Document title	Policy and Procedures on Management of Programme Supplies
Previous title	Policies and procedures manual - Inventory management
Policy objective	This policy and procedures outline the process for the management of programme supplies and identifies the control activities designed to mitigate the most significant risks inherent to this business process
Target audience	This policy and procedures apply to all UNFPA personnel involved in programme supplies management activities across all phases defined for this process, as well as to all implementing partners that receive programmes supplies procured with any streams of UNFPA funding.
Risk control matrix	Control activities that are part of the process are detailed in the Risk Control Matrix
Checklist	N/A
Effective date	1 March 2021
Revision history	Issued: July 2018 Revision 1: 1 March 2021
Mandatory review date	At the time of roll-out of the new Enterprise Resource Planning system.
Policy owner unit	Technical Division
Approval	N/A, change was not material

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I. Purpose

1. This policy and procedures document establishes the processes, procedures and internal controls, as well as the related roles and responsibilities and support systems, for the effective management of UNFPA programme supplies, which are defined in paragraphs 4 to 7 below.
2. The main objectives of this policy and procedures document are:
    1) Promote a disciplined application of good practices across the different phases of the supply-chain, to ensure the effectiveness and efficiency of UNFPA's supply-chain management activities, and contribute to the achievement of strategic objectives in the related programme areas.
    2) Ensure that programme supplies are properly safeguarded, stored and managed, to avoid spoilage, waste and theft, while under control of UNFPA or its implementing partners.
    3) Ensure inventory transactions are accurately and timely recorded.
    4) Ensure programme supplies inventories are accurately valued and reported in accordance with the applicable accounting standards.
    5) Allow UNFPA to discharge its fiduciary obligations to donors and suppliers, by obtaining reasonable assurance about the use of programme supplies for the intended purposes.
    6) Ensure that the quality of RH commodities is maintained through the supply-chain down to the points of use, so that the efficacy and safety of the products is preserved.
    7) Outline the roles and responsibilities of the business units and of the relevant personnel involved in the key business processes tasks.

II. Policy

Key policy requirements

3. This policy outlines the processes to be followed for the management of programme supplies, identifies key control actions to mitigate risks inherent to the process and establishes the key requirements outlined below:
    1) Any goods to be provided by UNFPA to address relevant country needs and contribute to the achievement of programme results must be identified based on rigorous needs assessments and quantifications. In the acute phase of humanitarian emergencies, the Minimum Initial Service Package (MISP) for SRH, rapid assessments for GBV and any other available pre-crisis data should be the basis of the needs assessments.
    2) Multi-year forecasts must be developed with an appropriate periodicity, at least annually, in coordination with the relevant national and development/humanitarian partners and stakeholders, at all countries where UNFPA provides reproductive health (RH) commodities or other programme supplies on a regular basis, or as a component of preparedness for response to humanitarian crises.
    3) The identification and prioritization of the RH commodities to be provided by UNFPA must be made based on comprehensive, national level, supply plans.
    4) All programme supplies requirements must be consolidated into comprehensive procurement plans, updated and tracked for implementation at least on a quarterly basis.
    5) Procurement plans and requisitions must be reviewed and approved by the Commodity Security Branch (CSB), the Humanitarian Office (HO) or regional offices, as specified in different sections of this policy and procedures document.
    6) The sourcing of programme supplies orders must follow the UNFPA procurement procedures.
    7) Procurement of contraceptives can only be made by the Procurement Services Branch (PSB).

8) Procurement of pharmaceuticals and medical devices can only be undertaken by UNFPA. Local procurement of pharmaceutical products and medical devices must be undertaken on an exceptional basis, pre-approved by PSB, and subject to quality assurance in accordance with the applicable policies and procedures.
9) The Order Tracking System (OTS) must be updated on a continuous basis by all responsible parties (e.g., suppliers, freight services providers, PSB Logistics and Shipping Unit) to ensure that all relevant information and notifications are available to receiving field offices, including alerts to any changes in delivery dates.
10) Field offices must review shipping documents and coordinate all necessary local activities prior to shipment, and notify procurement focal points of any situations that could prevent or delay the customs clearance, receipt or delivery of goods at least two weeks prior to the estimated time of departure date. A shorter timeframe may be required for acute humanitarian response interventions.
11) Programme supplies must normally be consigned to UNFPA unless exceptional circumstances prevent such arrangement or the use of a consignee other than UNFPA will result in lower costs, reduced lead times or improved access.
12) Field offices must continuously track the status of shipments and communicate any delays in the arrival of goods to the procurement focal points.
13) Customs clearance activities must be timely completed, based on country-specific standard operating procedures, with the involvement of field office personnel, even when the process is outsourced to professional customs clearing agents or customs brokers.
14) Field offices must conduct detailed inspections of shipments immediately after the arrival and customs clearance of the goods, and document their outcome in detailed receiving and inspection reports.
15) Field offices must promptly document and bring to the attention of PSB any discrepancies, shortages and/or damages identified during the customs inspections or the receiving inspections.
16) Field offices must seek prior regional office authorization to hold inventory at UNFPA warehouses (including those managed by third-party services providers, other United Nations organizations or programme partners). This requirement is temporarily waived for warehouses engaged under Fast Track Procedures.
17) Facilities to be used for holding programme supplies by UNFPA must be assessed to determine that they meet the requirements for adequate storage and safeguarding of the inventory, be properly insured, and approved by regional offices.
18) Product conditions must be monitored regularly, and defects or damages identified reported promptly so that remedial actions can be taken.
19) In order to maintain the approved quality, safety and efficacy/performance throughout the supply chain, RH commodities must be handled and managed in compliance with the WHO Good Storage and Distribution Practices for Medical Products, the key requirements of which are reflected in the appropriate sections of this policy, and any applicable national regulatory controls for controlled substances.
20) Only products that have been stored and transported under approved conditions can be distributed to beneficiaries.
21) Inventory maintained at field offices warehouses, including those managed by third-party services providers, other United Nations organizations or programme partners, must be insured at all times.

22) Disposal of programme supplies must be carried out in accordance with the applicable environmental, health and safety standards. Disposal of RH commodities other than contraceptives must be pre-authorized by the PSB QA team.
23) UNFPA programme supplies can be provided only to partners that have valid implementing partner (IP) agreements with UNFPA and signed workplans or other appropriate programme documents specifying the products to be provided by UNFPA and their intended use.
24) Handover of UNFPA programme supplies to IPs must be pre-approved and documented through delivery slips to be signed by the appropriate IP personnel at the time the goods are delivered at IP warehouses.
25) In exceptional circumstances, mainly in the context of humanitarian response interventions, and ad-hoc, onetime activities, programme supplies can be provided to partners without valid IP agreements using Programme Supplies Distribution Agreements (PSDA), as long as certain qualifying conditions are met.
26) Inventory receipts and deliveries must be timely recorded in the Shipment Tracker immediately after the transactions have been completed.
27) Shipment Tracker inventory transactions and balances must be reconciled by field offices against shipping documents, receiving and inspection reports, handover documents, stock count reports and other appropriate supporting documents.
28) Field offices must complete inventory stock-counts and certifications in order to confirm the accuracy and completeness of their inventory balances, with the frequency required in the inventory certification process guidelines.
29) Visibility and assurance regarding the adequate safeguarding, management, and use for intended purposes of programme supplies after their handover must be obtained through the activities encompassed in the Last Mile Assurance (LMA) process as described in the correspondent LMA process guidance notes incorporated into this policy by reference.
30) Field offices must monitor the effectiveness of their supply-chain management activities through the inclusion of appropriate outputs and indicators in their annual management plans and in the performance plans of personnel responsible for those activities.
31) The operating effectiveness of the processes must be regularly monitored through 'second line of defense' controls, such as the periodic generation and analysis of exception reports from Atlas and other available sources, and regular stock counts.
32) IPs are required to reimburse to UNFPA the value of any waste and losses affecting programme supplies provided by UNFPA in excess of the risk appetite and acceptance thresholds established by UNFPA.

Definitions

4. For purposes of this policy and procedures document, 'programme supplies', also referred to as 'inventory' or 'goods' (all three terms are used interchangeably throughout this document), are defined as RH commodities and other goods acquired by UNFPA for use in its programmes, as defined in paragraphs 5 to 7 below. Programme supplies are primarily delivered to IPs for their use or distribution to beneficiaries.

Types of programme supplies

5. In accordance with the above definition, programme supplies include:
    1) Contraceptives, hormonal contraceptives and other contraceptive devices e.g. male and female condoms, and intrauterine devices (IUDs).
    2) Medical devices and supplies, such as hospital equipment, surgical instruments, consumables, personal protective equipment (PPE) and diagnostic equipment and supplies.

3) Pharmaceutical products, including life-saving medicines.
4) Interagency Emergency Reproductive Health Kits (IARH), fistula repair, and reproductive & maternal health kits.
5) Dignity and other relevant non-food items (NFI) kits.
6) Census equipment and supplies.
7) Other goods purchased for delivery to and use or distribution by IPs.

6. The following types of goods are excluded from the definition of programme supplies and thus fall outside of the scope of this document:
   1) Items similar to fixed assets, as defined in the UNFPA Policy and Procedures for Fixed Asset Management, such as vehicles and information and communications technology (ICT) equipment, procured for (i) use by UNFPA; or (ii) delivery to IPs for purposes other than censuses and humanitarian response activities.
   2) Materials and supplies purchased for use by UNFPA personnel.
   3) Printed materials and publications, such as manuals, reports, forms and questionnaires, unless purchased for censuses or large-scale programme activities.
   4) Supplies specifically procured for use in capacity building or public awareness events, such as promotional and visibility items.
   5) Goods procured by PSB on behalf of third-party procurement services clients through purchase orders (i.e., third-party procurement orders sourced from fresh production).

7. All programme supplies held under control of PSB, used to fulfill field office and third-party procurement orders, are considered inventory and fall under the scope of this policy.

General definitions

8. The following terms are used throughout this policy with the meanings specified below:
   1) **Atlas** – UNFPA's PeopleSoft-based Enterprise Resource Planning (ERP) system.
   2) **Census equipment and supplies** – the equipment and supplies required for census activities during the preparatory, cartography, enumeration, processing and dissemination phases, including (but not limited to) data capture devices (e.g., smart phones and tablets), scanning equipment, computers and servers, census forms, enumerators supplies (e.g., stationery, satchels, backpacks), clothes (e.g., caps, shirts), office furniture and equipment, and vehicles.
   3) **Consignee** – the party named in the shipping documents as the recipient of goods shipped at the final destination. The consignee is considered the owner of the goods for customs clearance purposes.
   4) **Commitment Control (KK)** – the Atlas module that allows UNFPA to control expenditures against predefined, authorized budgets, cash available and authorized spending limits. All Atlas transactions are budget-checked against resources available in KK.
   5) **Due date** – the projected date of transfer of control over goods from suppliers to UNFPA based on the associated incoterms, as indicated in the purchase orders based on the applicable contracts and agreements with suppliers on delivery lead times. It may be amended at any time throughout the order fulfilment process, at UNFPA's request or in response to force majeure situations.
   6) **Electronic signature** – the digitized version of a handwritten signature electronically affixed to a document, normally through use of an e-signature solution, such as DocuSign or Adobe Sign.
   7) **Emergency procurement procedures** – the streamlined procurement procedures applied by field offices, when authorized, following the process established in the UNFPA Fast Track Policies and Procedures.

8) **Fast track procedures (FTP)** – a set of procedures providing UNFPA field offices with greater delegation of authority and flexibility in specific programme and operational areas for a time-bound period, typically to facilitate humanitarian response activities. They represent a modification to the standard policies and procedures, as described in the UNFPA Fast Track Policies and Procedures document, and are designed to facilitate a rapid response to country needs.
9) **Field office** – any UNFPA regional, sub-regional or country office.
10) **Final destination** or **place of delivery** – the location designated as the final destination of cargo (e.g. Maputo, Mozambique) where the supplier or freight forwarder is contracted to deliver the goods to and where these goods are expected to be collected by the consignee. It normally appears in the 'Airport of Destination' field on the air waybill or 'Final Place of Delivery' field on the bill of lading or waybill.
11) **Financial receipt –** the transaction created in Atlas upon satisfactory delivery of goods or services by suppliers. Delivery of goods occurs when the risks and rewards associated with their ownership are transferred from the supplier to the consignee, and therefore varies depending on the incoterm used. The financial receipt transaction has significant financial and accounting implications, as it results in the recognition of assets or expenses and liabilities.
12) **Fresh production (sourcing from) –** the process of procuring goods from suppliers through purchase orders.
13) **General ledger (GL) –** the master set of accounts used to record financial transactions, used as a basis for statutory, donor and managerial financial reporting.
14) **Handover**[1] **–** the transfer of control and risks over goods from UNFPA to a third party, typically an IP.
15) **Handover documents –** the documents signed between UNFPA and recipients to document transfer of physical custodianship and control over the programme supplies in the specified quantities and condition. Handover documents include delivery slips, PSDAs and distribution lists signed by goods recipients.
16) **Humanitarian supplies** – any programme supplies intended for distribution as part of UNFPA humanitarian response interventions, to ensure the health, hygiene, dignity and well-being of affected populations. In the context of UNFPA's mandate, humanitarian supplies primarily consist of IARH kits, dignity kits and other related NFI kits, menstrual hygiene management supplies, diagnostic kits, medical devices, medical equipment, and items similar to fixed assets, such as mobile clinics, pre-fabs, armored vehicles, generators, and solar panels, if acquired as part of humanitarian response activities.
17) **Implementing Partner (IP) –** an entity to which UNFPA has entrusted the implementation of programme activities specified in a signed document, along with the assumption of full responsibility and accountability for the effective use of UNFPA resources and the delivery of outputs as set forth in such programme documentation.
18) **Incoterms** – the standard terms, established by the International Chamber of Commerce defining the obligations of both buyers and sellers relating to the shipment of goods. The scope of incoterms is limited to matters relating to the rights and obligations of the parties to the contract of sale with respect to the tasks, costs and risks related to the delivery of goods. Incoterms typically used by UNFPA include:
    a) *Carriage Paid To (CPT)* – the normal incoterm rule of reference for UNFPA international procurement. Under CPT, the seller pays the freight for the carriage of the goods to the place of delivery. However, the risk of loss or damage to the goods passes from the seller

[1] 'Handover' represents the same process that is referred to as 'distribution' in the Shipment Tracker.

to the buyer when the goods are transferred into the custody of the first carrier.[2] The CPT incoterm rule requires the seller to clear the goods for export;

b) *Free Carrier (FCA)* – the incoterm rule typically used when the goods and freight are contracted by UNFPA from different parties; and

c) *Delivered At Place (DAP)* – the typical incoterm rule of reference for local procurement. Under DAP the seller is responsible for all costs and risks of transportation, including insurance, until the delivery of the goods to the final destination.

19) **In-kind donations of inventories –** any goods received at nominal or no cost to UNFPA**.**

20) **Internal control framework (ICF)** – the policies, procedures, standards, processes and structures put in place to ensure an orderly, ethical, economical, efficient and effective use of resources.

21) **International procurement** – the procurement carried out by PSB. Purchase orders for internationally procured goods must be raised under the business unit (BU) 'UNFPA'.

22) **Inventory in stock (also referred to as static inventory)** – the inventory controlled by UNFPA and held in warehouses. Inventory in stock typically falls into either one of the following scenarios:

a) PSB-controlled stock of RH commodities and humanitarian supplies, typically stored at suppliers' facilities or the premises of other UN organizations; and

b) Inventory held in warehouses by field offices.

23) **Inventory in transit** – the inventory controlled by UNFPA that has not yet reached its final destination - for example, goods on board of a ship in route to the port of entry. Inventory in transit typically falls into either one of the following scenarios:

a) Internationally procured goods that have not yet been physically received, including those temporarily stationed at the port of entry pending completion of customs clearance activities; or

b) Physically received goods being transported within the country of final destination that have not yet been delivered to a UNFPA warehouse or handed over to an IP.

24) **Inventory order** – an order fulfilled from PSB-controlled stock of RH commodities and humanitarian supplies.

25) **Last mile assurance** – a process designed to provide visibility and assurance regarding the adequate safeguarding, management and use for intended purposes of programme supplies after their handover to partners, and until they reach the designated service delivery points where beneficiaries can access them, i.e., the "last mile". The process comprises five different components: (i) supply-chain maps, (ii) supply-chain management capacity assessments, (iii) supply-chain management risk assessments, (iv) programme supplies reports, and (v) spot-checks and audits.

26) **Local procurement** – the procurement carried out by UNFPA field offices. It includes solicitations from both local and international suppliers. Purchase orders for locally procured goods must be raised under the field offices business unit codes in Atlas, which normally combine a three letter country code and the number '40'.

27) **Long term agreement (LTA)** – a contract concluded with a supplier on a non-exclusive basis for the repeated purchase of certain goods or services, based on pre-established terms and conditions (e.g., price per unit, quality levels, ordering method and lead times) for a definite period of time but with no legal obligation to order any minimum or maximum quantities.

[2] Carrier means any person who, in contract of carriage, undertakes to perform or to procure the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes.

28) **Personal protective equipment (PPE)** – a category of medical devices used to protect health care workers or any other persons from an infectious disease, including gowns, coveralls, gloves, face shields, goggles, facemasks, respirators, head covers, boot covers, aprons and other items depending on the disease outbreak.
29) **Pick plan** – a transaction created in the Atlas Inventory Management module (IMM), which shows details of the goods to be released from PSB stock to fulfil an inventory order.
30) **Physical receipt** – the receipt of the goods in the country of destination, after completion of customs clearance and receiving and inspection procedures.
31) **Port of entry –** the place where imported goods are admitted into the legal frontiers of the importing country. In the context of the policy, this term is used to represent the port of entry in the country of final destination.
32) **Purchase order** – a contract created in the Atlas Purchasing module that represents a binding commitment between UNFPA and a supplier for the provision of goods or services.
33) **Reproductive health (RH) commodities** - contraceptives (hormonal and contraceptive devices), pharmaceutical products and medical devices used to support RH interventions. RH commodities primarily comprise:
    a) Goods included in the Interagency List of Essential Medicines for Reproductive Health such as contraceptives; medicines for prevention and treatment of sexually transmitted infections and HIV/AIDS; and maternal and neonatal health medicines; and
    b) Goods included in the Interagency list of medical devices for essential interventions for reproductive, maternal, newborn and child health, such as medical consumables; medical equipment; and medical kits that are essential to maternal and newborn health interventions.
34) **Requisition** – the transaction created in Atlas by users to authorize and initiate the procurement of goods and / or services.
35) **Supplier or vendor** – the entity that provides goods or services to UNFPA. A supplier or vendor may take various forms, including a company, a partnership, a government agency or a non-governmental organization.
36) **UNFPA Supplies Partnership** – the UNFPA thematic programme dedicated to expanding access to family planning and life-saving maternal health commodities. UNFPA Supplies Partnership supports countries with the greatest needs, helping them to strengthen their supply-chains so that women and adolescent girls can access a choice of contraceptives no matter where they live.
37) **Warehouse –** any facility used to store programme supplies by UNFPA or IPs.
38) **UNFPA warehouse** – any warehouse used for storage of supplies controlled by UNFPA, including:
    a) UNFPA-managed warehouses (i.e., warehouses managed by UNFPA personnel), which can operate in facilities owned or leased by UNFPA, or otherwise provided to UNFPA (e.g. under free-to-use arrangements with IPs or other United Nations organizations);
    b) Warehouses of other United Nations organizations, such as the World Food Programme, or of third-party services providers to which UNFPA outsources warehouse management activities;
    c) Warehouses of UNFPA IPs if used for storage of programme supplies still under control of UNFPA;
    d) Supplier warehouses, typically used to store PSB managed inventory stocks; and

e) Any other locations used for storage of programme supplies controlled by UNFPA, even if not traditionally designated as warehouses (e.g. UNFPA office store-rooms, prefab/containers, custom clearing agent's offices, etc.)

