

## SUPPLY CHAIN MANAGEMENT

### I. INTRODUCTION: FROM LOGISTICS TO INTEGRATED SUPPLY CHAIN MANAGEMENT

1. UNHCR has a protection mandate, which includes upholding the rights and meeting the basic needs of refugees and other people of concern. If the organization does not have the capacity to provide protection and deliver assistance, its ability to assure a comprehensive and integrated approach is weakened, both vis-à-vis the core mandate for refugees and also for other persons of concern, i.e. internally displaced persons (IDPs), returnees and stateless populations. The delivery of material assistance is a core UNHCR activity, and the organization needs to structure and capacitate itself accordingly.

2. Logistics has always been an important and visible function in UNHCR's field operations. In order to support vast return operations (such as in Afghanistan, South Africa, Namibia or the Great Lakes) or deliver relief on a large scale to displaced people (e.g. in the Former Yugoslavia, the Great Lakes or the Horn of Africa), a strong logistical capacity and significant staffing resources dedicated to the movement of goods have been vital. Procurement was originally considered to be more of a back-office function: while providing the basic material inputs for operations, it remained relatively delinked from the logistical aspects of delivery.

3. In line with developments in the corporate and humanitarian logistics world, UNHCR adopted the integrated supply chain concept, bringing together procurement and logistics, as well as introducing new specialist staff in areas such as fleet, warehouse and asset management. This was, however, matched by limited reinforcement of professional field logistics capacity. In fact, in the past ten years, a significant number of logistics posts at field level were cut, owing to budgetary and staff reductions throughout the organization. Moreover, the integrated supply concept was only partially incorporated into operational planning, remaining in many cases a sub-function of programme management. Also, within the organization, a distinction was made between "normal" and "emergency" logistics, which prevented the full implementation of integrated supply chain management.

### II. CHANGE PROCESS

4. As part of UNHCR's structural and management change process, which led to the outposting of a number of functions to Budapest in 2007, the Supply Management Service (SMS) utilized savings to establish a number of additional posts in supply chain management areas where no specific expertise existed (i.e. fleet management, warehouse management, implementing partner procurement), and existing functions were reinforced. This has resulted in important cost avoidance/savings and enhanced delivery, particularly in emergencies.

5. In late 2008, the High Commissioner asked for an assessment of UNHCR's supply chain performance with a view to further strengthening its capacity for effective delivery of goods and services to beneficiaries, particularly in non-emergency situations. A renowned external humanitarian logistics institute, the Fritz Institute, undertook a comprehensive review of the supply chain in UNHCR. The High Commissioner has endorsed the conclusions of the Institute's report<sup>1</sup> and a task force has been formed, led by the Assistant High Commissioner (Operations), to take the process forward.

6. Following the Fritz Report recommendations, the second phase of the structural and management change process for the supply chain will result in far-reaching and profound changes in UNHCR's operations management and, consequently, in its external partnerships. The process aims to improve the global stock management system through better information, non-food item sourcing and pipeline management, and a more centralized handling of currently fragmented and disconnected stockpiles. This is aimed at enhancing UNHCR's role as a key actor by enabling early and effective delivery of relief and basic shelter materials in humanitarian disasters.

### III. CONSEQUENCES OF AN ENHANCED DELIVERY ROLE INSIDE UNHCR

7. The creation of a new Supply Division will support operations in the enhanced delivery role of the organization. It will engage directly with operations in all functional areas of supply management, and provide support, guidance and oversight.

8. An enhanced delivery role will not come without institutional investment, and UNHCR's senior management is fully committed to strengthening field and support structures to accomplish this new strategic direction. Whereas existing operations will be reinforced in a phased manner, any situation for which a new supplementary budget (n.b. these will disappear with the new budget structure) needs to be established will immediately reinforce its supply management capacity along lines to be outlined in a future revision of the guidelines for establishing a UNHCR presence in the Field.

