The facility would operate under the principle of a "revolving fund" managed as a trust fund by the Procurement Unit of the Division of Finance, Personnel and Administration (DFPA), UNFPA.

12. Rationale. The lead-time required from the initiation of a request for contraceptives to the time of delivery to the recipient programme comprises numerous elements. However, two major factors contribute to the largest part of this lead-time. The first factor is the availability of funding, and the second is the actual production time for the contraceptive concerned. Both are inextricably linked. It is not possible, under current UNFPA financial regulations, to issue a purchase order or binding legal commitment to procure any products without first having the necessary funds to cover the financial obligation incurred. Similarly, production by the manufacturer is generally not initiated without first having a formal binding request in the form of a purchase order.

13. It is therefore necessary to have dedicated funds to initiate the procurement process (purchase order) which in turn facilitates manufacture of the desired contraceptive products. Given that the range of contraceptives provided by UNFPA, and indeed all donor agencies, is finite and that packaging and presentation is common and accepted throughout the international public sector with only a few exceptions, it is possible to procure a limited range of contraceptives that may be supplied to a wide range of possible recipients. However, in order to procure specific quantities of this finite range of commonly-requested contraceptives a critical mass of dedicated funding is required.

14. Based upon previous experience of emergency requirements, and upon the time lag needed to replenish this funding, it is proposed that the revolving fund comprise a minimum of $2 million, and ideally $5 million.

Modalities and procedures

15. There are three prerequisites necessary for the establishment of the proposed facility: funding; staffing; and operational criteria.

16. Funding. The intent is to set up a "revolving fund" managed as a trust fund by UNFPA. UNFPA would provide the initial funds (in the amount of $2 million) required to commence this arrangement. Additional funds would be sought from interested donor organizations to increase the amount held to $5 million in order to ensure continuity of response. Replenishment of this facility would be accomplished by: (a) recovering funds from UNFPA country programmes; (b) recovering funds from national Governments and their ministries of health; (c) reimbursement by donors. Consideration may also be given to charging a fee or facility premium. This fee or premium would be ploughed back into the facility to increase the amount of available funds and/or would be utilized to offset overhead costs. A facility premium might also help to ensure that requests made to the facility were specifically of an emergency nature and not regular requirements.

17. Staffing. Current staffing levels within UNFPA are not adequate to initiate or manage this global contraceptive facility. The following project personnel requirements are envisaged: (a) finance assistant (G6 level); and (b) procurement adviser (L4 level). The finance assistant would be based either within the Finance Branch or within the Procurement Unit in order to ensure that the revolving fund is appropriately administered and that satisfactory financial statements are periodically produced as required by the donors to the facility. The procurement adviser would be required to assist the existing procurement staff in the establishment and administration of dedicated buffer stocks of essential contraceptives to facilitate prompt response to emergency requests. The individual concerned based in the Procurement Unit and reporting to the Senior Procurement Officer would be responsible for ensuring that the guidelines and criteria were strictly applied. The procurement adviser would provide periodic updates and reports on the work of the facility in order for the Executive Board to assess its effectiveness and to recommend any modifications to its operation.

18. It should be underscored that it would not be viable to operate this facility without additional staff. Experience to date with externally-funded procurements has demonstrated that most are invariably more time consuming than standard UNFPA core-funded procurements. In this context it is envisaged that a considerable amount of work would be generated in managing the trust funds, settling invoices and providing periodic financial statements. Further, given that this facility may operate on the basis of combined funds from multiple sources and upon the principle of a "revolving fund", the bookkeeping and monitoring process would be even more complex. Therefore, a relatively senior level general service staff member (G6) would be required to provide dedicated support to the global contraceptive commodity facility and resultant procurement activities.

19. Operational criteria. Such criteria would, inter alia, determine whether requests received were eligible for support from the global facility (eligibility criteria) and provide guidelines concerning the operation of the facility (operating guidelines).

20. The eligibility criteria would include: the reason for the emergency request (justification); current stockholding situation and in-country demand; potential alternative aid sources and contraceptives within the supply pipeline; national ability to respond and react in procuring necessary products directly.

21. The staff of the global facility, in close cooperation with the UNFPA Procurement Unit, would execute requests meeting any stipulated criteria for the recipient programme for a pre-agreed range of contraceptive products. However, such requests would first be evaluated by the appropriate division and then submitted to the Contracts Review Committee (CRC) for review and approval.

22. Under the operating guidelines, the facility would only procure a small range of commonly required contraceptive products from established manufacturers adhering to the existing financial regulations and rules currently dictating UNFPA procurement practice. Brand preference would be actively discouraged but may be permissible given formal justification. The facility would ideally

procure contraceptives by pharmaceutical composition or generic description within pre-agreed (i.e., WHO-approved) specifications at the lowest available international price.

23. Having procured a pre-agreed range and volume of standard contraceptives, the facility could either ship these commodities to a warehouse facility (e.g. UNICEF, Copenhagen) to be called on as required and consigned to the designated recipient country or it could negotiate with the respective manufacturers, prior to procurement, to hold the items in stock at the manufacturers' premises, to be segregated and held ready for immediate shipment to the agreed recipient. It is felt that the second of these two possibilities is the preferred option because it would not incur additional freight charges to an interim (warehouse) destination; UNFPA would not be required to set up a warehousing function that would incur further costs and might have additional staffing implications; and UNFPA could ensure that stocks held were "fresh", i.e., items held by the manufacturer would be regularly replenished to ensure optimum shelf-life.

C. Elements for a decision

24. The Executive board may wish to:

(a) Take note of the report, as contained in document DP/1995/62;

(b) Endorse the establishment of a global contraceptive commodity facility, to be managed by UNFPA;

(c) Further endorse the modalities and procedures required to establish such a facility as presented in paragraphs 15-23 of the report.

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