Systems overview

Main systems used in the process

9. The following systems are used by UNFPA to support the programme supplies management process; facilitate critical tasks such as procurement planning, quality assurance, customs clearance, shipment tracking; and for inventory accountability, accounting and control:

1) **Country Profile Database** – a web-based tool used to capture and communicate country specific requirements for importing goods, such as required shipping documentation, contact information, pre- and post-shipment requirements, and information on freight forwarders.
2) Atlas **Inventory Management module (IMM)** – the Atlas module used to record, track, manage and value goods held in PSB-controlled stocks of RH commodities and humanitarian supplies. IMM captures certain characteristics of the goods (e.g. expiration dates, units of measure, lot ID-s, and location), as well as movement information such as stock replenishments, conversions, reservations and depletions.
3) **Lead Time Calculator** – a web-based tool that helps estimate how long it will take for an order to be delivered to the country of final destination. The tool provides an average, product-specific estimate that includes the time (in weeks) required for order processing, product manufacturing, pre-shipment sampling, testing and inspection (if required), and transportation to the country of final destination.
4) **Logistics Management Information System (LMIS)** - an integrated information system that captures the supply-chain management activities (e.g. receipts and distributions) of UNFPA's IPs and provides users with the ability to generate reports (e.g. stock on hand, losses and adjustments, shipments, and remaining shelf life) about supply-chain management activities and inventories. As much as possible, UNFPA uses data from national LMISs to inform its demand planning, distribution and monitoring activities related to programme supplies.
5) **Order Tracking System (OTS)** – a sub-module within PSB's Order Management System (OMS)[3] that enables users to track the status of internationally procured goods sourced from either fresh production or PSB-controlled stock. OTS measures and reports, through different milestones, the time elapsed from purchase order dispatch to arrival at the destination country. Both UNFPA personnel and suppliers have access to and responsibility for periodic updates to OTS data.
6) **Interagency Emergency Reproductive Health Kit Calculator** – a MS-Excel based tool designed to support country offices to forecast needs of IARH kits in acute emergency response situations.
7) **Procurement Planning Tool** – a web-based tool used by field offices to develop procurement plans by inputting all foreseen procurement activities, including such details as names of goods, quantities, units of measure, unit prices, required arrival times, probability of the procurement activity happening and funding sources.
8) **UNFPA Product Catalog** – the catalog of products maintained by PSB of quality-assured RH commodities and humanitarian supplies. All products in the catalog are covered under LTAs signed by UNFPA with reputable suppliers that produce at international quality levels.

[3] OMS is a web-based application internally developed by UNFPA to bring efficiencies to the order management cycle through greater automation of key processes in procurement. OMS comprise three modules: (1) Request for quotation (RFQ) for third-party procurement orders, (2) Order Tracking System (OTS), and (3) Pro Forma Storage and Management (PFSM).

9) **Shipment Tracker** – the UNFPA customization of the Atlas Purchasing module used for tracking, recording and reporting field office inventory. The Shipment Tracker is intended to capture the flow of program supplies from the point in time when UNFPA gains control over the goods (i.e., financial receipt) until control is passed to third parties, primarily through handover to IPs. The Shipment Tracker is also used as the main depository for supporting documents on receipt and inspection, handover and disposal.

OTS Terms

10. The following programme supplies process milestones must be tracked using the OTS:
    1) **Sampling & testing** – the date when inspection, sampling and testing of the goods are scheduled to be finalized. It should only be completed for goods that are subject to both pre-shipment inspection and testing.
    2) **Inspection finalized** – the date when inspection of goods subject to pre-shipment inspection is scheduled to be finalized.
    3) **"Sampling & testing" and "Inspection finalized" not applicable** – the field to be marked in case goods are not subject to either pre-shipment inspection or testing.
    4) **Due date** - as defined under 'General Definitions' above, automatically uploaded to the OTS from the relevant purchase orders.
    5) **Estimated time of departure (ETD)** – the estimated date of shipment of the goods informed by the suppliers. It should normally be equal to the 'due date' entered by procurement focal points in the purchase orders.
    6) **Estimated time of arrival (ETA)** – the projected date when the goods are expected to arrive at the final destination.
    7) **Actual time of departure (ATD)** – the date when the goods are shipped by the main carrier, as documented in the air waybill (for air shipments) or bill of lading (for shipments by sea).
    8) **Shipment documents sent** – the field marked when the original shipping documents are sent to the consignee. For air shipments, the original shipping documents must be included with the shipment, therefore, this field is expected to be marked on the ATD date.
    9) **Courier tracking number** – the courier tracking number for original shipping documents sent by supplier to a consignee.
    10) **Actual time of arrival (ATA)** – the actual date when the goods arrive at the final destination.

Roles and Responsibilities

11. Key roles involved in the programme supplies management processes are outlined below.
    1) **Budget holder** – normally the programme officer accountable for the achievement of planned programme results in a programme area for which programme supplies are required, the budget holder has:
        a) Direct responsibility for needs identification, forecasting, supply planning (i.e., formulation and prioritization of requirements), product specifications, requisitioning of the goods; as well as
        b) Overall responsibility for monitoring the timely ordering, clearance, receipt, safeguarding, handover, distribution and use for intended purposes of the goods, including the timely completion of all LMA process activities, and for ensuring adequate remedial actions are taken by the appropriate roles in response to issues affecting the process.
    2) **Commodity Security Branch –** responsible for providing technical assistance and support in the area of RH commodity security, as well as for the management of the UNFPA Supplies Partnership programme.

3) **Field office logistics focal point** – responsible for downstream supply-chain activities, including**:**
   a) Reviewing and updating on a bi-annual basis the information in the Country Profile Database, for accuracy and completeness, in consultation with the PSB procurement focal points;
   b) Completing all field office pre-shipment coordination activities (e.g., warehouse readiness checks, notifying IPs, obtaining customs clearance documentation, authorizing shipments);
   c) Timely monitoring OTS data for information on status of shipments and any evidence of issues requiring field office follow-up action;
   d) Ensuring timely completion of customs clearance procedures;
   e) Coordinating and executing all steps necessary to successfully receive and inspect incoming shipments;
   f) Initiating and documenting any communications as regards discrepancies, damages, temperature deviations, delays in receiving RH or humanitarian commodities, transportation deviations (e.g. different mode of transport used compared to what was approved) or any other issues identified during the receiving and inspection process;
   g) Preparing handover documents and coordinating the preparation of shipments with the warehouse focal points or managers, as appropriate;
   h) Coordinating in-country transportation and delivery of the goods;
   i) Ensuring that temperature logs are maintained at facilities where RH commodities are stored, including during customs clearance;
   j) Ensuring that proper management of narcotics or dangerous goods is maintained in line with national protocols, to avoid complications and delays in the provision of these commodities;
   k) Ensuring the appropriate handover documents are promptly completed, signed and properly filed;
   l) Performing in-country inventory stock counts and reconciliations;
   m) Ensure that RH commodities and pharmaceutical products are transported under approved environmental conditions, in approved vehicles and by authorized drivers both for in-country and inter-country shipments. This includes used of refrigerated trucks as appropriate and compliance with requirements for storage of narcotics and dangerous goods;
   n) Coordinating safe disposal of expired and damaged goods;
   o) Performing all relevant LMA process activities;
   p) Serving as the office point of contact for all cases involving inventory write-offs; and
   q) Ensuring coordination with national authorities, international and national NGOs and UN organizations related to logistics as appropriate. In humanitarian settings, this includes the Logistics Cluster or Sector.

   The logistics focal point role should normally be assigned to a full-time logistician (in offices supplying larger volumes of programme supplies) or, on a part-time basis, to a knowledgeable programme or operations team member (e.g., a programme associate or an administrative associate).

4) **Field office shipment tracker focal point** – responsible for**:**
   a) The timely and accurate recording of all inventory transactions (e.g., physical receipt, put in warehouse, handover and disposals / adjustments) in the Shipment Tracker;

b) Uploading the appropriate supporting documents (e.g. receiving and inspection reports, and handover documents) in the Shipment Tracker;
c) The timely and accurate recording of transactions relating to locally procured goods in the Shipment Tracker;
d) Ensuring that the Shipment Tracker accurately reflects all inventory goods under UNFPA control at all times; and
e) Assisting the logistics focal point in reconciling IP inventory reports.

The shipment tracker focal point role is normally assigned to a member of the field office operations team (e.g., an administrative associate).

5) **Field office warehouse focal point**[4] – responsible for the safeguarding of inventory in UNFPA-managed warehouses, including**:**
   a) Receiving and inspecting incoming shipments to be stored at the warehouses;
   b) Preparing the goods for handover (e.g. arranging appropriate packaging), based on the related handover documents provided by the logistics focal point;
   c) Ensuring adequate inventory storage and safeguarding conditions are maintained at all times; and
   d) Ensuring that temperature logs are maintained at warehouses where RH commodities are stored.
6) **Field office operations manager** (or most senior staff member in operations, if a field office does not have an operations manager) **–** responsible for monitoring and reporting the operational performance of the programme supplies management process to the heads of office and budget holders. This includes, as a minimum:
   a) Ensuring that a comprehensive procurement plan, reflecting all programme supplies requirements, is timely developed and regularly updated;
   b) Monitoring the timely execution of the procurement plan;
   c) Monitoring the status of the Atlas requisitions as well as purchase orders;
   d) Reviewing OTS and Shipment Tracker data to identify red flags indicative of problems in the processes (e.g., delays in shipments or customs clearance; shipping documents not sent or received; aged in-transit or static inventory; items approaching their expiration dates; missing handover documents) and ensuring adequate remedial actions are timely taken; and
   e) Enforcing compliance with inventory management requirements such as timely submission of inventory certifications and completion of periodic stock counts.

   The warehouse, shipment tracker and logistics focal point roles cannot be combined with each other without prior authorization of the Chief, Finance Branch.
7) **Finance Branch inventory team –** responsible for inventory accounting and control activities, and for generation of management reports on effectiveness of supply-chain management activities.
8) **Head of office –** typically a representative, deputy representative or assistant representative, has the ultimate responsibility for ensuring the effective management of all programme supplies required to achieve programme results, from the "first mile" (i.e., quantification) to distribution down to the "last mile" (i.e., to service delivery points). In practice, heads of office delegate relevant tasks and authorities to the other roles described in this section of the document while retaining overall responsibility for the effectiveness of the process.

[4] This function exists in field offices where UNFPA maintains static inventory and does not outsource warehouse management function to a third-party provider.

9) **Humanitarian Office** – responsible for developing guidance and providing technical support on matters relating to management of humanitarian supplies, such as needs assessment, demand quantification, prepositioning, distribution, pharmacy management, waste management, etc. The Humanitarian Office also designs, coordinates and implements special processes and procedures in response to specific humanitarian emergencies to ensure an effective UNFPA response. This includes the review and approval of all IARH kits and the review and approval of dignity kit and other NFI specifications for use in humanitarian settings.
10) **PSB Country Focal Points –** refers to both the field office buyers and the PSB country/HQ focal points, who are responsible for:
    a) Sourcing and executing programme supplies procurement orders;
    b) Timely processing transactions in Atlas (e.g. purchase orders and financial receipts), in compliance with deadlines set in this and other policy documents;
    c) Continuously monitoring the status of requisitions, orders and shipments destined to the countries coming under their portfolio to ensure the timely delivery of programme supplies; and
    d) In case of PSB focal points, ensuring that suppliers and freight forwarders timely provide all required shipping documents and accurately update OTS data.
11) **PSB Inventory and Emergency Team –** responsible for**:**
    a) Creating and processing Atlas IMM transactions for any orders sourced from PSB stock;
    b) Monitoring PSB stock levels and ordering their replenishment when required;
    c) Arranging stock counts and reconciliations of PSB controlled inventory;
    d) Maintaining oversight over the accuracy and completeness of IMM records;
    e) Performing periodic reconciliations between Atlas IMM and General Ledger transactions and balances;
    f) Liaising with UNFPA field offices, managing and ensuring dispatch of field office orders of goods sourced from PSB-managed inventories;
    g) Liaising with Humanitarian Office for matters related to humanitarian supplies; and
    h) Working with suppliers holding inventories on behalf of UNFPA to ensure the timely shipment of the goods.
12) **PSB Quality Assurance (QA) team –** responsible for**:**
    a) Developing, reviewing and approving technical specifications for RH commodities;
    b) Approving RH commodities for UNFPA procurement;
    c) Performing technical evaluations of RH commodities bid submissions;
    d) Reviewing and approving pre- and post-shipment inspection and test reports;
    e) In consultation with manufacturers/suppliers, approving the disposal of RH commodities that do not meet the approved specifications;
    f) Liaising with field offices to manage transportation and environment excursions that may have a direct or indirect impact on the quality of RH commodities;
    g) Undertaking investigations on temperature excursions and in consultation with the supplier/manufacturer make decisions on the fate of RH commodities in question;
    h) Liaising with field offices and manufacturers/suppliers during product recalls;
    i) Approving the procurement of non-LTA RH commodities, in consultation with the Technical Division when necessary; and
    j) Providing guidance on requirements for storage and transportation; and handling of RH commodities based on the relevant World Health Organization (WHO) guidelines.

13) **PSB regional team lead –** responsible for**:**
   a) Overseeing all international procurement activities (i.e., those executed under the UNFPA business unit) carried out for field offices in his or her region;
   b) Continuously monitoring the status of requisitions, orders and shipments, using OTS and Atlas data, to ensure the timely delivery of programme supplies and implementation of adequate remedial actions when required;
   c) Approving freight mode exceptions; and
   d) Enforcing compliance with the mandatory updates of the OTS, as required by this policy.

14) **Regional humanitarian coordinator –** responsible for:[5]
   a) Reviewing humanitarian programme supplies needs assessments, quantifications and procurement plans, for relevance, accuracy and completeness, unless special review and approval mechanisms are put in place by the Humanitarian Office;
   b) Reviewing and approving field office requests to maintain static inventory of humanitarian supplies, including for prepositioning purposes;[6]
   c) Reviewing and approving warehouses to be used for storage of humanitarian supplies, if different from those used for the storage of RH commodities, to ensure they offer adequate inventory storage and safeguarding conditions;
   d) Monitoring the timely delivery and distribution of the humanitarian supplies and their use for the intended purposes; and
   e) Monitoring and supporting implementation of remedial actions implemented by field offices to address the issues identified through the LMA process and other monitoring activities as regards to humanitarian supplies.

   The above functions could be delegated to the Regional Humanitarian Logisticians should such a position be in place at a Regional Office.

15) **Regional reproductive health commodity security (RHCS) advisor** – responsible for:[7]
   a) Assuring the quality of RH commodities forecasts and needs assessments, including for medical equipment, for all field offices other than in UNFPA Supplies Partnership priority countries, for relevance and reasonableness;
   b) Reviewing programme supplies annual procurement plans for all field offices other than in UNFPA Supplies Partnership priority countries for completeness, accuracy and alignment to RH commodities forecasts and supply plans, and field office and IP capacity to effectively manage and distribute the goods to be supplied;
   c) Reviewing and approving field office requests to maintain static inventory of RH commodities;
   d) Reviewing and approving warehouses to be used for storage of RH commodities, including for prepositioning purposes, to ensure they offer adequate inventory handling, storage, and safeguarding conditions;
   e) Monitoring the timely delivery and distribution of RH commodities based on reports provided by field offices and IPs; and
   f) Monitoring and supporting implementation of remedial actions implemented by field offices to address the issues identified through the LMA process and other monitoring activities as regards to RH commodities.

[5] Unless otherwise noted, responsibilities apply to all funding sources and for all field offices in the specific region covered by the advisor.
[6] Requests related to humanitarian supplies that are RH commodities are reviewed and approved by the regional RHCS advisors. Separate approval from regional humanitarian coordinators is not required.
[7] Unless otherwise noted, responsibilities apply to all funding sources and for all field offices in the region covered by the RHCS advisor.

III. Procedures

12. **Figure 1** presents an overview of the programme supplies management process:

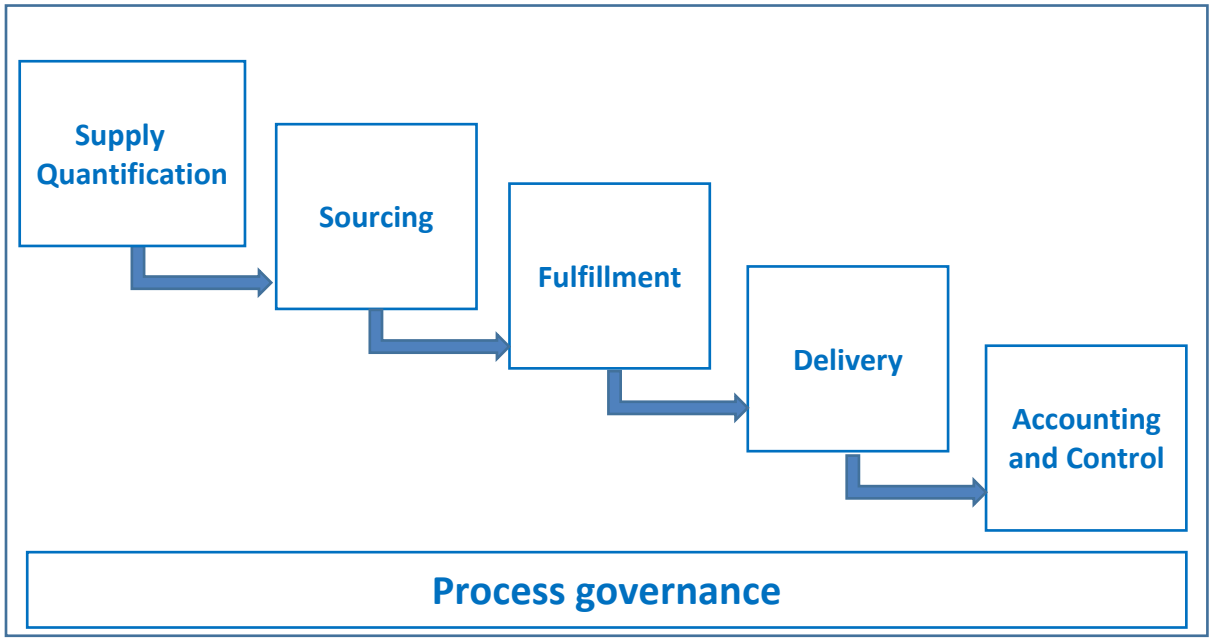


Figure 1 – Overview of the programme supplies management process

13. The **supply quantification** phase covers those activities required to identify and quantify supplies needs, and develop the corresponding procurement plans.

14. The **sourcing** phase covers all the activities related to the placement of programme supplies orders, starting with the creation of requisitions and finishing with the submission by suppliers of shipping documents for review and approval.

15. The **fulfillment** phase covers all the activities related to the shipment and customs clearance of goods.

16. The **delivery** phase covers all the activities related to the receiving, inspection, storage and handover of the goods.

17. The **accounting and control** phase covers all the activities related to the recording and control of inventory transactions, as well as the monitoring of the effectiveness of the process, to ensure programmatic and mandate-based commitments are met, and fiduciary responsibilities are properly discharged. In practice, many activities covered in this phase are cross-cutting and may take place during one of the four other phases.

18. The **governance** phase covers all the activities and requirements relative to the overall management and coordination of the process.

A. Supply quantification

19. **Figure 2** presents an overview of the **supply quantification** process. It should be read in conjunction with the more detailed guidance provided in paragraphs 20 to 64 below.