9. Commitment to achieving excellence in all supply chain areas implies building capacity and providing extensive training throughout the organization. Where additional capacity cannot be found within the organization or achieved through training, it may be necessary to resort to external recruitment or the conversion of semi-external resources (such as implementing partner staff or secondments) into UNHCR's core resources.

10. The Supply Division will be the custodian of standards and benchmarks in all areas of supply chain management and will be responsible for providing the requisite advice and support to operations. Clear indicators will be developed for the duration and quality of supply chain management processes aimed at the best and fastest possible delivery of goods and services to people of concern. For this to be possible, all relevant Management Systems Renewal Project (MSRP) supply tools need to be fully utilized and data entry ensured, notably for asset and fleet management. Establishing a more prominent role as a delivery agency is therefore an institutional target, which will not succeed unless the requisite field-based capacities are put in place.

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<sup>1</sup> See *Assuring effective Supply Chain Management to support UNHCR's beneficiaries*, Fritz Institute, PDES/2008/10, December 2008, available at [www.unhcr.org/research/RESEARCH/496db70a4.pdf](http://www.unhcr.org/research/RESEARCH/496db70a4.pdf)

11. The current stockpile management is fragmented and does not make optimal use of resources due to a multitude of ownership and (resource) management arrangements. UNHCR therefore proposes to replace this with a global stock management system, rather than a series of disjointed global, regional and local stockpiles. Such a stock management system should comprise a globally managed network of stockpiles in strategic locations, complemented by local sourcing in areas where items are available under favourable conditions.

12. Separate ownership of stockpiles, as was the case so far, does not necessarily result in more timely delivery; moreover, it raises the risk of perished and unusable stocks. At times this has even resulted in contradictory situations where central stockpiles were overflowing, while nearby operations were resorting to local procurement of identical items through implementing partners.

13. Individual “ownership” of stockpiles for specific purposes (operational or functional coverage) will be changed and the current “pull” approach (i.e. action starts when a request is generated by an operation) will be replaced by a “push” approach, based on planned and predictable delivery, and managed globally by one central service provider: the Supply Division. At the same time, the system will have much more flexibility in terms of large strategically located stockpiles and divertible pipelines that can be activated and adjusted in case of an emergency. The Supply Division will be responsible and accountable for the timely delivery of strategic relief items up to the distribution point.

14. A better use of logistical assets (such as vehicles and equipment) will be pursued through a mixture of reinforced staffing, dedicated truck fleets in strategic regions, training and field-based Enterprise Resource Planning (ERP) systems that will allow oversight, control and enhanced flexibility. The introduction of the International Public Service Accounting Standards (IPSAS) makes better management of assets an institutional requirement and justifies reinforcement of field capacity in this regard.

15. Enhanced delivery calls for the involvement of supply staff from the onset of operational planning, at the same level as other core functions (programme, protection and administration). This will allow the Supply Division and the operation to jointly design the structures and systems that will support the optimal fulfilment of beneficiaries’ needs.

#### IV. A STRONGER AND MORE SYSTEMATIC ROLE IN THE DELIVERY OF NON-FOOD ITEMS

16. A central feature of this enhanced delivery role is the Office’s position as lead agency for Emergency Shelter (ES) in situations of conflict-generated<sup>2</sup> internal displacement under the IASC-driven cluster approach. It is essential that UNHCR be fully predictable and consistent as an ES Cluster lead.

17. UNHCR, in the wake of the reorganization and enhancement of its global stock management, intends to respond much more systematically with the delivery of non-food items (NFIs), particularly in conflict-generated displacement situations. The Office will also endeavour to support its partners in natural disasters, upon request and if capable, as it did after the Indian Ocean tsunami, the earthquake in China and the floods in Myanmar.

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<sup>2</sup> In situations of internal displacement generated by natural disasters, the International Federation of Red Cross and Red Crescent Societies (IFRC) is the ES Cluster lead.

18. UNHCR aims to organize its delivery capacity so as to be on the scene at the outset of an emergency with adequate resources to start delivering NFIs to beneficiaries. This means getting the right staff on the ground and engaging in a systematic and predictable manner to ensure a quick and comprehensive response on the part of all relevant actors.