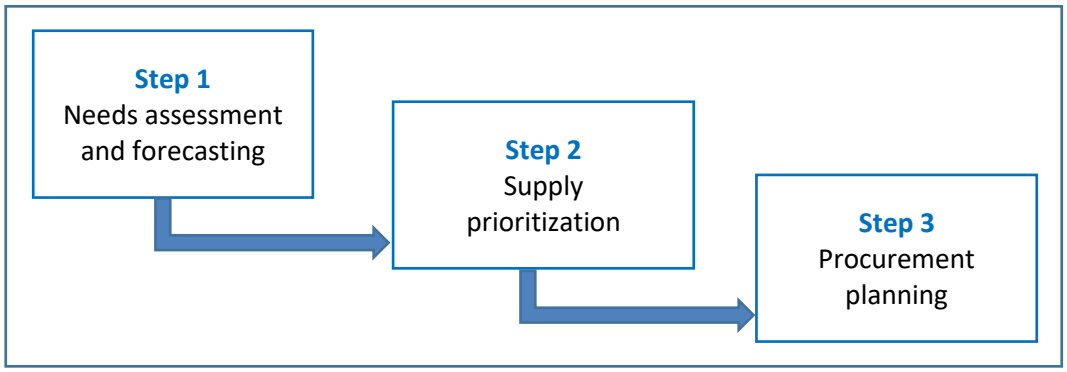


Figure 2 – Overview of the **supply quantification** process

Step 1 – Needs assessment and forecasting

20. The determination of the programme supplies to be provided by UNFPA to address relevant country needs and contribute to the achievement of programme results must be informed by rigorous needs assessments and forecasts.

21. This is a key responsibility of budget holders, working in collaboration with the appropriate in-country partners and programme stakeholders.

RH commodities

22. RH commodities needs must be identified based on multi-year forecasts, developed and reviewed with an appropriate periodicity, at least annually, to identify the needs of the beneficiary population, in all countries where UNFPA provides RH commodities on a regular basis, including UNFPA Supplies Partnership priority countries.

23. Forecasting is the process of estimating the quantities of products that will actually be dispensed or used to meet the needs of the targeted population during a specific future period of time. Ideally, forecasts should be determined based on accurate and up-to-date information on historical demand and consumption of the commodities to be supplied, extracted from the country's LMIS. When not possible, due to data quality problems or lack of a functioning LMIS, other data sources can be used, for example, health services, morbidity and/or demographic data, central warehouse deliveries and assumptions about future demand, program plans, and performance. Forecasts should also take into account the results of the Facilities Based Surveys periodically conducted for the UNFPA Supplies Partnership priority countries.

24. Demand, consumption and other data used for forecasting must be validated and adjusted, as required, for relevance, accuracy and completeness, and to account for changes taking place between the period to which the data refers and the period for which the forecast is created, as well as to reflect relevant factors not reflected in the data used.

25. The accuracy of previous forecasts should also be taken into account, measured based on forecast error[8] reviews, conducted on at least an annual basis. The analysis of forecast error will assist in developing more accurate forecasts. A negative forecast error indicates potential underestimation of requirements that could have contributed to stock-outs. A positive forecast error may indicate an overestimation of requirements that may have resulted in excessive inventory levels and potential waste. The results of

[8] Forecasted number of units - number of units demanded. The number of units demanded is the sum of un-fulfilled demand and the number of units distributed from the central warehouse.

this analysis should be considered in developing future forecasts, to ensure that the right goods and quantities are being ordered.

26. A number of detailed documents exist providing comprehensive guidance on forecasting of RH commodities. A comprehensive summary of the more relevant guidance is provided in Chapter 5 of The Supply Chain Managers Handbook.[9]

Medical equipment

27. Determination of the medical equipment to be provided to support programme goals must be based on a rigorous assessment, performed in collaboration with relevant programme counterparts, such as the Ministry of Health, of the type and quantities of equipment required, as well as their technical and operational specifications and use requirements.

28. Examples of key considerations to be taken into account include:
    a) Size and demographic characteristics of the target population;
    b) Operating requirements (e.g., voltage requirements, access to stable power sources, language considerations);
    c) Installation and maintenance requirements and costs, and the IPs ability to fund them;
    d) Operating capabilities of the facilities to be supplied;
    e) Environmental factors affecting useful life and maintenance of the equipment;
    f) Technical capacity of IP personnel (medical and technical staff) to operate the equipment; and
    g) Quality assurance and regulatory requirements.

29. Medical devices intended for provision of RH services, such as diagnosis, prevention, treatment and monitoring, should normally be selected from the UNFPA or UNICEF catalogs. Should there be an exceptional need to supply non-catalog items, the Interagency list of medical devices for essential interventions for reproductive, maternal, newborn and child health should be used as a guide to identify them. Non-catalogue/non-LTA procurement of medical devices must go through the clearance and vetting process established through the regular Procurement Procedures.

Humanitarian supplies

30. Determination of the types, quantities and technical specifications of the supplies to be provided to support humanitarian response activities must be based on an initial estimation, followed by a more rigorous assessment as soon as conditions allow it, of the size of the population affected and their immediate needs. The estimates are developed taking into account factors such as demographic characteristics, geographical conditions, cultural considerations and the existing functional facilities, coordination with other actors, as well as the ability to ensure a timely delivery of the supplies to address the target population needs.

31. The identification and quantification of the humanitarian supplies must be closely coordinated with other relevant partners to minimize the risk of gaps and overlaps, and for creation of synergies across humanitarian response activities.

32. The Multisector Initial Rapid Assessment (MIRA) is a joint multi-sector assessment that guides subsequent in-depth sectoral assessments and provides the emergency response teams with timely, adequate, sufficiently accurate and reliable information to identify strategic humanitarian priorities. Additional information about MIRA, needs assessments for humanitarian response activities, and

[9] The Supply Chain Manager's Handbook – A practical guide to the management of health Supplies – John Snow Inc. (JSI), 2017. Other JSI publications that can be consulted include: Quantification of Health Commodities: Contraceptive Companion Guide - Forecasting Consumption of Contraceptive Supplies. Arlington, Va.: USAID | DELIVER PROJECT, Task Order 4.

related guidelines, frameworks, and templates can be found on the United Nation's Office for the Coordination of Humanitarian Affairs website for Humanitarian Response.

33. In addition to sector-wide assessments, emergency response teams should use the Minimum Initial Service Package (MISP) to coordinate a more targeted response. The primary objective of the MISP is to identify a lead agency that should carry out the emergency response in order to prevent maternal and newborn death and illness, prevent and manage the consequences of sexual violence, reduce HIV transmission and allow for comprehensive sexual and RH care to be integrated into primary health care systems if possible. This exercise is complemented by the MISP Calculator, which provides the RH statistics needed to properly implement the package.

34. The most common humanitarian supplies provided by UNFPA are IARH and dignity kits. IARH kits are designed for use at the onset of the response to emergencies. Due care must be exercised to ensure the appropriate IARH kits are fit to respond to a particular humanitarian context. Due to their higher cost and potential waste levels, IARH kits must be replaced by bulk medicines, disposables and equipment as soon as the crisis permits.

35. To minimize the risk of delays in deliveries, the Humanitarian Office and PSB Inventory and Emergency Team should be promptly contacted as the needs are confirmed to enquire on the availability of the required IARH kits. Similarly, due care must be exercised to ensure pharmaceutical products included in the kits are registered locally (or a registration waiver can be obtained).

36. Dignity kits are kits comprising of items to ensure the personal hygiene, health, protection, dignity and well-being of the disaster-affected population (e.g. menstrual pads, cloths, underwear, soap, torches, whistles). The content of the kits must be determined following consultation with local communities and other non-food item providers and include culturally appropriate items.

37. Forecasting for IARH kits must follow the guidance provided in the IARH Kit Manual, the IARH kit calculator and the Reproductive Health Kits Management Guidelines for Field Offices. Forecasting for dignity kits must follow the guidance provided in the Dignity Kit Programming Guidelines. The forecasts should include, at a minimum, the confirmation of the population size of the affected area, an initial assessment of the available humanitarian goods and services, and coordination with other relevant partners and programme stakeholders (governments, non-governmental organization –NGOs, other United Nations organizations, etc.).

38. Additional guidance on needs assessment, logistics and monitoring for humanitarian supplies issued by the HO in response to specific situations (e.g. Guidance on Calculating PPE Needs in response to the COVID-19 pandemic) must be followed as advised.

National coordination mechanisms

39. RH commodities forecasts are typically developed under the guidance and supervision of Commodity Coordinating Committees, or similar in-country coordination mechanisms created to improve the availability of commodities in national health supply-chains.

40. National coordination mechanisms normally involve all relevant national (e.g., Ministry of Health, family planning NGOs) and development sector (e.g. USAID, DFID) partners and stakeholder, ensuring that actions of all parties are synchronized and complementary of each other. Typically, these mechanisms include:
    a) Coordination of forecasting and supply-planning activities;
    b) Coordination of procurement activities among stakeholders;
    c) Monitoring of in-country stock levels; and

d) Monitoring of key logistical activities (e.g., order pipeline, incoming shipments, stock levels, distributions) to ensure they are synchronized and aligned with country needs (e.g., changes in demand, emergencies, stock-outs).

41. During a humanitarian crisis, the Reproductive Health sub-cluster/ working-group should play this role for SRH commodities and ensure all mechanisms mentioned above are implemented. For Gender-Based Violence interventions, the GBV sub-cluster/working group should ensure adequate coordination for GBV supplies in line with the above requirements. Additionally, the logistics cluster/sector should be engaged to ensure the requirements can be implemented and coordinated effectively.

42. In countries where tools like the Procurement Planning and Monitoring Report (PPMR)[10] are available, they should be used to monitor in-country stock levels of RH commodities. The PPMR provides country level information useful for quantification and monitoring purposes, including quantities of goods to be procured, commitments of the different development partners, stage of shipments in each individual partner's pipeline, average monthly consumptions, if available, and months of stock left.

43. The Ministry of Health should be normally responsible for supply quantification activities in order to enhance national accountability for a reliable supply of RH supplies and minimize the risk of duplication of efforts by partners or gaps in the supply.[11] If this is not the case, budget holders must ensure that, in coordination with the appropriate programme partners and stakeholders, appropriate technical assistance and support is provided with the goal of enabling the Ministry of Health to take ownership of the supply quantification process and develop reliable forecasts and supply plans.

Forecasts and needs assessments review

44. Forecasts and needs assessments used as a basis to determine RH commodities supply plans must be quality assured, for relevance, accuracy and completeness, and approved by both the budget holders and CSB (for UNFPA Supplies Partnership priority countries) and by the regional RHCS advisors (for all other countries). The quality assurance review must include, at a minimum, the comparison and reconciliation of current to previous forecast volumes, and take into account the reliability of the data sources used, the appropriateness of adjustments made, and other relevant forecasting considerations.

45. The Humanitarian Office is responsible for the review of IARH kits quantification for relevance and accuracy, based on the guidelines established for this purpose. Needs assessments for other types of humanitarian supplies must be reviewed and approved by the regional humanitarian coordinators, as appropriate, unless alternative review and approval mechanisms are put in place by the HO in response to specific humanitarian emergencies (e.g. procurement of PPE in response to the COVID-19 pandemic). The review should take into account the reliability of the data sources used, the appropriateness of assumptions made including the contingency plans and the humanitarian response plans, and all other relevant quantification considerations mentioned above.

Step 2 – Supply prioritization

46. Budget holders must determine the programme supplies to be provided by UNFPA based on the outcome of the needs assessments and forecasts, prioritizing those that will provide the greatest benefit within the existing funding constraints.

[10] The Procurement Planning and Monitoring Report (PPMR) is a tool developed by USAID that provides, on a monthly basis, information on national contraceptive stocks for selected countries, for use by the global coordinated supply mechanisms, national authorities and development partners.

[11] In some humanitarian settings, this may not be possible, particularly if the national government is a party in a conflict. UNFPA as a humanitarian actor is bound by the humanitarian principles, while delivering humanitarian aid, which may misalign with the national government priorities. Additionally, some operations may have multiple government authorities or no functioning government.

47. Determination of RH commodities to be provided in UNFPA Supplies Partnership priority countries and other countries where UNFPA provides RH commodities on a regular basis, must be made on the basis of comprehensive, national level supply plans, to ensure complementarity of efforts, and to minimize overlaps in supplies provided by the different programme stakeholders.

48. The comprehensive supply plans determine the commodities to be provided by UNFPA starting from the needs identified through the forecasting process, taking into consideration (i) current and desired stock levels at different levels of the supply-chain; (ii) the pipeline and status of outstanding orders and incoming shipments, and lead times; (iii) commodities to be provided by all relevant national and development partners and stakeholders; and (iv) UNFPA funding constraints, as determined by the resources allocated by UNFPA Supplies Partnership and mobilized by field offices.

49. Supply plans and needs assessment must be submitted for review and approval by the head of office. In addition, supply plans for the UNFPA Supplies Partnership priority countries must be submitted for review and validation by the CSB. Once approved, they must be shared with the Operations Managers to allow the development of the annual procurement plans per the scheduled established by PSB.

50. Budget holders are responsible for initiating resource mobilization activities to reduce any significant supply gaps that could prevent UNFPA from effectively responding to relevant national needs and achieving planned programme results.

Step 3 - Procurement planning

Procurement plan preparation

51. Operations managers are responsible for ensuring that programme supplies requirements, as evidenced in the approved supply plans, needs assessments and workplans, are consolidated into an accurate and comprehensive procurement plan using the online UNFPA Procurement Planning Tool. Procurement focal points are responsible for consolidate all procurement requests from the relevant programme personnel and enter them into the online UNFPA Procurement Planning Tool.

52. Procurement plans must reflect all programme supplies expected to be provided by field offices regardless of the type of products, the procurement process (i.e., international or local), sourcing methodology or immediate availability of funding sources. The plans must specify expected funding sources, names, quantities, units of measure, unit prices and required arrival times of the goods. If procurement is conditional on occurrence of certain events (typically, the signing of a co-financing agreement), the Procurement Planning Tool requires that the probability of the procurement taking place be estimated.

53. For goods to be procured outside the UNFPA Product Catalog or UNICEF Supply Catalogue, the procurement plans should specify as many details as possible in the plan in order to allow a better planning of the procurement process activities throughout the year. At a minimum, key specifications of the required goods must be provided.

54. Procurement plans must be developed in accordance with the schedule issued by PSB, and updated on a quarterly basis to include any new requirements or changes thereto. The updates should cover (but are not limited to) procurement needs emerging during the year in response to humanitarian crises, including those involving the application of emergency procurement procedures.

55. Separate procurement plans must be developed for programme interventions for which the use of fast-track procedures has been approved in accordance with the UNFPA Fast Track Policies and Procedures. The needs assessments and procurement plans must clearly outline the required supplies, the mode of procurement, storage and distribution arrangements to be used (including cold chain, when required), as well as any related distribution and logistical costs.

Procurement plan review and approval

56. Heads of office are responsible for the final validation and approval of procurement plans and their updates.

57. RH commodities requirements reflected in the procurement plans of UNFPA Supplies Partnership priority countries must be reviewed and approved by the CSB for reasonableness in relation to the national supply plans and the underlying forecasts; available data on consumption, deliveries, in-country commodity levels and order pipeline; and field office and IP capacity to manage the supplies.

58. RH commodities requirements reflected in the procurement plans of non- UNFPA Supplies Partnership countries must be reviewed and approved by the regional RHCS advisors for reasonableness in relation to available supply plans and the underlying forecasts and needs assessments; past and current year workplans; national registration requirements; and field office and IP capacity to manage the supplies, to ensure they contribute to programme continuity and an effective resource utilization.

59. The review and approval of procurement plans must take into account the registration status of hormonal contraceptives, RH medicines and medical devices included therein. For products that are not registered in country, field offices must indicate if waivers can be obtained from the appropriate national regulatory authorities. Budget holders and logistics focal points are responsible for ensuring any waivers required are obtained in a timely manner.

60. PSB can provide information on the registration status for hormonal contraceptives regularly procured by UNFPA. For other relevant programme supplies (i.e. RH medicines and medical devices), field offices must confirm the registration status of the goods with the appropriate national regulatory authorities.

61. Procurement plans for humanitarian supplies must be reviewed and approved by the regional humanitarian coordinators, unless a different review mechanism is established by the HO in response to specific humanitarian emergencies or for certain types of goods.

62. The Demand Planner of PSB must review the procurement plans of the countries in consultation with the respective PSB regional procurement team leads. The purpose of this review is to provide early information to field offices as regards potential implementation constraints, such as long lead-times and other relevant logistical considerations, minimum order requirements, and special approval requirements (in case of non-LTA items).

Procurement plan implementation monitoring

63. Operations managers must regularly monitor the implementation of procurement plans, including those developed for fast-track procurement, at least on a quarterly basis, to ensure that they remain accurate and current and are implemented as required to allow delivery of the supplies by the required deadlines. Results of this review including any identified issues must be reported to the concerned procurement focal points, PSB regional team leads, budget holders and heads of office.

64. Budget holders and heads of office have the ultimate responsibility for ensuring that appropriate remedial actions are taken by the appropriate roles to address any issues preventing a timely and effective implementation of the procurement plans.

B. Sourcing

65. **Figure 3** presents an overview of the **sourcing** process. It should be read in conjunction with the more detailed guidance provided in paragraphs 66 to 142 below.

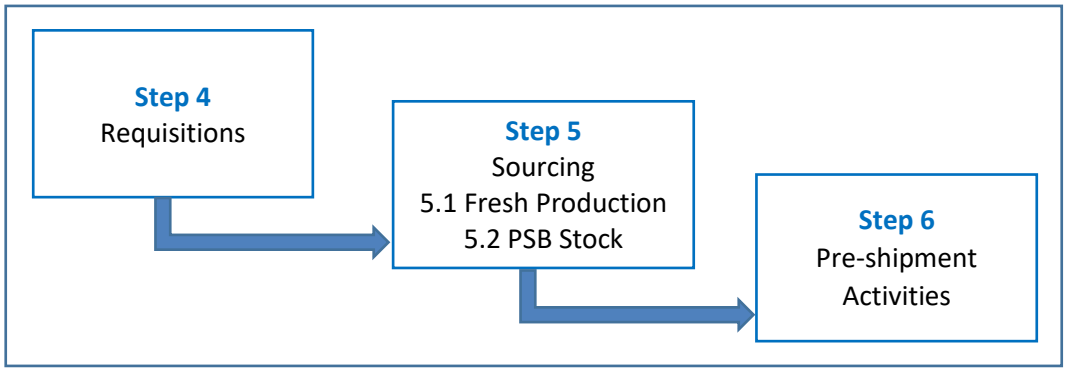


Figure 3 – Overview of the **sourcing** process

Step 4 - Requisitions

Requisition creation

66. Information on the steps required for creation of requisitions is available in section 4.4 of the Procurement Procedures.

67. Requisitions for goods funded by UNFPA Supplies Partnership are raised by CSB; requisitions may be prioritized based on the impact on a country's programming activities, work plan implementation, possibilities of national stock outs, and the presence of other partner agencies operating within the country. All other requisitions are normally raised by field offices, or by PSB, for replenishment of the stock maintained under its control. Requisitions should be raised with enough anticipation to allow the receipt of the goods by the required delivery dates, taking into consideration funding availability and estimated lead times.

68. Field offices must use the Lead Time Calculator to estimate lead times for goods commonly procured by PSB. This tool estimates the average time required for order processing, product manufacturing, pre-shipment sampling, testing and inspection (if required), and transportation to the selected country.

69. The Lead Time Calculator does not provide estimates of the time required for: (a) customized artwork and printing, which should be determined in consultation with PSB; and (b) customs clearance, and in-country receiving and inspection and handover, which must be separately estimated by field offices and added to the lead time estimates provided by Lead Time Calculator in order to determine the total time required before the goods become available for delivery.

70. The Lead Time Calculator is limited to items included in the UNFPA Product Catalog. For all other items, field offices must rely on alternative methods for estimating lead times, such as previous experience, industry standards and inquiries of potential suppliers. In general, lead times for items not covered by the UNFPA Product Catalog are longer, many times considerably, than for items included therein. Therefore, sourcing of orders for such goods must commence as soon as possible.

71. Requisitions for programme supplies procured by field offices must be raised under the field offices business unit codes (e.g., 'XXX40'). Requisitions for goods procured by PSB must be raised under the 'UNFPA' business unit. Requisitions must also specify accurate 'Ship to' locations, which should be set equal to the ISO three letter country code of the destination country and number '40'.

72. Requisitioners must refer to the Cognos Accounts Dictionary to ensure the correct selection of accounts for requisitions raised for programme supplies.

73. Field offices are not afforded the ability to select the supplier from which the goods will be procured. For purposes of ensuring that sufficient funds are available for the procurement, the UNFPA Product Catalog will always reflect the highest price for the items to be procured.

74. The correct unit of measure must be reflected in all requisitions. When sourcing goods from the UNFPA Product Catalog the unit of measure is automatically populated. However, requisitioners must exercise caution when sourcing goods from the UNICEF Product Catalog, as the units of measure reflected therein may not be consistent.

Procurement of Non-LTA items

75. In order to ensure an optimal use of resources, procurement of programme supplies must be restricted to products listed in the UNFPA or UNICEF catalogues to the greatest degree possible. Procurement of non-LTA items must be conducted following the procedures explained in section 4.7.2.1 of the Procurement Procedures.

76. In truly exceptional situations where field offices identify the critical need to procure non-catalog products that fall within UNFPA's mandate, justified by relevant programme needs, they must submit the Justification Commodity Within Mandate Form to request approval by the PSB QA team. In the event that approval is granted, the offices are required to:

a) Arrange for and fund the hiring of technical expert(s) to write technical specifications (in line with the UNFPA Guide to Creating Specifications) and perform technical bid evaluations;
b) Take into account the extended lead times resulting from the procurement of non-catalogue products, to ensure they can meet quality standards.

Requisition approval

77. Programme supplies requisitions must be approved in accordance with the Policy for Atlas User Profiles and Directory Application (ICF), and section 4.4.3 of the Procurement Procedures. Approving officers[12] must ensure that the requisitions raised for the procurement of programme supplies accurately reflect all key information required for sourcing. In particular, they must ensure that the requisitions:

a) Reflect goods included in the approved field office procurement plan and workplans;
b) Reflect accurate and complete descriptions of the goods to be procured, including detailed specifications for items not covered by either the UNFPA Product Catalog or the UNICEF Supply Catalogue;
c) Use accurate Item IDs (applies to goods sourced from the UNFPA Product Catalog), and Item Categories (applies to all other goods);
d) Include goods that meet all in-country registration requirements[13] or for which such requirements have been waived;
e) Show accurate quantities and units of measure (particular care is required when sourcing from the UNICEF Product Catalogue);
f) Reflect accurate chart of accounts information (i.e. fund, department, project, activity, account and implementing agency). The implementing agency code for programme supplies procured by UNFPA must always be 'PU0074';
g) Detail special requirements, including those related to printing and artwork, language, shipping marks, labeling requirements, installation, training service, support, etc.; and
h) Include provision for costs for ancillary services, such as inspection and transport.

78. Approving officers[11] must also ensure that:

a) Adequate storage conditions will be available at the time of arrival of the goods. When goods are to be handed over to IPs immediately upon receipt, this includes ensuring that IPs have adequate storage conditions and inventory controls;

[12] UNFPA staff member assigned Atlas requisition/voucher manager approval rights, thus granted authority to commit funds up to the limits defined in the Policy for Atlas User Profiles and Directory Application (ICF).
[13] This applies primarily to medicines that are often required to be registered / licensed in country before their importation and / or distribution is authorized by national authorities.

b) All required clearances and approvals specified in the Procurement Procedures and other applicable policies (e.g. UNFPA Fast Track Policies and Procedures) have been met. For example, permission from the Chief, PSB was obtained for local procurement of pharmaceuticals or medical equipment items not covered by the emergency procurement procedures.

Requisition review

79. Upon notification of approval, the designated procurement focal points must perform a detailed review of the requisitions to ensure that they contain all required details (e.g., are raised under the correct business unit; use correct Item IDs and Categories; include separate lines for freight, inspection, testing and sampling -if and where applicable-; are charged against funding sources that will not expire prior to the ETD date), and are approved and budget checked valid. Requisitioners may be required to revise the requisitions should any substantive issues be identified.

Requisition status monitoring

80. Open programme supplies requisitions must be monitored on a regular basis to ensure they are timely sourced to purchase or inventory orders that can be fulfilled by the required dates, and that appropriate remedial actions are promptly taken if required.

81. PSB regional team leads must perform regular reviews of approved and budget checked requisitions raised under the UNFPA business unit for field offices in their regions. Normally, such requisitions are expected to be sourced into purchase orders or IMM orders within two weeks after having been budget checked valid, unless there is a documented and valid reason beyond PSB's control (e.g. non-LTA procurement, shipments to hard-to-reach destinations, special registration requirements, etc.).

82. Operations managers must perform regular reviews of all pending requisitions older than two weeks (based on creation date), and unsourced requisitions[14] older than four weeks (based on approval date), for both international and local procurement orders. Any issues resulting from this review that could prevent the delivery of the supplies by the required dates must be reported to the concerned procurement focal points and budget holders.

83. Budget holders have the ultimate responsibility for ensuring that appropriate remedial actions are taken, by the appropriate roles, to address any issues preventing the timely delivery of the goods requisitioned, or that requisitions for programme supplies that are no longer needed are promptly closed or cancelled, as appropriate, in order to release the funds and make them available for other programme activities.

Step 5 – Sourcing

84. Procurement of programme supplies can either be carried out by PSB, on behalf of field offices, or be undertaken by field offices directly, by soliciting offers from both local and international suppliers, subject to the following restrictions:

a) Procurement of contraceptives must always be conducted under UNFPA implementation.
b) Procurement of contraceptives can only be undertaken by PSB; and
c) Procurement of pharmaceuticals and medical devices can only be undertaken by PSB, unless exceptionally authorized to be carried out by field offices to increase operational effectiveness and efficiency, as long as all quality assurance requirements established by the PSB QA team have been met. Section 4.7.2.1 of the Procurement Procedures provides details on the process that must be followed.

[14] Pending requisitions are defined as open requisitions that are not approved and / or budget checked valid. Unsourced requisitions are defined as approved and budget checked valid requisitions that have not been sourced to either a purchase order or IMM order.

85. Goods can be sourced either by placing orders with external suppliers through issuance of purchase orders (i.e., 'fresh production' orders), or from the stock of RH commodities and humanitarian supplies maintained by PSB (i.e., inventory orders).

5.1 – Sourcing from fresh production

86. Assigned procurement focal points, based on consultations with budget holders and other relevant field office personnel, determine the most appropriate sourcing process for the goods requested, considering such factors as the type of goods, order quantities, urgency of the request, lead times, and PSB stock levels. Since the selection and volumes of items maintained in stock by PSB are limited, most field office orders are fulfilled from fresh production.

87. Normally, RH commodities are sourced from either the UNFPA Product Catalog or the UNICEF Supply Catalogue. If budget holders seek to procure RH commodities outside of these two sources, they must solicit prior approval from the PSB QA team by submitting a completed Justification Commodity Within Mandate Form.

Purchase order creation

88. Procurement focal points must source the programme supplies requisitions into purchase orders once the vendors selected to supply the goods requested have been identified, following the process outlined in section 11.3 of the Procurement Procedures.

89. Separate purchase orders are issued for freight when the freight services provider is different from the vendor supplying the goods, as well as for inspection and testing services, when the goods procured are subject to pre-shipping inspection and testing procedures.

90. Procurement focal points must ensure that purchase orders accurately reflect all information required for effective tracking and recording of the goods. In particular, procurement focal points must validate that:

a) The description of the goods ordered is correct, clear and free of words that do not carry any substantive information, such as 'procurement of' or 'supply of'.[15] This validation is particularly important for goods sourced outside of the UNFPA Product Catalog, since descriptions are not pre-populated by Atlas based on the item IDs;
b) Quantities, units of measure, prices per unit and currency are accurate, as approved by the budget holder and agreed with the vendors;
c) All shipping related information, such as 'ship-to business unit', 'purchase order due date', shipping method ('Ship Via' field), 'destination name' and incoterm rule ("freight terms code" field) is entered correctly and does not contradict the shipping instructions that are normally attached to purchase orders for internationally procured goods;
d) The goods meet all registration requirements from national authorities in the country of final destination or, if this is not the case, registration waivers can be timely obtained to prevent delays in the customs clearance and arrival process; and
e) The 'Header comments' field references UNFPA General Conditions of Contract; as well as LTA numbers and special conditions (e.g. requirement to submit performance security), if any. For international procurement purchase orders, the "'header comments' field should also spell out the vendors' responsibilities for updating OTS.

91. Procurement focal points must also upload copies of specification document and shipping instructions (if applicable) and then route the purchase orders for review and approval.

[15] The Shipment Tracker captures only the first 18 characters from the purchase order description field. Descriptions that are not succinct may limit the ability to duly identify and track the goods once loaded to the Shipment Tracker.

Purchase order review and approval

92. Programme supplies purchase orders must be approved in accordance with the Policy for Atlas User Profiles and Directory Application (ICF) and the Procurement Procedures. Approving Officers[16] must ensure that all information and considerations relevant for programme supplies procurement purposes are properly reflected:
    a) Goods descriptions, quantities, units of measure, unit prices, currency and amounts are correctly reflected in the purchase order;
    b) For goods requiring international shipment, all shipping related information is recorded correctly and does not contradict the shipping instructions to be sent to the vendors (if applicable);
    c) Use of a consignee other than UNFPA has been properly authorized (see paragraph 145 below for details);
    d) The 'Header comments' field is properly populated (see paragraph 90.e) above;
    e) Specification documents and shipping instructions have been uploaded to the purchase order in Atlas (if applicable); and
    f) Due dates are set in line with the LTA terms.

Purchase order dispatch

93. Purchase orders must be dispatched by procurement focal points within two business days after having been approved and budget checked valid, and then immediately forwarded to suppliers, along with other relevant documentation, such as shipping instructions for goods requiring international shipment.

94. Dispatched international procurement purchase orders are automatically uploaded to the OTS. Both UNFPA personnel and suppliers have access to, and responsibility for, making periodic data updates in the OTS.

95. Suppliers and freight services providers, as appropriate, based on the shipping arrangements in place, must update the OTS with the estimated times of departure (ETD) and arrival (ETA) dates within 3 business days of receiving the purchase order.

96. Procurement focal points are responsible for monitoring the status of the orders to ensure that suppliers ship the goods as per the agreed due dates, and timely update the OTS, and for informing logistics focal points about any changes in delivery dates.

Freight sourcing

97. Freight sourcing must be carried out in compliance with section 6.3.3.1 of the Procurement Procedures.

98. In most instances, the suppliers of the goods ordered are also contracted to arrange freight services. Solicitation of offers from other providers is required when the cost of freight is expected to exceed the thresholds specified in the regular and emergency procurement procedures.

99. Selection of the freight mode must be made in compliance with section 12.3.1 of the Procurement Procedures, based on considerations of economy and efficiency. The selection must take into account such factors as cost, approved freight conditions, required delivery date, order size, number of transfers (with a view of minimizing them), geographic route, use of a dedicated freight forwarder or of freight forwarder with representation in the country of final destination, duration of demurrage-free period at port of entry, etc.

[16] UNFPA staff members assigned purchase order Manager (for field offices) or Procurement Manager (for PSB) approval rights in Atlas, thus granted authority to enter into legal contracts on behalf of UNFPA up to a limit defined in the Policy for Atlas User Profiles and Directory Application (ICF) and Procurement Procedures.

100. The selected freight mode must be indicated in the 'ship via' field of the goods purchase order, regardless of whether freight services are part of the purchase order or not, as this field can be used by UNFPA for tracking and control purposes.

Incoterms

101. Incoterm rules determine the obligations of both UNFPA and suppliers and freight forwarders (if freight is contracted separately from the provision of the goods) with respect to delivery of the goods and related costs and risks. The choice of incoterm rules determines the timing of recognition of assets, liabilities and expenses in UNFPA's accounts.

102. The standard incoterm rule used by UNFPA for international procurement is '*Carriage Paid To'* (CPT). Based on this rule, suppliers or freight forwarders arrange carriage until the final destination point. However, the risk of loss or damage transfers to UNFPA from the time goods pass into the custody of the first carrier.[17] UNFPA mitigates this risk by having all goods insured under its all-risk insurance plan with worldwide coverage Global Cargo and Warehouse Insurance Contract.

103. In cases where CPT is not deemed the most efficient option, PSB procurement focal points must select an alternative incoterm rule, based on considerations of minimizing risks to UNFPA and costs. Since the Global Cargo and Warehouse Insurance Contract offers favorable insurance rates to UNFPA, which may not be available to other parties, PSB procurement focal points should normally select an incoterm rule that places insurance responsibility on the buyer (i.e., UNFPA), as this is likely to result in lower shipping costs.

104. For locally procured goods, the field office procurement focal point must normally select '*Delivered At Place'* (DAP). Under this rule, suppliers or freight forwarders are responsible for all costs and risks of transportation, including delivery of the goods to the final destination. An alternative incoterm rule should be selected only if it results in substantial cost savings to UNFPA as compared to DAP.

5.2 – Sourcing from PSB stock

105. PSB maintains stocks of certain RH commodities and humanitarian supplies, including IARH kits, fistula and dignity kits, male and female condoms. These goods are held at manufacturers' premises but are owned by UNFPA. They are available for fulfilling both UNFPA field office and third-party procurement orders.

106. Orders are normally sourced from PSB stock when:
   a) Quantities ordered are below the minimum order quantities specified in the LTAs with the manufacturers;
   b) The supplies are required ahead of the lead times offered by manufacturers; and/or
   c) The supplies are required for humanitarian response activities.[18]

107. Maintaining stock originates incremental costs, such as warehousing, insurance, compliance, etc. These costs are recovered by PSB by embedding them into the unit cost of the goods and through the handling fee, set as a percentage of the cost of the goods sourced from stock. In addition, goods sourced from PSB stock generally have shorter shelf lives than goods sourced from fresh production.

[17] Carrier means any person who, under a contract of carriage, undertakes to perform or to procure the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes.
[18] Historically, more than 90 per cent of all IARH kits are sourced from PSB stock.

Inventory order creation

108. The PSB Inventory and Emergency Team member must convert programme supplies requisitions to be sourced from PSB stock into IMM inventory orders. IMM inventory orders are assigned the same numbers as the related requisitions.

109. Once inventory orders are created, the PSB Inventory and Emergency Team member must select the product batches to be used to fulfill them. Normally, batches with the nearest expiration date, expected to have at least 75 per cent residual shelf life at the time of shipment, must be selected, unless the budget holder has explicitly agreed to accept the goods with a shorter residual shelf life.

110. Budget holders must only agree to accept goods with less than 75 per cent residual shelf life when:
    a) The goods are required for humanitarian emergencies and the remaining shelf life is more than six months, with a confirmation of ability to import from national authorities;
    b) The goods are expected to be immediately handed over following arrival to the final destination point (i.e., these goods cannot be held in stock); and
    c) IPs have been informed of the expected residual shelf life of the goods at the time of their estimated arrival date, and have confirmed their ability to ensure consumption of these goods prior to their expiration.

Pick plan creation

111. After assigning batches to IMM inventory orders, the PSB Inventory and Emergency Team member must generate IMM pick plans, showing the item IDs, quantities and units of measure of the goods to be released from stock, as well as their batch numbers, warehouse locations and shipping address.

112. IMM pick plans are subsequently submitted to the PSB procurement focal points, who are responsible for verifying that the information included therein is accurate.

113. Pick plans are uploaded to the OTS, in the same manner as dispatched purchase orders, and are subject to the same data entry and oversight requirements.

Freight sourcing

114. Freight sourcing procedures for orders fulfilled from PSB stock are the same as for orders sourced from fresh production, as described in paragraphs 97 to 100 above. Freight services purchase orders must reference the IMM pick batch IDs and inventory order numbers, which are normally the same as the correspondent requisition numbers, in order to allow a more effective tracking of the goods in the OTS and the Shipment Tracker.

Step 6 - Pre-shipment activities

115. Assigned procurement focal points must instruct suppliers and freight forwarders to ship the goods, sourced either from fresh production or from PSB stock, after completing the activities discussed in paragraphs 116 to 138 below, once any issues reported by logistics focal points in the receiving field offices have been addressed.

116. For orders sourced by PSB, procurement focal points generate shipping instructions from the Country Profile Database and share them with suppliers and field offices prior to each shipment. Logistics focal points are responsible for ensuring the information in the shipping instructions is accurate, including:
    a) Name of the consignee – i.e., the individual or party to receive the goods (consignees must receive copies of the shipping documents, and their address, country, name, phone/fax, email and contact person should be included in the PO and package labels);

b) Name of the notify party – i.e., the party engaged by PSB or the field office to arrange customs clearance of goods (shipping documents must be forwarded to the notify party, and field offices listed as the notify party when shipments are consigned to a different party);
c) Delivery address/final destination – i.e., the address of the receiving party where the goods are to be physically delivered;
d) Labelling/shipping marks – including the UNFPA logo, project number, package contents, country of destination, batch information and storage conditions (a visual representation of typical shipping marks can be found in Chapter 12.2.4 of the Procurement Procedures);
e) Modes of transportation – i.e., sea, rail, road or air (used in combination when necessary);
f) Name of forwarding agents – i.e., the party engaged to carry out the formalities and operations of consignments on behalf UNFPA; and
g) Documentation required for shipment, such as packing lists, invoices, certificates of analysis, etc. (including indication of the number of copies of each document to be distributed to the parties listed above).

117. Logistics focal points must promptly communicate to PSB procurement focal points any corrections to the information contained in these shipping instructions in order to prevent any delays in clearing the shipment. PSB procurement focal points must update the Country Profile Database information for future use, as appropriate.

Pre-shipment quality assurance - international procurement

118. Certain RH commodities are required to undergo pre-shipment inspection.

119. Pre-shipment inspection is normally carried out by external inspection and sampling agencies contracted by UNFPA. Sampling for inspection of RH commodities is conducted according to stipulated sampling plans and acceptable quality limit (AQL) based on the current version of ISO 2859. Depending on the type of goods, pre-shipment inspection may include verification of certificates of analysis, shelf life, packaging, labeling, markings, and inserts. Inspectors also review and compare the descriptions of the goods with their physical appearance (e.g. shape, size, color); verify quantities; look for signs of damage, physical contamination and/or obsolescence; and make certain that the different levels of packaging (e.g. blister foils, jars, containers, etc.) are clean, properly sealed, and are adequate to ensure safe dispatch and arrival of goods to their final destination.

120. Pre-shipment inspection is required for all condoms (both male and female); lubricants; medical devices; RH medicines and diagnostic and medical kits which are not WHO pre-qualified or approved by a Stringent Regulatory Authority (SRA).[19,20]

121. IARH kits are not subject to pre-shipment inspection. Inspection of medical devices is not required when the cost of the product is less than the cost of one and a half inspection person-days; instead, the PSB QA team carries out a visual inspection of such goods. When pre-shipment inspection is substituted with visual inspection clearance, suppliers must submit photographic evidence of product labeling and packaging.[21] The PSB QA team reviews the photographs as per the inspection checklist and grants clearance if no issues such as incorrect or defective pouch inserts, inner boxes or shipping cartons are found.

122. For IUDs, pre-shipment inspection is substituted by visual inspection clearance based on product photographs and review of the certificate of analysis for each lot. The supplier is required to share all

[19] RH medicines prequalified by WHO or approved by Stringent Regulatory Authorities are excluded from pre-shipment inspection and testing requirements.
[20] Goods sourced from the UNICEF Supply Catalogue are subject to UNICEF quality assurance mechanisms. Therefore, UNFPA standard inspection and testing procedures do not apply.
[21] For IUD-s, suppliers are also required to submit internal certificates of analysis.

technical documentation for review by the PSB QA team, who notifies procurement focal points whether or not they agree to the release of the goods.