19. UNHCR has therefore confirmed to external partners its willingness and ability to assume a global role as a major delivery agency and ES Cluster co-lead.

## V. TRANSITIONAL SHELTER

20. There may be differences in the way UNHCR approaches the operational implementation and delivery of transitional shelter component of the ES Cluster from its partners; however the principle of the earliest possible fulfilment of beneficiaries' needs remains the same in all cases.

## VI. INTERNAL COMMUNICATIONS STRATEGY

21. For the Office to fulfil its responsibilities in humanitarian emergencies, it needs to have its internal systems organized in a manner that optimizes early and effective delivery. UNHCR's operational managers have to be confident that the new supply management mechanisms will be effective in delivering appropriate assistance and services, as and when required.

22. Without losing the principle and flexibility of a strongly decentralized operations management, the reinforced supply management structure in the organization will place operational managers in a position whereby they can confidently call forward the required strategic items, which will be delivered by the central service provider (the Supply Division) to the operation in a timely and cost effective manner. While the Supply Division will be fully accountable for meeting delivery benchmarks, the onus will remain on the operational managers to ensure that supplies are called forward for distribution to beneficiaries in a timely manner.

23. Whereas operational managers will remain the direct supervisors of supply staff in their operation, a strong functional and direct reporting line of supply chain managers in the Field will be necessary to facilitate the oversight and benchmark-monitoring function of the Division.

## VII. EXTERNAL COMMUNICATIONS AND PARTNERSHIPS

24. A reinforced internal supply chain management capability will be the basis upon which the organization's inter-agency relations in key delivery areas will be built. UNHCR will become a more reliable partner if it is able to deliver better and more predictably against expected results.

25. Cooperation in the field of logistics is already strong amongst the various humanitarian actors, and valuable lessons have been learned and processed by all, in the wake of the initial application of the cluster approach. UNHCR has been a very active participant in the logistics cluster and intends to continue to contribute through the secondment of a senior staff member and the systematic deployment of logisticians in logistics cluster teams.

26. A stronger delivery role in emergency shelter and NFI management, with UNHCR becoming a supplier of choice, is expected to be welcomed by many of the Office's key humanitarian partners. This revised role is heavily dependent on close coordination with the logistics cluster and the division of labour among the different cluster participants. As

mentioned earlier, there is the potential for the outsourcing of certain items from other agencies to UNHCR (e.g. shelter items) and from UNHCR to others (e.g. more health-related items), based on the relative strengths and needs of the humanitarian actors.

## VIII. CONCLUSIONS

27. The next steps in building UNHCR's integrated supply chain management will include the following:

- Supply Chain Management will be acknowledged as a strategic function in UNHCR, and mainstreamed accordingly, in order to ensure enhanced delivery by the organization.
- UNHCR will engage consistently and visibly in the delivery of basic relief items for all internal and external displacement situations triggered by conflict as defined by its mandate and/or the Emergency Shelter Cluster co-lead role, even if the Office is not the only (or even the major) physical contributor.
- UNHCR will confidently and deliberately assume its inter-agency lead role, while giving adequate space and voice to other actors. It will create and maintain very clear expectations in the area of emergency shelter on which it will deliver consistently.
- Clear and quantifiable benchmarks will be set and pursued (through *Focus*) as to the speed and quality of delivery of NFIs into emergency, regular and durable solutions operations.
- Operations will, in consultation with the Supply Division, build the requisite supply management capacity to confidently assume their responsibilities in the enhanced delivery of goods and services.
- The Supply Division will hold regular review meetings with senior management in the organization to ensure that supply chain management issues remain on track and that appropriate levels of resources are allocated.
- Supply staff will be involved at the same level as other major functions in operations (programme, protection and administration) in the planning, programme design and implementation review process.
- An external communications strategy for UNHCR's Emergency Shelter Cluster lead role will provide clear parameters as to visibility, rules of engagement with other ES members and in particular the use of branded and unbranded non-food items.

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