123. In addition to pre-shipment inspection, samples from all batches of condoms (both male and female), and RH medicines that have received a positive opinion from the Expert Review Panel mechanism[19] are subjected to pre-shipment testing.[22] The tests required vary based on product type. Testing is carried out by WHO Prequalified quality control laboratories engaged by UNFPA.

124. Testing of male condoms is performed in accordance with the requirements of the WHO/UNFPA Male Latex Condom: Specification, Annex 10, WHO TRS 1025, and the current ISO 4074. Testing of female condoms is performed in accordance with ISO 25841 and the WHO/UNFPA Female Condom Generic Specification, Prequalification and Guidelines for Procurement, 2012, or manufacturers' specifications. Questions about the requirements and applicability of the above-referenced ISO standards should be brought to the attention of the PSB Prequalification team.

125. Testing of RH medicines is performed to confirm compliance with the appropriate monograph, e.g. International, British, European or US pharmacopoeia or manufacturers specification as approved by the Expert Review Panel.

126. Inspection and testing discrepancies identified are communicated to the PSB QA team. Depending on the severity of the discrepancies, the PSB QA team may either require the replacement of the goods, or work with the suppliers to find acceptable solutions to the problems identified. Goods cannot be shipped until the PSB QA team is satisfied with the results of the agreed-upon remedial actions by the suppliers.

127. The timing of pre-shipment inspection and testing is coordinated between suppliers and the inspection and sampling agencies, or quality control laboratories. Suppliers must enter the scheduled 'sampling & testing' date for goods subject to both pre-shipment inspection and testing, or the 'Inspection finalized' date for goods subject to pre-shipment inspection only, into the OTS as soon as these are known. If suppliers fail to do so, procurement focal points must update the applicable OTS milestones accordingly.

Pre-shipment quality assurance – PSB stock

128. Goods held in PSB stock are inspected and tested, if applicable, at the time when originally supplied by vendors for stock replenishment.

Pre-shipment quality assurance – local procurement

129. All locally procured RH supplies requiring pre-shipment inspection in accordance with the above guidelines, as well as other programme supplies (e.g., dignity kits) valued at USD 100,000 or more shipped directly by suppliers to IPs must undergo pre-shipment inspection to verify their compliance with the agreed product specifications.

130. Provided local procurement of pharmaceuticals or medical devices has been approved, heads of office are responsible for ensuring that the products meet the applicable UNFPA quality assurance standards. In order to do this, field offices must facilitate and fund the hiring of technical expert(s) to aid in the process; LTAs held by the PSB QA team may be leveraged in order to ensure the technical evaluation is completed in an effective and efficient manner.

Shipping documents

131. Procurement focal points must use the Country Profile Database to generate the lists of documents required for shipment and importation of the goods to the destination countries. This database is also

[22] More details on UNFPA quality assurance standards and practices, including pre-shipment inspection and testing standards, are provided in the UNFPA Quality Assurance Framework for the Procurement of Reproductive Health Commodities.

used as a basis to generate shipping instructions to suppliers and freight forwarders (if freight is contracted separately from goods). Documents typically required for shipment and importation include bills of lading or air waybills, packing lists, commercial invoices, certificates of analysis, certificates of origin, where applicable information on temperature data logger and final inspection and test reports.

132. Logistics focal points must inform procurement focal points of any special shipping requirements (e.g., pallet size, containerization) to ensure the equipment, warehouse facilities, operators and laborers involved in the shipment of the goods have the capacity to handle the goods in the chosen packaging. If appropriate, these requirements should be recorded in the Country Profile Database for future reference.

133. Shipping documents are normally drafted in English. Logistics focal points must alert procurement focal points of the requirement to translate certificates of analysis and certificates of origin to other languages to prevent custom clearance delays. Procurement focal points must also record this requirement in the Country Profile Database for reference for future shipments.

134. PSB procurement focal points must update the Country Profile Database information at least on a semi-annual basis, with support from field office logistics focal points, as required.

135. Suppliers and freight forwarders must promptly e-mail copies of all required documents to procurement focal points as soon as they become available,[23] typically approximately 2 weeks prior to the departure of the shipment. For purposes of initiating pre-clearance activities, procurement focal points must ensure the necessary documentation, such as certificates of analysis and certificates of origin, is shared with the logistics focal point as soon as provided by the suppliers.

136. Original copies of air waybills and bills of lading are normally required for clearing the goods. For sea shipments, they will must be couriered to the consignee at least 10 days prior to the arrival of the vessel. For air shipments, the documents are normally attached to the physical goods; whenever this is not possible or practical, for technical or other reasons (such as in emergencies), documents must be sent by courier service to the consignee.

137. Procurement focal points must review all documents upon their receipt for accuracy, compliance with shipping instructions and completeness, and ensure, at a minimum, that:

a) The right products are being shipped;
b) The quantities and units of measure are correct;
c) Products will have at least 75 per cent remaining shelf life (as determined by the expiration dates listed on the packing lists) by the ETD date. In cases where this is not possible, the products must have, in line with WHO guidelines, at least 12 months of shelf-life remaining by the ETD date. In the exceptional cases in which, due to valid programme needs, goods with a shorter shelf life must be provided, procurement focal points must seek approval from the PSB QA team and obtain the formal concurrence of the concerned field offices. Distribution plans for these goods must be put in place by UNFPA field offices and IPs well in advance of their arrival;
d) Batches reflected in the shipping documents are the same as those that were inspected or tested;
e) Transport documents (e.g. air waybills or bills of lading) clearly indicate special handling and storage requirements, including maximum temperature, while the goods remain in transit (including while undergoing customs clearance); and
f) Other essential information such as names and addresses of consignees and notified parties; final destination; and incoterms, is referenced accurately and consistently throughout all documents.

[23] Since transport documents such as air waybills or bills of lading are not available until shipping commences, supplier or freight forwarder should prepare and share drafts.

138. Upon completion of their review, procurement focal points must ensure that the suppliers or freight forwarders promptly remediate any issues in the documents and the corrected documents submitted to the logistics focal points. This requirement applies to all shipments, regardless of whether or not UNFPA is listed as the consignee.

Pre-shipment checks and coordination

139. Logistics focal points must review the shipping documents provided by procurement focal points, and communicate any discrepancies or gaps within two business days following receipt. Logistics focal points must verify that all data in the packing list, invoice, and purchase order match before the documents are cleared for shipment. Procurement focal points must promptly refer the issues identified to the suppliers or freight forwarders for remedial action. Logistics focal points must provide final approval of the revised documents to the procurement focal points, once they are all received in good standing.

140. As soon as the documents are received, logistics focal points must initiate coordination of customs clearance, receipt, inspection, and delivery activities, including required import permits and certificates, coordination with customs agents and local transport services providers, and confirmation of IP readiness to receive the goods. When goods are not intended for immediate handover to IPs, logistics focal points must also ensure that appropriate storage space and conditions are available at a UNFPA or United Nations partner warehouse.

141. Logistics focal points must communicate to procurement focal points any major issues that could prevent or delay the clearance, receipt, and delivery of the goods, at least two weeks prior to the ETD date. A shorter period may be required in acute humanitarian response situations so that a decision can be made as to whether shipments should take place as planned or rescheduled.

142. Logistics focal points must begin all pre-shipment checks immediately after receiving the shipment documents (wherever possible right after receiving the electronic copies), to avoid delays in clearance and other downstream activities.

C. Fulfillment

143. **Figure 4** presents an overview of the **fulfillment** process. It should be read in conjunction with the more detailed guidance provided in paragraphs 144 to 183 below.

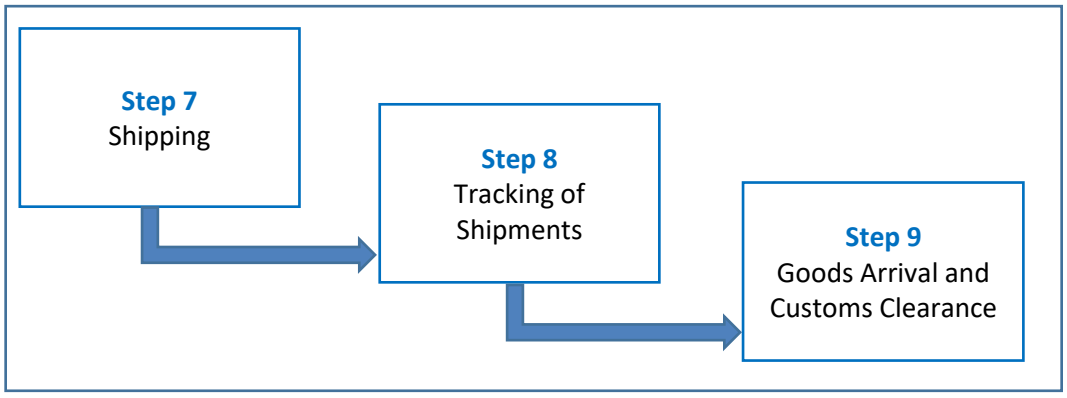


Figure 4 – Overview of the **fulfillment** process

Step 7 - Shipping

Consignee

144. UNFPA field offices in the countries of final destination must typically serve as consignees for goods procured by UNFPA, regardless of the procurement type (international or local), funding source, or the unit that initiated procurement, unless one or more of the following exceptions applies:

a) UNFPA does not have physical presence in the final destination country;
b) There are government imposed restrictions that do not allow UNFPA to serve as a consignee;
c) For goods procured by UNFPA for activities to be implemented by other United Nations organizations, when it is considered to be more practical for those organizations to serve as consignees;
d) For goods procured by UNFPA from other United Nations organizations, when it is considered to be more practical for these organizations to serve as consignees; or
e) When another United Nations organization was granted special custom clearance exemptions or privileges, normally in the context of humanitarian response operations, it can be designated as consignee in order to expedite the custom clearance process.

145. Nominating a party other than UNFPA as consignee carries legal, reputational and financial risks for UNFPA, some of which include:

a) The United Nations is exempt from customs duties, prohibitions and restrictions on imports of goods for its official use. National authorities may not recognize that such exemption applies to goods not consigned to UNFPA. Moreover, consignment to a party other than UNFPA may be subject to lengthier administrative and clearance procedures, even if exemption from customs duties is granted;
b) Consignees may not timely clear the goods at the port of entry, increasing the risk of additional demurrage costs, spoilage and theft;
c) Consignees may not follow adequate receiving and inspection procedures, and instances of missing, damaged, obsolete or spoiled goods may remain undetected; and
d) Insurance for goods covered under UNFPA's Global Cargo and Warehouse Insurance Contract is in UNFPA's name. Having another party as consignee may negatively affect UNFPA's ability to file insurance claims (e.g., if information needed for the claims is not reported on time).

146. Nomination of consignees other than UNFPA should only be considered in exceptional circumstances, primarily in the context of humanitarian emergencies, or when this contributes to reducing lead times or lowering costs. If intending to nominate another party as a consignee, logistics focal point must receive written confirmation from the said party confirming that:

a) It agrees to custom clear the goods; and
b) It has obtained assurance from the government that no customs duties will be levied on the goods, or if any such duties are levied, it will be responsible for paying them.

147. For all shipments in excess of USD 100,000, this confirmation must be forwarded to the procurement focal point and Finance Branch inventory team, prior to shipment commencement, explaining:

a) The rationale for designating a party other than UNFPA as a consignee;
b) Measures to be put in place to ensure that goods will be custom cleared timely; and
c) Actions to be taken by the field office to ensure that goods are duly inspected on arrival, following guidance provided in the Step 10 – Receiving and inspection below.

The procurement focal point and the Finance Branch inventory team will jointly review the request and either approve or deny it based on careful consideration of each case.

148. Whenever field offices are not named as consignees of shipments, they should be listed as the "Notify Party" on the shipping instructions so that they can receive copies of the shipping documents, in order to aid the consignees in clearing the goods if need be.

149. In situations where other parties serve as consignees, field offices responsibilities amid management of programme supplies and related downstream activities set forth in this policy remain unchanged. Logistics focal point must still be present at customs clearance, and receiving inspection to ensure these processes are handled properly and any discrepancies are reported to PSB in a timely manner.

Shipment commencement

150. Shipment commences at the time goods are picked up from the supplier's premises by a first carrier. Supplier or freight forwarder (if freight is contracted separately) is required to provide the following information, notifications and documentation:

a) Within two business days following shipment commencement - notify PSB procurement focal point, logistics focal point and consignee (in the exceptional circumstances when a field office is not the consignee), by e-mail, that goods have been picked up by the first carrier, populate the ATD date, and update the ETA date, if needed, into the OTS;
b) At least three weeks prior to the ETA date (to ensure that documents will reach field office at least two weeks prior to the ETA date) - courier original shipping documents for non-air shipment. For shipment by air, original shipping documents must be sent together with the goods;
c) Within two business days after the original shipping documents have been sent - update 'shipment document sent' and 'courier tracking number' fields in the OTS; and
d) Within two business days following arrival of the goods to the final destination - notify PSB procurement focal point, logistics focal point and consignee, by e-mail, that goods have arrived at the final destination, and update the ATA date in the OTS.

151. PSB procurement focal points are responsible for providing all required shipping documents and notifications, and closely follow up and remind the suppliers and freight forwarders to update OTS data should suppliers or freight forwarders omit to do so as required in the previous paragraph. This requirement applies to goods procured and supplied from the UNICEF Product Catalog as well.

152. Requirements of paragraph 150 apply equally to goods procured by PSB and field offices (if involving shipment), except for the requirement to update the OTS, which applies to goods procured by PSB only.

Financial receipt

153. A financial receipt is the Atlas transaction used to record the transfer of control over goods from the suppliers to UNFPA.

154. Financial receipts trigger the recording of field office inventory purchases in the Shipment Tracker, which captures the flow and the status of the supplies from the point in time when control over the goods is transferred to UNFPA until it is relinquished to IPs, normally through the handover of the supplies. For inventory procured to replenish PSB-controlled inventories, the financial receipt originates the update of IMM records.

155. For internationally procured goods, transfer of control from suppliers to UNFPA is determined based on the incoterm rules used. PSB procurement focal points must create Atlas financial receipts within three business days following receipt of the documents evidencing transfer of control.

156. For goods procured locally, the Atlas financial receipt must normally be created within three business days following physical delivery of the goods to the agreed destination point (e.g., field office warehouse) and completion of receiving and inspection procedures, as described in paragraphs 185 to 214 below. However, timing of financial receipt creation for goods procured locally, but shipped

internationally using incoterm rules other than DAP, should be the same as for financial receipts created by PSB.

IMM inventory order depletion

157. Goods sourced from PSB stock are already in UNFPA control, and therefore do not require creation of a financial receipt. The PSB Inventory and Emergency Team member must mark IMM inventory order as depleted within three business days following receipt of notification that goods were picked up from stock by the first carrier, signifying transfer of control over the goods from PSB to the receiving field office.

Shipment Tracker update

158. Financial receipts for goods procured by PSB, and IMM inventory orders, are automatically uploaded to the Shipment Tracker, through a daily batch process, and from that point forward are reflected as inventory in transit in this system.

Insurance arrangements

159. In accordance with the Financial Rule 114.21 and section 12.4 of the Procurement Procedures, UNFPA insures all goods it legally owns against losses or damage during shipping and transportation.

160. The party responsible for insuring goods in transit is determined by the incoterm rules selected for shipments. When the selected rule (e.g., CPT) places insurance responsibility on UNFPA, the PSB procurement focal points (for internationally procured goods) must ensure that the shipments are covered under UNFPA's Global Cargo and Warehouse Insurance Contract. This insurance contract provides coverage from the moment risk is transferred from the suppliers to UNFPA, until the goods arrive at their final destination.

161. When the DAP incoterm (rule of reference for local procurement) is used, insurance of goods is the responsibility of the supplier. If other incoterm rules are considered for local procurement, preference must be given to those that place responsibility for insurance on suppliers. If this is not possible, or economically feasible, procurement focal points must obtain insurance coverage in accordance with section 12.4 of the Procurement Procedures. As a first option, procurement focal points may request PSB to have the goods insured under UNFPA's Global Cargo and Warehouse Insurance Contract.

Step 8 - Tracking of shipments

162. Effective tracking of programme supplies shipments is critical to ensure the timely completion of all subsequent activities in the supply-chain.

163. Procurement focal points are responsible for ensuring that suppliers and freight forwarders promptly and accurately provide all documents and information required for tracking and clearing international shipments to logistics focal points. Procurement focal points are responsible for providing the documents and notifications, and accurately updating OTS, should suppliers and freight forwarders fail to do so as required.

164. Logistics focal points must timely monitor OTS data, and take proactive steps to obtain any documents and information not provided as per the requirements and timelines outlined in this policy. Logistics focal points are also responsible for informing those involved in subsequent supply-chain activities (e.g. customs clearing agents, warehouse focal points, IPs) about the status of the shipments and any issues eventually affecting them.

165. Medicines within certain IARH kits that require cold storage are sometime shipped separately via air, with the remaining kit components shipped by sea. Logistics focal points must monitor, track the status and timely initiate custom clearance activities for each shipment.

166. For locally procured goods, field office procurement focal points must ensure that logistics focal points receive all information from vendors required to track the status of orders at any point in time, and to undertake their duties under this policy (e.g. customs clearance, receiving and inspection procedures, etc.)

167. Shipments of goods sourced from PSB stock must also be tracked through OTS using details of the related freight purchase orders. IMM order numbers are indicated in the Header details, under the "PO reference" field, of these purchase orders.

Step 9 - Goods arrival and customs clearance

168. Logistics focal points are responsible for monitoring the arrival of shipments, and ensuring the prompt and effective completion of customs clearance activities, even when these are outsourced to third-party service providers.

Standard operating procedures

169. Customs clearance activities must be completed based on country-specific customs clearance standard operating procedures (SOPs) to be developed by the logistic focal points, and approved by the operations manager at each field office. At minimum, the SOPs must:

a) Clearly document all activities required for the duty-free import of programme supplies, such as obtaining import permits, filing for tax exemptions, applying for rebate letters, paying administrative fees, and completing customs inspections;
b) Reference all documents required to complete each activity;
c) Establish the timeline of the activities and the associated responsibilities;
d) Facilitate a prompt release of goods by scheduling as many activities as possible to run concurrently and/or prior to arrival of the goods in the destination country;
e) Identify any differential or supplementary requirements that may apply to different ports of entry (e.g., seaports or airports);
f) Include customs clearance checklists that can be used to guide and track all customs clearance activities; and
g) Clearly document any existing additional or alternative processes applicable to customs clearance of goods procured in the context of humanitarian emergencies.

170. Logistics focal points are responsible for ensuring that the customs clearance SOPs remain current, and that they are periodically updated to reflect changes and best practices learned over time.

Roles and responsibilities

171. Logistics focal points must communicate issues arising from failure of suppliers or freight forwarders to uphold their responsibilities as set forth in this policy (i.e. forwarding shipping documents on time, updating OTS in a timely manner, lack of response to queries or concerns on the part of UNFPA) to the PSB procurement focal points. Any such occurrences must be documented and reflected in the vendors' annual assessments. If these issues prove to be systematic, field offices can request procurement focal points to contract with other suppliers (if feasible) or freight forwarders. Any costs that may arise due to suppliers' non-compliance will be at their expense.

172. In addition, logistics focal points must regularly inform budget holders, operations managers, warehouse focal points and IPs, about the status of customs clearance activities, and alert them about situations where the release of the goods has not been completed after two weeks from the time of arrival of the shipment. Should the release of goods be expected to exceed a 90-day period, logistic focal points must alert the PSB insurance focal point, in order to arrange for additional insurance coverage, beyond the standard terms.

173. Budget holders have the ultimate responsibility for ensuring that appropriate remedial actions are taken by the appropriate roles to address any issues preventing the timely customs clearance of the shipments.

Monitoring of customs clearance activities

174. Operations managers must monitor the arrival and custom clearance of programme supplies by performing regular reviews of OTS and Shipment Tracker data, and follow-up on the implementation of remedial actions to resolve delays identified.

Customs inspections

175. Logistics focal points must be personally present at the time and place where customs inspections are scheduled to take place, in order to observe the inspection process and visually inspect the cargo. This requirement applies even when customs clearance activities have been outsourced to third-party services providers. Exceptions are only allowed when attendance is not possible due to security reasons, not permitted by national regulations, or, for shipments with a value lower than USD 50,000, when inspection takes place at a site that is distant from the field office premises.

176. Any issues identified during the customs inspection process, such as damage, pilferage, tampering, inadequate storage conditions, or inconsistencies in products or batch numbers, must be reported to the designated procurement focal points within two business days, for the purpose of filing insurance claims or determining whether the future use of the goods is safe. Shipments for which issues were identified at the time of customs inspection should be subjected to more extensive receiving and inspection procedures, following the process outlined under Step 10 – Receiving and inspection of this policy.

Use of third-party service providers

177. Activities in the customs clearance process can be outsourced to professional customs clearing agents or customs brokers.

178. When this option is chosen by field offices, logistics focal points must ensure that:
   a) The service providers engaged have the necessary permits and competencies to perform the activities outsourced;
   b) The service providers engaged have a valid contract (e.g., LTA or memorandum of agreement) for the provision of customs clearing services, either with UNFPA or with other United Nations organizations. Providers cannot be engaged based on a contractual relationship with IPs even when the goods are intended for the IPs[24];
   c) Updates about the status of the shipments, including ETD and ETA dates, and documents required for customs clearance, are shared with the service providers as soon as available to the logistics focal points; and
   d) Close oversight is maintained to ensure that customs clearance activities are timely, effectively and efficiently completed.

Insurance arrangements

179. Insurance of goods under UNFPA's Global Cargo and Warehouse Insurance Contract expires 60 days after arrival of the goods at the port of destination. Moreover, terms and conditions of the contract are extremely nuanced, so the actual coverage period can be shorter if any of the many policy exclusions applies.

180. Logistics focal points must alert PSB procurement focal points when the customs clearance process is expected to take more than 60 days. PSB procurement focal points are responsible to work with the

[24] Does not apply to exceptional cases when UNFPA is not a designated shipment consignee.

PSB Global Cargo and Warehouse Insurance Contract focal point to extend the insurance coverage period past the standard time.

Quality assurance considerations

181. Logistics focal point must promptly report to the PSB QA team any shipments of RH commodities requiring storage in a controlled environment that remain in customs for more than 90 days, for goods not shipped in refrigerated containers (reefers), or more than 180 days for goods shipped in refrigerated containers. Any such goods must be quarantined after their release from customs, pending further instructions from the PSB QA team, following their review of available evidence (e.g. temperature log readings), consultation with manufacturers and/or additional testing.

Process for goods procured by field offices

182. Procedures described in this step apply to all internationally procured goods as well as to locally procured goods that require international shipping, and UNFPA bears responsibility for the customs clearance.

Customs clearance costs

183. Payments of customs clearance and other local logistical expenses, including clearing agent fees, port services, demurrage charges, container rental fees, local transportation and other costs must be thoroughly reviewed by operations managers, to ensure they reflect valid costs for services effectively provided to UNFPA and priced at adequate and reasonable rates. Detailed records of customs clearance and logistical costs, by shipment and expense component, must be maintained for management analysis of costs incurred and identification of operational bottlenecks and efficiency opportunities.

D. Delivery

184. **Figure 5** presents an overview of the **delivery** process. It should be read in conjunction with the more detailed guidance provided in paragraphs 185 to 343 below.

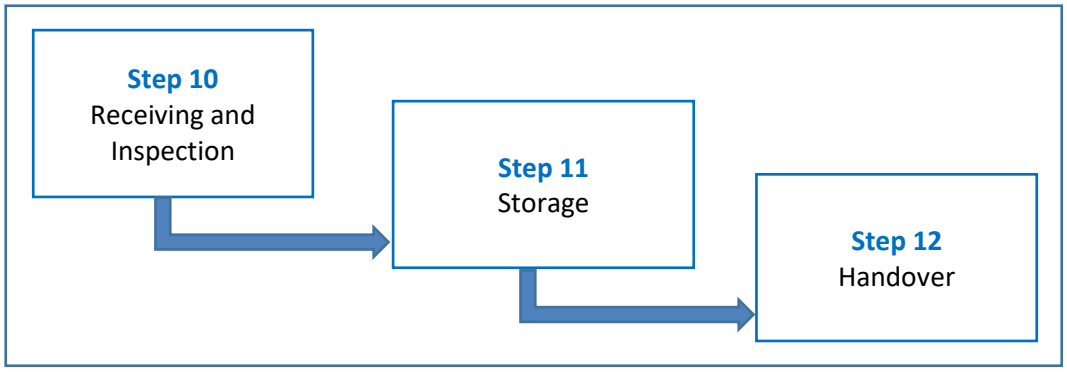


Figure 5 – Overview of the **delivery** process

Step 10 – Receiving and inspection

185. Receiving inspections must be conducted for all shipments, as soon as possible upon arrival of the goods, at one of the following locations:

a) At the port of entry, if allowed by operating conditions; or
b) At a UNFPA warehouse; or
c) At an IP handover facility.

186. Receiving inspections must normally be performed by logistics focal points. Should this not be possible due to valid reasons, such as security concerns or travel restrictions, or for shipments received at a location that would make it impractical for the logistical focal point to attend, the receiving inspection can be performed by another qualified UNFPA personnel or other United Nations organizations, or outsourced to a qualified third party.

187. Only duly inspected goods, confirmed as having arrived in good order, are considered to be physically received.

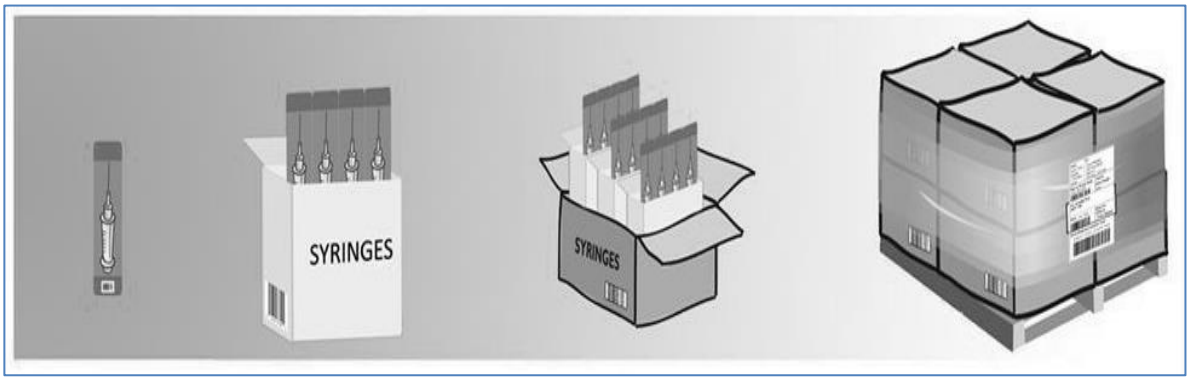
Scope of inspection

188. The scope of receiving inspections must be sufficient to provide reasonable assurance that the shipments contain the right goods, in the right quantities and in the right conditions. Determination of the scope of the inspections should take into consideration factors such as the type and value of the goods; the amount of time the containers were stored in ports of arrival and customs areas and the level of security therein; the process and time to move the containers to the point of inspection; indications of tampering with or other issues affecting the containers in which the goods were shipped; and problems identified in previous receiving inspections.

189. The following terminology is used to distinguish the different types of packaging referenced in the receiving and inspection process requirements outlined in this section:

a) Pallets are used as a base for assembling, storing, handling, and transporting packages in a unit load;
b) Exterior packages, such as boxes or cases (referred to as packages in this document), are normally loaded onto pallets, and their content completely enclosed;
c) Secondary packages (referred to as cartons in this document) are placed inside of the exterior packages, to provide an additional layer of protection for the goods. Secondary packages normally contain multiple primary containers, which are referred as primary packaging; and
d) Primary packaging are shippable containers of individually packed units, as indicated in the supplier's unit of measure.

Figure 6 below exemplifies the above definitions.



Primary Packaging | **Secondary Packaging (i.e., cartons)** | **Exterior Packaging (i.e., packages)** | **Pallets**

Figure 6 – types of packaging

190. Receiving inspection must entail, at a minimum, the following procedures:

a) Visual inspection of pallets and packages for signs of damage, pilferage or tampering (e.g. packaging tears, open boxes, missing labels, broken seals);
b) Inspection of temperature data logs (if available) for RH commodities that require temperature monitoring including goods requiring cold chain delivery;
c) Reconciliation of the quantities received to the quantities in packing lists and Atlas financial receipts or IMM orders; and
d) Comparison of the products, batch numbers and expiration dates on the packages (as indicated on the shipping marks) to packing lists, air waybills or bills of lading, certificates of origin (if applicable), and certificates of analysis (if applicable).

191. After the visual inspection of pallets and packages is completed, the logistics focal point must perform a detailed inspection of the content (e.g., cartons) of a sample of packages not showing signs of damage, pilferage or tampering. The sample of packages to be inspected must be determined using the following criteria:
    a) Sample size: the number of packages to be inspected should be determined based on the value of the shipment, as outlined below:
        i. Shipments with values below USD 50,000[25] - 5 per cent of the number of packages,[26] up to a maximum of five packages;
        ii. Shipments with values of USD 50,000 or more - 10 per cent of total packages, up to a maximum of 20 packages;
        iii. Shipments including multiple items - the inspection must include at least one package of each item type valued USD 5,000 or more, even if total number of packages to be inspected will exceed the maximum stipulated above (sections i and ii).
    b) Sample selection: the sample of packages to be inspected must be selected on a random basis, drawn from different pallets and container areas, covering different batches, to the extent possible. For RH commodities, the identification numbers stated on each package sampled (e.g. 1/200, 2/200, 3/200) from which samples were drawn must be clearly documented.

192. The inspection of the packages selected as indicated above must include the following activities:
    a) Visual inspection of the cartons (or other types of secondary packages) inside the exterior packages, for signs of damage, tampering or pilferage; and
    b) Physical count of the cartons contained in the packages, and reconciliation of the resulting quantities to the information on the shipping marks and the packing lists.

193. The inspection must also cover at least 10 per cent of the cartons contained in the packages selected, and include the following activities:
    a) Physical count of the individual units (primary packaging) contained in the cartons; and
    b) Visual inspection of a sample of individual units contained in the cartons for: correspondence to the products ordered (e.g. name, shape, and color); correct units of measure and quantities; and signs of damage, tampering or pilferage (e.g. broken seals, discoloration, abnormal odor, animal contamination, insects, etc.).

194. Inspections of goods that were not subject to pre-shipment inspection must also include:
    a) Verification that all packaging, marking and labeling requirements (if any) have been complied with; and
    b) Verification that batch numbers and expiration dates on inner packages match information printed on outer packages or packing lists.

[25] The threshold is based on cost of goods only, excluding associated costs such as freight, testing, artwork, etc.
[26] Rounded up to the nearest whole number.

195. All packages showing signs of damage, pilferage or tampering must be subject to a full inspection (i.e., 100 per cent – not on a sample basis) to determine whether the goods can be accepted and received. If the initial inspection reveals extensive (i.e., affecting a large number of packages) damage, missing goods, or evidence of tampering, the entire shipment must be subject to a full inspection to determine whether the goods can be accepted and received. Field offices should not reject the goods if, after a detailed inspection, it is determined that the quality of the goods has not been compromised.

196. Goods with less than 75 per cent or 12 months of shelf life remaining at the time of shipment should not be accepted, unless shipment of goods with a lower residual shelf life had been previously approved on account of exceptional circumstances.

197. Medical devices with unit prices higher than USD 500, ICT equipment and vehicles must be subjected to a full (i.e., 100 per cent) inspection.

198. Inspection of medical devices and ICT equipment must include the verification of (i) correspondence to the products' technical specifications, country of manufacturing and manufacturer name, as per the appropriate procurement and shipping documents; (ii) visual appearance; (iii) inclusion of all parts, as per the applicable part lists, instruction and operations manuals, spare parts and installation supplies, when applicable; (iv) presence of CE mark when applicable; (v) shelf-life when applicable; and (vi) evidence of damage or tampering.

199. Inspection of dignity kits or other NFI kits must also include the verification, on a sample basis, of the inclusion of all individual components, and their correspondence to detailed written specifications included in the vendors' offers or, preferably, samples requested from vendors at the time of the procurement process.

200. When the inspection of medical devices, pharmaceuticals, and other goods requires additional technical expertise, logistics focal points must request the assistance of qualified staff from the field office, IP, other United Nations organizations, or third parties, to ensure the goods are received in the proper condition.

201. When performing detailed inspection, logistics focal points must be mindful of the following:
   a) Containers, boxes and cartons opened for inspection must be appropriately re-sealed; and
   b) Primary packaging for RH medicines, other pharmaceuticals and sterile products, must not be opened unless there is evidence of damage, tampering or pilferage.

202. When shipments include different types of programme supplies, logistics focal points must prioritize the inspection of supplies requiring transport and storage under controlled conditions of temperature and relative humidity.

203. As much as practical, inspections must be completed within a single working day. When not possible logistics focal points must ensure that non-inspected containers and packages are properly sealed and safeguarded pending completion of inspection on the following day.

Receiving and inspection forms

204. The results of the receiving and inspection process must be documented in detailed receiving and inspection reports.

205. Receiving and inspection reports must be prepared upon completion of the shipments' inspection, and signed by the logistics focal points and:
   a) Authorized IP representatives, when goods are transported directly to IP facilities and inspected and handed over therein;

b) UNFPA warehouse focal points, or authorized third-party warehouse representatives, as appropriate, when goods are transported to UNFPA warehouses and the inspection is completed therein; or
c) Freight forwarder or customs clearing broker representatives, when goods are inspected at the point of entry.

206. Occasionally, when the receiving inspection is expected to be carried out at IP premises, the IPs may not be ready to receive the goods immediately upon their arrival. These situations must be avoided by giving regular updates to the IPs of the status of shipments (e.g. picked up by first carrier, arrived to the port of entry, customs cleared), and providing ample time for the IPs to prepare for the receipt of the goods.

207. When unavoidable, uninspected goods maybe left at IP facilities only when all of the following conditions are met:
a) No evidence of damage, loss, tampering or pilferage exists;
b) The containers remain sealed and the integrity of the seal is verified both by the logistics focal point and authorized IP personnel. When the goods are not delivered in containers, the number of packages and their integrity must be verified;
c) The goods are kept in a secure location, under adequate storage conditions (e.g., proper temperature) until the inspection can be completed; and
d) The IPs acknowledge in writing the receipt of the containers or packages and their content, pending completion of the detailed inspection process.

Discrepancies

208. Logistics focal points must clearly document any discrepancies, shortages and/or damages identified by the receiving inspection in the Damaged or missing goods report, and provide digital pictures demonstrating the nature and extent of the problems identified.

209. The Damaged or missing goods report and photographic evidence must be submitted to the assigned procurement focal points within 2 business days of completion of the inspection process. Procurement focal points must further liaise with the suppliers / freights forwarder or carriers, as appropriate, to ensure a prompt resolution of any problems identified (e.g. the product is replaced or an insurance claim is filed).

210. RH commodities and medical devices that are suspected to be substandard, forged or substituted must be quarantined as soon as possible. The findings must be documented in the receiving and inspection report and reported to the head of office.

211. Goods that are defective or not in the proper condition must be rejected. If the goods are rejected, the supplier is required to take the following actions:
a) Issue a full or partial refund, as applicable, and provide instructions to UNFPA either to return or destruct the goods; or,
b) Repair the goods in a manner that would enable the goods to conform to the specifications or other requirements of the relevant contractual agreement; or,
c) Replace the goods with goods of equal or better quality; and,
d) Pay all costs relating to the repair, destruction or return of the defective goods, as well as the costs relating to their storage and for the delivery of any replacement items to UNFPA.

212. For cases reflected in paragraphs 208 to 211 above, the UNFPA QA team must be informed within one week.

213. UNFPA has the right to refuse receipt of additional quantities of goods that are in excess of the quantities indicated in the shipping documents (packing list and invoice) and financial receipt records.

In no instance should they be handed over to or left in the possession of IPs, but instead be kept under UNFPA control until further instructions are received from the suppliers and PSB.

214. Defective, damaged, perished or otherwise unacceptable products must be separated and marked with unique identifiers to distinguish them clearly from serviceable goods. In no instance should they be handed over to or left in the possession of IPs, but instead they must be kept under UNFPA control until further instructions are received from suppliers and/or PSB as regards their disposition.

Shipment Tracker update

215. Logistics focal points must provide copies of the duly completed and signed receiving and inspection reports to the shipment tracker focal points within one week following completion of the receiving and inspection procedures.

216. Shipment tracker focal points must review the forms for accuracy and consistency with the related Atlas financial receipts and/or IMM orders, and mark the goods as physically received in the Shipment Tracker within the following two business days.

Post-shipment inspection and testing

217. Occasionally, mandatory pre-shipment inspections cannot be completed, due to urgency considerations, prior to the shipment of the goods. In any such cases, the designated service providers carry out the inspections after the arrival of the goods to the destination countries. The inspections are coordinated by the PSB procurement focal points, with the involvement of the PSB QA team, and follow the same process and rigor applicable to inspections completed prior to shipment commencements. Goods must not be released to IPs until all appropriate inspection procedures are completed and goods are confirmed to be in a good order.

218. IPs may request additional post-shipment inspections of UNFPA-donated supplies (other than the inspections carried out at the time of receipt from UNFPA) or testing. Logistics focal points must promptly notify the PSB QA team of any such post-shipment inspection or testing, and any related issues they may identify. IPs should be encouraged to perform testing in WHO-prequalified for RH medicines or ISO 17025 accredited laboratories for condoms, IUDs and lubricants.

Step 11 - Storage

219. Programme supplies must normally be delivered to the designated IPs immediately after arrival.

220. Exceptionally, field offices may be required to maintain static inventory at UNFPA warehouses[27], for valid reasons, such as the need to respond to humanitarian emergencies, prepositioned supplies, or to mitigate risks associated with IP logistical and financial capacity gaps.

Authorization to hold inventory

221. Maintaining inventory at UNFPA warehouses must be authorized in advance by regional RHCS advisors, for RH commodities, regional humanitarian coordinators, for humanitarian supplies, or regional operations managers, for other types of programme supplies.

222. Field offices must apply for authorization by submitting Authorization to Hold Inventory Request forms, documenting the relevant justifications of the need to hold the inventory.

223. Authorization to Hold Inventory Request forms must be accompanied by budget and funding plans, detailing all estimated future direct costs (e.g. warehouse rental or third-party service provider costs; salaries of personnel involved in warehouse management activities, either on a full or part-time basis;

[27] See 'General definitions' section above for definition of a 'UNFPA warehouse'.

insurance; utilities; equipment; periodicity and estimated costs of warehouse assessments; etc.), and indirect costs (e.g., allocations of management time and occupancy expenses), and how they are expected to be funded.

224. Authorization to hold inventory must be granted only when field offices unequivocally demonstrate a legitimate business need, which cannot be fulfilled otherwise, and the operational and financial capacity to manage the warehouses. Regional RHCS advisors or humanitarian coordinators, as appropriate, must reassess, in consultation with field offices and regional operations managers, the need to hold static inventory at least once every three years.

Flexibility provided under Fast-track Procedures

225. In cases when FTPs are activated, field offices are not required to obtain regional office authorization to hold inventory. Such authorizations must be sought as soon as it becomes apparent that the need to maintain inventory at UNFPA warehouses will extend beyond a six-month period.

PSB-managed stocks

226. PSB is authorized to maintain under its control stocks of RH commodities and humanitarian supplies, in order to allow it to source field office orders and respond to humanitarian emergencies in a more timely and effective manner.

227. Decisions on the type of goods to be held under PSB control are made by the Chief, PSB. Decisions on the level of stocks for the goods to be held in stock are made by the PSB Procurement Coordinator, based on considerations such as the level and consistency of historic demand, production and delivery lead-times, shelf-lives, and humanitarian response trends.

228. The PSB-controlled inventory is managed in accordance with the Guidance note on PSB managed inventory of RH commodities.

Selection of field office warehouses

229. Field offices authorized to hold inventory under their control, must identify warehouses appropriate to store and safeguard the inventory, managed by either UNFPA personnel or third-party service providers.

230. Logistics focal points must complete assessments of the proposed warehouses using the warehouse checklist, to determine which warehouses better meet the requirements, including cost-effectiveness, for the adequate storage and safeguarding of the types of inventory and stock levels to be held under UNFPA control. The selection procedure must take into account any warehousing requirements imposed by national authorities.

231. Warehouses that store RH medicines, pharmaceutical products and medical devices are to be appropriately licensed by the relevant national regulatory authorities. RHCS Advisors are to maintain records of licenses for all the warehouses that store the RH commodities.

232. Heads of office must approve the selection of the warehouse(s) to be utilized to hold the inventory. Approval must also be obtained from regional RHCS advisors or humanitarian coordinators, as appropriate, as well as international operations managers, when the warehouses are expected to store supplies with a value of USD 250,000 or more at any single point in time.[28] The RHCS advisors and humanitarian coordinators may decide to conduct in-person assessments, should it be expected that the warehouses would hold large supplies values, or if they are located in high-risk environments or exposed to other challenging operating conditions.

[28] Threshold of USD 250,000 applies to combined value of all programme supplies to be stored in the warehouse, including non-RH commodities.

233. Logistics focal points must reassess the warehouses used to store inventory on an annual basis as long as UNFPA inventory continues to be stored therein. The assessments must be completed using the previously mentioned warehouse checklist. Copies of the annual reassessments must be shared with the regional RHCS advisors and humanitarian coordinators, as appropriate, and with the international operations managers.

Flexibility provided under Fast-track Procedures

234. Regional Office approval of warehouse selection is not required in cases where FTPs have been activated, regardless of the value of supplies expected to be stored there. Approval must be sought as soon as it becomes apparent that the need to maintain supplies at an UNFPA warehouse will extend beyond a six-month period and value of these supplies is likely to exceed USD 250,000.

WHO Good Storage and Distribution Practices for Medical Products

235. UNFPA adopted the Good Storage and Distribution Practices for Medical Products published by WHO, the key requirements of which are reflected in the appropriate sections of this policy. So all storage of UNFPA RH commodities must comply with these practices.[29]

Warehouse location and design

236. Selection of the most appropriate warehouse facilities must take into account the types and volumes of programme supplies to be held in stock. Critical warehouse location, design and equipment requirements are summarized in paragraphs 237 to 256 below.

237. Adequate storage capacity must be available at the warehouse(s) selected. The volume of space needed generally follows the rule of 1:4, meaning that for every cubic units of goods to be stored, four cubic units of space are required.

238. Adequate measures, such as perimeter fencing, video surveillance, alarm systems, and guards, should be in place against unauthorized entry, theft and other potential exposure to physical losses.

239. The warehouses must be located within a reasonable distance from the field offices, to facilitate regular access by the relevant field office personnel, and in areas assessed as secure and with good road access.

240. Access roads, as well as receiving and shipping areas, must allow access of large vehicles if the warehouses are expected to handle large volume shipments and/or deliveries. Appropriate equipment such as forklifts and pallet lifters should be available as well.

241. Receiving, shipping and storage areas must allow for free and easy handling of supplies and movement of equipment

242. In humanitarian settings, warehouse selection must also take into consideration the safety and security of personnel, infrastructure and supplies; the proximity and access to affected populations; and any restrictions imposed by national authorities on movement and use of supplies and personnel as a result of the crisis.

243. Where possible, receiving and dispatch bays should be separate, to avoid product mix-ups and cross contamination. Bays should protect products from weather conditions.

244. The warehouses must not be located in areas prone to flooding, and should be built and equipped in a manner that allows proper drainage of rainwater and prevents water accumulation on the warehouse floor or in adjacent areas.

[29] WHO Expert Committee on Specifications for Pharmaceutical Preparations: Fifty-fourth report: Annex 7: Good Storage and Distribution Practices for Medical Products, 21 April 2020.

245. Windows should be high enough to not be blocked by shelves, have wire mesh to keep out insects, and be protected against theft.

246. Warehouse design should allow adequate air circulation to avoid concentrations of fumes or gasses and to prevent condensation of moisture on products or walls.

247. Toilets, washing, rest and canteen facilities should be separate from areas where goods are handled. Food, eating, drinking and smoking should be prohibited in all areas where goods are stored or handled.

248. The warehouses must have adequate natural light during the day, to minimize the use of fluorescent lighting, which emits ultraviolet rays having a negative effect on certain products, or incandescent bulbs, which emit heat. Appropriate areas must be available to store products that are photosensitive and will be damaged if exposed to light.

249. Systems, such as air conditioners and/or fans, must be in place in order to maintain temperatures within the manufacturers approved storage conditions at all times. Temperature monitoring devices should be available monitored and recorded regularly according to temperature mapping studies.

250. Temperature monitoring devices must be calibrated in line with the manufacturer's requirements. Calibration certificates must be maintained and be accessible for review at all times.

251. Appropriate cold storage facilities must be available if goods that require refrigeration/freezing, such as oxytocin, will be stored at the warehouses. Cold rooms are more efficient in comparison to refrigerators and freezers because they emit less heat. However, cold rooms may not always be available at smaller warehouses. Temperatures must be monitored and recorded daily in line with the temperature mapping studies.

252. Secure areas, such as cages and locked cabinets, must be available for the storage of high-value, pilferable or sensitive goods. This includes provisions for narcotics and dangerous substances in line with national regulations.

253. The warehouses must have closed office areas to maintain the ICT equipment required for warehouse management and inventory control, and for safekeeping of records and documents.

254. Adequate fire prevention, detection and extinction mechanisms, such as fire and smoke detectors, extinguishers and sprinklers, must be in place.

255. An alternative power supply must be available at warehouses located in areas prone to electricity outages, and tested at regular intervals to ensure its readiness for use.

256. First aid kits and guidelines on first aid measures for exposure to medical products stored in the warehouses must be available.

Storage conditions

257. Upon receiving the goods, warehouse focal points must review the manufacturer’s storage requirements and ensure that the goods will be stored accordingly.

258. All goods must be assigned location indicators to ensure they can be located quickly. High-level diagrams of the warehouses, indicating the location of the goods, must be maintained for larger facilities.

259. Similar products must be stored in adjacent areas, in order to facilitate access, movement and distribution, and prevent errors in their handling. Storage arrangements should also prevent contamination, mix-ups and cross-contamination between products.

260. Shelves and bins must be used to store smaller packages and individual items, and pallets must be used to store bulk items and larger packages. As a general rule, shelves and pallets should be arranged as follows:
   a) In line with a passageway;
   b) At least 10 cm off the floor;
   c) At least 30 cm away from walls and other stacks; and
   d) In stacks not more than 2.5 meters high.

261. High-value, pilferable or sensitive goods must be stored in the warehouses' secure areas (e.g., cages and locked cabinets).

262. Products must not be stored in direct sunlight, and must be kept at the required temperature and humidity levels at all times, as specified in the product labels and manufacturer's storage requirements. In the absence of clear requirements on storage conditions from the manufacturers, the general guidance on temperature and humidity level requirements for different types of products summarized below may be applied:[30]

Label description	Recommended limits
Store at controlled room temperature	15 to 25 °C
Store in a cool place	8 to 15 °C
Store in a refrigerator or cold place	5 ± 3 °C
Store in a freezer	–20 ± 5 °C
Store in deep freezer	–70 ± 10 °C
Store in a dry place	No more than 60% relative humidity
Protect from moisture	No more than 60% relative humidity
Store under ambient conditions	Store in well-ventilated premises at temperatures of between 15 °C and 30 °C and no more than 60% relative humidity.
Protect from light	To be maintained in the original manufacturer's light-resistant containers.
Chilled	5 ± 3 °C

263. Temperature and humidity levels must be monitored in line with temperature mapping studies at least twice a day, and readings recorded at least for the warmest time of the day. Temperature and humidity logs must be kept, with notations of the temperature and humidity levels measured and actions taken to address any deviations from the required storage requirements.

264. All goods must be stored in an organized and systematic manner to allow their delivery following the first-to-expire, first-out approach (FEFO). Batches with different expiration dates must not be mixed, and goods with the shortest remaining shelf lives must be stored in the most visible and accessible positions, to ensure that they can be distributed first.

265. Bin cards must be placed at all pallets, shelves, bins and other storage devices used, clearly identifying the product names, batch numbers and expiration dates. For IARH kits, bin cards must indicate the earliest expiration date for the set of components packed within the kits. Bin cards should also list PO

[30] Source: WHO Expert Committee on Specifications for Pharmaceutical Preparations: Fifty-fourth report: Annex 7: Good Storage and Distribution Practices for Medical Products, 21 April 2020.

/ IMM order numbers and product names from the Shipment Tracker. This will facilitate periodic reconciliations between stock count results and the Shipment Tracker records.

266. Stocks must be regularly monitored to identify IARH kits with less than six months remaining shelf lives, and other programme supplies expiring / reaching best before dates within next 12 months. In the case of IARH kits, warehouse focal points must monitor the expiration dates of the individual components within the kits.

267. Any such items must be promptly reported to logistics focal points and budget holders so that appropriate actions can be taken to ensure the goods can be utilized before they expire or, when this is no longer possible, properly disposed.

268. Product conditions must be monitored regularly, and defects or damages reported promptly, to allow timely and appropriate remedial actions for the issues identified.

269. Conditions that could be an indication of product damage include:
    a) Solutions: discoloration, cloudiness;
    b) Light sensitive products: torn packaging;
    c) Latex products: dryness, brittleness, cracks;
    d) Latex products: sticky or stained packaging, discoloration, leakage of lubricant;
    e) Tablets/caplets: discoloration, crumbling, missing content, stickiness and unusual odor;
    f) Suspensions: liquid does not return to suspension after shaking;
    g) Sterile products: torn or stained packaging, missing parts;
    h) Capsules: discoloration, stickiness, crushed content;
    i) Tubes: leaking content, stickiness, perforation;
    j) Foil packs: perforation in packaging; and
    k) Chemical reagents: discoloration.

270. The warehouses must be maintained clean and aisles maintained clear at all times, and waste and garbage promptly and timely disposed of. Cleaning equipment and cleaning agents should not become possible sources of contamination.

271. The warehouses must have written sanitation programmes, indicating the frequency of and the methods to be used for cleaning. They should also specify required spillage clean up procedures to avoid any risk of contamination.

272. The warehouses should be protected from the entry of birds, rodents, insects and other animals. Rodent and pest control programmes should be in place.

273. Access to the warehouses must be restricted to authorized personnel only, and access must be logged.

274. The operating conditions of fire prevention, detection and extinction measures and devices must be monitored regularly.

Warehouse personnel

275. Warehouse personnel should receive periodic training on requirements of this policy and WHO Good Storage and Distribution Practices for Medical Products, as well as on product security, product identification, detection of falsified products, and personal hygiene and sanitation. Training records of personnel must be maintained.

276. There should be an approved organizational structure showing responsibilities, authority and inter-relationships of the personnel.

277. The roles of management must include responsibility to ensure a quality management system is established, maintained and reviewed regularly.

278. Warehouse personnel and anyone entering the warehouse shop floor should wear protective garments for the activities that they perform. UNFPA may provide the appropriate garments to personnel, if not otherwise available.

Insurance arrangements

279. Logistics focal points must ensure that inventory maintained at field office warehouses is adequately insured at all times.

280. Inventory held at UNFPA managed warehouses must be insured under UNFPA's Global Cargo and Warehouse Insurance Contract managed by PSB. Logistics focal points must report to PSB the value of the goods held on a monthly basis so that adequate insurance coverage can be maintained. The cost of the insurance coverage is borne by the field offices holding the inventory.

281. Inventory held at third-party managed warehouses, including those of other United Nations organizations or programme partners, must also be insured at all times. Logistics focal points must assess the adequacy of the insurance arrangements in place and ensure that the warehousing agreement clearly outlines the coverage provided for UNFPA goods.

Disposal of goods

282. Damaged, expired or otherwise unusable programme supplies under the control of UNFPA must be disposed of at the earliest opportunity. Prior to initiating the disposal of goods, logistics focal points must obtain a written authorization from heads of office.

283. Contraceptives must be disposed in accordance with the applicable national laws and regulations. Reference may be made to sections 2 to 5 of the Safe Disposal and Management of Unused Unwanted Contraceptives guidelines.

284. Disposal of RH commodities other than contraceptives must be authorized in advance by the PSB QA team, to ensure that correct methods are used to prevent environmental damage, incorrect usage, or goods from being sold or otherwise used instead of being physically disposed.

285. Physical disposal should normally be carried out by qualified third-party services providers authorized by local authorities. Logistics focal points and at least an additional staff member must be present during disposals, which should be documented through disposal reports, including photographic evidence. Destruction certificates issued by National authorities must be shared with UNFPA QA team.

Returned goods

286. In rare occasions, programme supplies previously handed over by UNFPA may be returned by the IPs to whom they were delivered. All returned programme supplies must be thoroughly inspected at receipt, and the results of the inspections documented, including through the use of pictures.

287. Returned programme supplies should be placed in quarantine upon receipt at the warehouse where they will be stored. The returned RH commodities must be segregated from other products and clearly labelled. Precautions should be taken to prevent the handover of the supplies until a decision on their future use is made on the basis of documented analysis, taking into account the nature of the supplies, any special storage conditions they require, their physical condition at return (e.g. visual evidence of damage or tampering), the time elapsed since their initial issuance and the manner and condition of transport used for their return.

288. In case of any doubts in the quality of returned programme supplies, they should not be considered suitable for reissue or reuse, and be disposed of following guidance provided in the paragraphs 283-285 of this policy.

289. Decision on the future use of returned RH commodities must involve consultations with the PSB QA team.

Repackaging and relabeling

290. Repackaging and/or relabeling of programme supplies must be avoided. If any changes to original primary or secondary packaging / labeling of RH commodities are required, logistics focal points must seek authorization to do so by contacting their procurement focal points at PSB.

291. The primary packaging of RH commodities should not be opened, defaced or manipulated as part of the repackaging or relabeling.

292. For RH commodities, approval for repackaging and/or labelling is given by the PSB QA team, in collaboration with the manufacturer of the product.

293. Any repackaging of RH commodities has to be undertaken in premises licensed to either distribute and/or manufacturer of medicines and medical products. The license has to be issued by the relevant national regulatory authorities.

294. All activities of repackaging and relabeling have to be documented. Batch numbers assigned by manufacturers must be maintained. Any additional batch numbers must provide show traceability to the manufacturers' batch numbers.

295. All original packaging of repackaged RH commodities must be disposed of to prevent re-use thereof. Logistics focal points must document the disposal, clearly the disposal dates, methods used, names and quantities of the packaging disposed, and names and signatures of personnel that performed the disposal.

Step 12 - Handover

In country transportation

296. Programme supplies must be transported in accordance with the conditions stated on their labels and with manufacturer's instructions. They must be always accompanied by the appropriate set of documents such as packing lists, pick slips, etc. showing product names, quantities, batch / lot IDs, container details (if applicable) and storage requirements.

297. Logistics focal points can arrange transportation of programme supplies by using UNFPA vehicles, vehicles provided by other United Nations organizations, contracting third-parties service providers or using IP vehicles. Regardless of the method used, these vehicles should be suitable for the intended purpose, have the sufficient space and be appropriately equipped to protect the supplies. As much as possible, RH commodities should be transported using dedicated vehicles and equipment.

298. The design and use of vehicles must facilitate minimizing the risk of errors, permit effective cleaning and maintenance, and prevent contamination, build-up of dust or dirt and any adverse effect on the quality of the supplies. Vehicles must be periodically cleaned, exercising due care to ensure that cleaning will not become a source of contamination or have any other adverse effects.

299. Where feasible, vehicles should be equipped with the global positioning system (GPS) electronic tracking devices and engine-kill buttons, to enhance vehicle security and traceability. Vehicles should be properly secured to prevent unauthorized access, tempering, theft or other misappropriation.

300. Vehicles used for transportation of supplies with special temperature / humidity level requirements should be tested ahead of the transportation date to confirm their capability to maintain the required conditions. Their cooling / heating system must be subject to regular maintenance. Instruments used for monitoring temperature / humidity levels inside the vehicles must be calibrated at regular intervals.

301. Vehicles should be loaded carefully and systematically, and goods be arranged in the manner that will facilitate the unloading at the points of delivery, preventing physical damage and reducing security risks. Extra care should be taken to avoid damage during loading and unloading of cartons.

302. RH commodities must be loaded in trucks in such a manner that the shipping cartons/boxes are not in contact with the floor of the truck. As much as possible shipping cartons should be palletized.

303. Drivers of vehicles should be identified and present appropriate documentation to demonstrate that they are authorized to transport medical products. At a minimum, the drivers should provide evidence of approval as a professional driver, a legally valid identification that includes a photograph. The driver should be suitably dressed for the job e.g. safety vest and firm footwear.

304. Temperature must be monitored and recorded throughout the supply-chain including in-country transportation.

305. Special care must be exercised during transportation of RH commodities to prevent loss of product identity, contamination, spillage or breakage. Appropriate environmental conditions such as cold-chain must be maintained at all times. Any spillages occurring during transportation should be cleaned up as soon as possible to prevent possible contamination, cross-contamination and hazards.

306. Any issues or incidents occurred during transportation, such as deviations from temperature requirements or spillage should be reported by the logistics focal points to the PSB QA team, budget holders and field office operations managers as soon as known. Affected supplies must be put in quarantine and kept there until proper guidance from the PSB QA team is received. Logistics focal point, budget holder and operations manager of an office where incident occurred must jointly analyze its root cause(s), and put mechanisms in place to avoid its reoccurrence in the future.

Handover approval and coordination

307. Handover of goods must be approved by budget holders for goods valued less than USD 50,000, and by heads of office for goods valued at USD 50,000 and more. Approval is evidenced by signing corresponding delivery slips using the electronic signature solution adopted by UNFPA (DocuSign).

308. Goods can only be handed over to partners that have valid IP agreements with UNFPA and signed workplans, or other appropriate programme documents, specifying the products to be provided by UNFPA and their intended use.

309. In exceptional circumstances, mainly relating to humanitarian response interventions or ad-hoc, one-time programme interventions, budget holders (for goods valued less than USD 100,000) or heads of office (for goods valued at USD 100,000 or more) can authorize handover of programme supplies to partners without valid IP agreements, on the basis of Programme Supplies Distribution Agreements (PSDA). PSDAs may only be used when all of the following conditions are met:

a) Activities covered by PSDA relate solely to the distribution of supplies;
b) Value of the supplies does not exceed USD 150,000 per delivery and/or USD 500,000 per calendar year; and
c) Partner does not receive any support costs, cash transfers or any other payments from UNFPA regardless if related to management or distribution of programme supplies, or for any other activities.

310. Prior to authorizing handover of RH commodities, approving authority, i.e. budget holder or head of office, must ensure that a recipient is authorized to manage and distribute these commodities in accordance with the applicable national legislation.

311. Logistics focal points must coordinate with sufficient anticipation all necessary logistical arrangements (e.g., date and time of pick-up and delivery, transportation services, security arrangements) with partners and warehouse focal points / warehouse managers and services providers.

312. Logistics focal points must normally be present at the time of handover, unless this is not possible due to valid reasons, such as security concerns, or when multiple issuances from stock are made on single day to different locations, etc. In such cases, handover should be attended by other qualified staff members, such as the warehouse focal points.

Flexibility provided under Fast-track Procedures

313. The delegation of authority to budget holders to approve handover of programme supplies to IPs in situations for which the use of FTP has been authorized is increased from USD 50,000 (see paragraph 309 above) to USD 100,000.

Handover of goods upon arrival

314. Normally, goods are handed over to partners immediately following release from customs. Handover must be preceded by comprehensive receiving inspection process, carried out in accordance with Step 10 – Receiving and inspection of this policy, and is documented through appropriate handover documents, listed in paragraphs 307 to 313 of this policy.

Handover of goods from UNFPA warehouses

315. Warehouse focal points or managers must select the goods for issuance following the FEFO principle. Due consideration should, however, be given to situations where the usage period for which the goods are supplied, the frequency of restocking, the time required to deliver the goods to beneficiary facilities, or other relevant considerations may require the delivery of products expiring at later dates.

316. Goods picked for handover must be jointly reviewed by the logistics and warehouse focal points or/ managers, to ensure they correspond to the products and quantities authorized, and that they are in good order (e.g., not expired or, damaged, include all components or parts, etc.) Goods can be handed over to partners at UNFPA warehouses or partners' delivery locations.

317. Partners must be allowed to properly inspect the goods at the handover locations. Partners may either follow their own receiving and inspection procedures, or apply UNFPA procedures, as described in Step 10 – Receiving and inspection of this policy.

Delivery slips

318. Handover of goods, either immediately upon completion of customs clearance, or from UNFPA warehouses, must be documented through delivery slips, which must be signed by the logistics focal points, or other authorized personnel attending the handover, and the authorized IP representatives (as outlined in the IP agreements) receiving the goods, to document the transfer of custodianship of the goods.

319. Delivery slips must be prepared by logistics focal points ahead of the handover of the goods. They must clearly specify the handover location and date, and the product IDs, names, units of measure, quantities and other relevant details of the goods to be delivered, in line with the information included in the corresponding Atlas financial receipts, for goods to be handed-over directly after customs clearance, or in the Shipment Tracker, for goods to be delivered from static inventory.

PSDAs

320. For deliveries made on the basis of PSDAs, as per paragraph 309 of this policy, PSDA forms should be prepared by logistics focal points and approved by budget holders or heads of office and be signed

by the receiving partners, instead of delivery slips, following the same process as described in paragraphs 318-319 above.

Direct distribution

321. Field offices may distribute programme supplies to beneficiaries directly or by engaging third parties, such as private companies or NGOs. Any such contracting must be carried out in compliance with the Procurement Procedures.

322. Where direct distribution mode is used, all requirements of transportation, storage, insurance of the supplies in the sections above must be met.

323. When direct distribution is undertaken through third parties, UNFPA is considered to be in control of the programme supplies even after their transfer to the contracted private companies or NGOs engaged. Any such goods are subject to the regular inventory control requirements, as listed in Step 14 - Inventory Controls of this policy, such as periodic stock counts. Control over the goods is only considered as transferred upon their distribution to beneficiaries.

324. Direct distribution of programme supplies must be documented through detailed distribution lists. At minimum, the distribution lists must indicate:

a) Date and place of distribution;
b) Names and signatures of beneficiaries;
c) Appropriate identification data (e.g. passport / national ID numbers);
d) Appropriate contact information (e.g. phone numbers). Exceptions to collection of identification / contact information of beneficiaries can be requested from Finance Branch inventory team ahead of the distribution, if justified based on concerns of security / confidentiality (e.g. in case of gender based violence victims); and
e) Description, units of measure and quantities of goods distributed to each beneficiary.

Shipment Tracker update

325. Logistics focal points must provide the duly authorized and signed handover documents (delivery slips / PSDAs / distribution lists) to the shipment tracker focal points within two business days following handover.

326. Shipment tracker focal points must record the delivery of the goods in the Shipment Tracker, based on the handover documents provided, reflecting the transference of control over the goods to the concerned partners or beneficiaries. As from this time, the goods will no longer be considered UNFPA inventory. Signed handover documents must be uploaded to the Shipment Tracker in evidence of delivery.

Handover - expired and expiring goods

327. Logistics focal points must ensure that goods that have expired or reached their best before dates are not handed-over. Any such goods must be set aside and kept in a separate area of the warehouse, to avoid potential confusion with useable inventory. These goods should be destroyed as soon as the circumstances allow, following applicable UNFPA and national standards.

328. Certain components of IARH and other humanitarian supplies, such as dignity kits, may expire or reach their best before dates before others do. Logistics focal points must ensure that any such components are removed from the kits on the expiration or ‘best before’ dates, make a note that the kits are incomplete, and ensure the Shipment Tracker records are timely updated. To prevent mix-ups and ensure traceability the opening of the kits should be performed in duly licensed premises, except if it is at the point of use.

329. Logistics focal points must seek guidance from the Humanitarian Office before removing components from IARH kits, as this may affect the usability of the remaining components (e.g. if certain goods must be jointly administered to a patient).

330. When partners consent to accepting the delivery of incomplete kits, this should be clearly documented in the handover documents at the time the handover takes place.

331. Handover of goods within 6 months of their expiration or 'best before' dates, must be approved in advance by heads of office, and consented to in writing by the partners in the corresponding handover documents, confirming their ability to ensure the goods can be consumed prior to the expiration or best before dates.

Handover of goods consigned to other parties

332. Handover of goods consigned to other parties is normally considered as having taken place at the time the goods are shipped, as UNFPA never gains controls over such goods. Financial receipts for these goods are uploaded to the Shipment Tracker following the same process as used for financial receipts of goods consigned to UNFPA. The goods must be marked as physically received and delivered in the Shipment Tracker on the dates of the financial receipts.

333. Copies of bills of lading or air waybills clearly indicating the name of the other parties to whom the shipments were consigned must be uploaded to the Shipment Tracker, in lieu of handover documents, to evidence that delivery has taken place.

334. UNFPA maintains fiduciary responsibility for ensuring that all goods supplied, including those consigned to other parties, have been received, handled and safeguarded with due care, and used for the intended purpose (e.g., reached the designated beneficiaries).

335. To discharge this responsibility, logistics focal points must regularly monitor the status of the shipments with the consignees, based on the OTS ETD and ETA dates, and attend the goods customs clearance and receiving and inspection activities. The results of receiving inspections must be documented using either the consignee or UNFPA's receiving and inspection reports templates, the copies of which must be retained by the logistics focal points and kept in the office files. Issues noted, such as delays in completion of customs clearance procedures or receiving inspection discrepancies, must be promptly escalated to budget holders and heads of office, as appropriate, for follow-up on the required remedial actions.

336. Occasionally, de-facto control may remain with UNFPA, in spite of another party designated as a consignee, if UNFPA retains direct responsibilities relating to custom clearance, and/or in-country transportation, and/or storage and/or distribution of relevant programme supplies. Such cases may arise when, for example, another UN organization is designated as a consignee for UNFPA shipments out of considerations of administrative efficiencies, but has no intention to be involved in the consequent downstream supply-chain management activities relating to the goods shipped.

337. Programme supplies consigned to another party but de-facto controlled by UNFPA must be recorded in the Shipment Tracker in the same manner as supplies consigned to UNFPA are. In other words, supplies must be marked as physically received in the Shipment Tracker following the completion of the due receiving inspection process, and be recorded as delivered upon hand over to partners. Since determination of whether UNFPA de-facto remains in control of the goods, in spite of the consignee arrangement, requires exercise of professional accounting judgement, shipment tracker focal points must seek guidance from the Finance Branch inventory team prior to recording transactions in the Shipment Tracker.

Distribution of goods by IPs

338. Distribution of the programme supplies delivered by UNFPA is normally the responsibility of the IPs to which they are provided. IPs must store, manage and distribute UNFPA programme supplies in compliance with the relevant sections of this Policy and of the WHO Good Storage and Distribution Practices for Medical Products as well as other WHO guidelines on handling pharmaceuticals and medical devices, the key requirements of which have been reflected, as needed, in the different LMA process tools. The IPs must be duly licensed by the relevant national authorities for the handling of RH commodities.

339. When distribution follows an allocation (push) model, IPs must develop processes to identify the needs for RH commodities of service delivery points, preferably based on actual consumption data, and develop plans and schedules designed to ensure that these will be adequately and timely addressed, minimizing stock-outs throughout the year. Where no consumption data is available relevant services and demographic data may be used until consumption data can be collected.

340. When distribution follows a requisition (pull) model, beneficiary facilities must implement processes to identify their RH commodities requirements and place orders, with the IPs, who must develop distribution plans adequate to ensure these orders are timely sourced.

341. Regardless of the distribution model used in-country, IPs have the responsibility to implement adequate monitoring processes to ensure that distributions take place as required to address the needs identified, and that any stock-outs that cannot be avoided are promptly identified and remediated.

342. Budget holders are responsible for validating the adequacy of the IPs distribution plans or schedules, monitoring that goods are timely distributed and used for the intended purposes, and ensuring that appropriate remedial actions are taken to address significant stock-out situations.

Quality Incidents, Complaints and recall considerations

343. Any complaints or concerns relating to the quality of UNFPA programme supplies must be communicated to PSB QA team, as soon as received, and be handled in compliance with the Written Procedure for Handling Complaints. Recall[31] of any products previously procured by UNFPA must be managed in compliance with the Written Procedure for Handling Product Recalls.

E. Accounting and control

344. **Figure 7** presents an overview of the **accounting and control** process. It should be read in conjunction with the more detailed guidance provided in paragraphs 345 to 365 below.

[31] A product recall is the process of retrieving defective and/or potentially unsafe goods from circulation, frequently out of concerns for safety of product users.

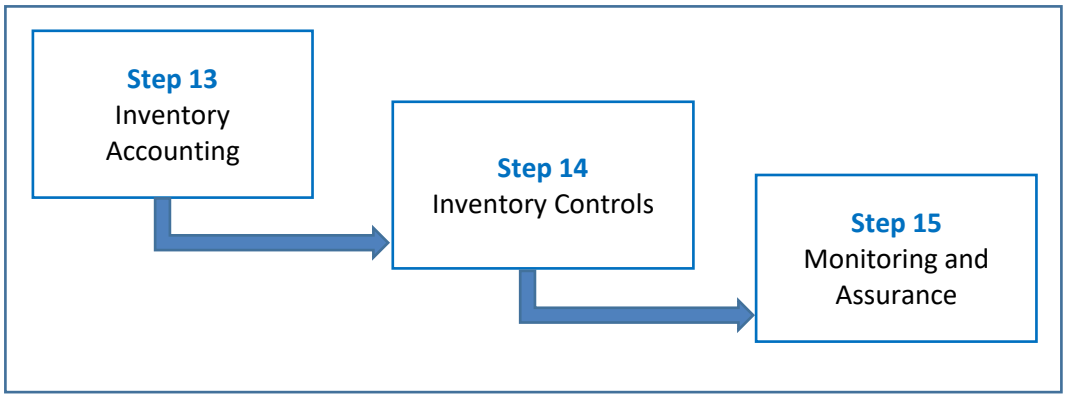


Figure 7 – Overview of the **accounting and control** process

Step 13 – Inventory accounting

Control and recognition

345. UNFPA accounts for programme supplies inventory in compliance with International Public Sector Accounting Standards (IPSAS), including IPSAS 1 (Presentation of Financial Statements), IPSAS 12 (Inventories), and other applicable standards.

346. Inventory is recognized in the UNFPA accounts when control over the goods passes to UNFPA – i.e., when UNFPA assumes the risks and rewards associated with ownership, including the authority to decide what to do with the inventory. Some of the key determinants of control are:
   a) UNFPA has legal ownership of/legal title to the goods;
   b) UNFPA controls physical access to the goods;
   c) UNFPA determines or has the right to determine how and when the goods will be distributed;
   d) UNFPA is responsible for replacement or disposal of the goods in case of their theft, loss, spoilage or damage; or
   e) UNFPA is indicated as a consignee for the goods and thus is responsible for their timely customs clearance at the port of entry (applies to inventories in transit).

347. Not all criteria above have to be met to establish that UNFPA has control over goods. Analyses of individual transactions may be required with reference to the above criteria, considering all relevant circumstances, and guided by the principle of substance over form.

348. Based on the most common arrangements utilized by UNFPA, control passes from a third party (typically, a supplier) to UNFPA at the following points in time:
   a) For goods sourced internationally - when the risks and rewards of ownership are transferred to UNFPA as determined by the incoterm rules applicable to each order;
   b) For goods sourced locally – typically upon physical receipt of the goods by field offices;
   c) For goods purchased to replenish PSB stock, which are stored at vendor premises – when goods are made available to UNFPA at the vendor warehouses, and there is adequate supporting documentation to make this determination.

349. Inventory under the control of UNFPA is reported as an asset in its financial statements and other financial reports, including certified donor reports. Inventory is subsequently expensed when UNFPA transfers control over the goods to third parties, typically IPs.

350. UNFPA normally does not acquire control over inventory in those exceptional situations when other parties are selected as consignees. Control over the goods passes directly to the consignees, based on

the applicable incoterm rules, typically at the time of shipment, therefore this inventory is expensed at that time. However, in cases when UNFPA de-facto retains control of the goods in spite of another party designated as a consignee (refer to the paragraphs 336-337 for details), inventory is accounted for in the manner listed in paragraph 349.

Recognition of field office inventory transactions

351. Resource pre-encumbrances are created in the Atlas KK module at the time programme supplies requisitions are approved and budget checked, reducing the resources available for programming.

352. Atlas pre-encumbrances are liquidated and encumbrances created at the time requisitions are sourced into purchase orders and these have been approved and budget-checked valid. In the case of orders sourced from PSB inventory, pre-encumbrances are liquidated at the time inventory is depleted in the Atlas IMM.

353. Pre-encumbrances and encumbrances are included in the budget utilization amounts and project budget utilization rates reflected in the corporate performance monitoring reports (e.g. Cognos 'Spending Limits, Budgets and Expenditures' report, Strategic Information System dashboard, etc.), but excluded from the disbursement amounts and project budget implementation rates reported therein.

354. Atlas programme supplies KK encumbrances are liquidated when the related purchase orders are received and sourced into accounts payable vouchers and these are budget checked valid. At that time, the cost of the goods is included in the disbursements amounts and budget implementation rates reflected in the corporate performance monitoring reports.

355. Expenses for programme supplies are recorded in the GL at the time of processing of accounts payable vouchers or receipt accruals, whichever happens first. Accounts payable vouchers post expenses to the account codes used therein, while the receipt accrual process posts expenses to the account codes in the corresponding purchase orders.

356. The receipt accrual process runs on a periodic basis, and posts expenses and liabilities in the total amounts for unvouchered financial receipts. Accruals are reversed on the first day of the following accounting period

Recognition of contributions in-kind

357. Programme supplies donated to UNFPA must be recognized in accordance with the UNFPA's In-kind Goods and Services Contributions Policy. This policy sets forth criteria for evaluating and accepting contributions in-kind. The most important considerations include:
   a) The goods or services provided must be used to implement a country programme or respond to an emergency;
   a) The goods or services provided must meet UNFPA standards;
   b) The contribution can only be accepted pursuant to a formal agreement with the donor;
   c) A pre-screening form must be submitted to the Division of Communications and Strategic Partnerships prior to any negotiation to ensure the donor's current and past record of activities can be carefully examined; and
   d) Any offers of RH commodities must be cleared by CSB prior to negotiation.

358. Donated goods must be recorded in the Shipment Tracker as soon as control over them has been passed to UNFPA, normally either upon shipment to UNFPA field office designated as consignee, or upon physical receipt, whichever applies. Logistics focal points must provide the information and supporting documents (including copies of the in-kind contribution agreements, shipping documents, and receiving and inspection reports) for any donated goods to the Finance Branch inventory team, who is responsible for adding the goods to the Shipment Tracker.

Recognition of field office inventory balances

359. Inventories of programme supplies maintained under the control of UNFPA field offices are recognized as assets based on the Shipment Tracker accounting process, run by the Finance Branch as at each quarter-end.

360. The Shipment Tracker accounting process recognizes inventory in the amounts equivalent to the cost of goods not marked as delivered or disposed in the Shipment Tracker as at quarter end dates, by charging accounts 14601 (for static inventory) or 14605 (for in-transit inventory), and reversing the expenses in the same amounts. The corresponding accounting entries are posted with the date of the last day of the quarter, and reversed on the first day of the following quarter.

Recognition of PSB-controlled inventory transactions and balances

361. Atlas IMM automatically creates GL journal entries to recognize inventory receipts (i.e., replenishment of PSB-controlled inventory) and depletions (i.e., use of PSB-controlled inventory to source field and third-party orders) at the time the IMM records are updated for those transactions.

Valuation of inventory

362. UNFPA measures inventory at the lower of cost and current replacement cost. The cost of goods comprises the purchase, conversion and all other costs incurred in bringing the inventory to its location and condition. Current replacement cost is the cost that UNFPA would have paid in order to acquire the goods on the reporting date.

363. The cost of goods is established as follows:
   a) For goods sourced from fresh production, cost is measured as the price listed in the corresponding purchase orders;
   b) For goods held in or sourced from PSB stock, cost is measured as the weighted average cost of the goods purchased by PSB for stock replenishment. This approach enables UNFPA to offer consistent pricing to field offices and third-party procurement services clients, minimizing the differences between the prices paid and charged by UNFPA; and
   c) For goods donated to UNFPA, cost is measured at the fair market value of the goods at the time control passes to UNFPA.

364. Conversion and other costs incurred in bringing field office inventory to its location and condition are estimated and added at period end, based on the kitting, freight, in-transit period insurance, inspection, testing and related costs incurred by UNFPA over the period equivalent to the average age of field office inventory on the period-end date. Conversion and other costs for inventory held in PSB-controlled stock are included in their carrying amounts and do not require separate estimations.

365. The current replacement cost of all goods purchased during the six months immediately preceding the reporting date is considered equal to their cost, as determined in paragraph 363. The current replacement cost of goods older than six months is determined by reference to an active market for the same or equivalent types of goods on the reporting date. All inventory items with current replacement cost below their carrying amounts are written down to match the current replacement cost.

Step 14 - Inventory Controls

366. A detailed risk-control matrix has been developed summarizing key controls applicable to the different processes within the scope of this policy. The risk-control matrix can be accessed through this link.

367. Details on key controls not discussed in previous sections of this policy and procedures document are included in paragraphs 368 to 390 below.

Inventory transactions reconciliations

368. Logistics focal points must regularly reconcile Shipment Tracker inventory transactions and balances against the related Atlas financial receipts, shipping documents, receiving and inspection reports, handover documents, stock count reports, and other appropriate supporting documents.

369. Discrepancies identified must be jointly analyzed and resolved with the shipment tracker and warehouse focal points and/or warehouse managers, as appropriate.

370. Operations managers are responsible for ensuring the reconciliations the timely and accurate completion of reconciliations, and that any resulting discrepancies timely and properly resolved.

Inventory balances certifications

371. Field offices must submit inventory certifications in order to confirm the accuracy and completeness of their in-transit and static inventory balances.

372. Inventory certifications are completed in accordance with the Field Office Inventory Certification Guide,[32] which is issued on an annual basis. For field offices holding static inventory, the certifications must be completed based on stock counts at the end of each period for which a certification is required.

373. Certifications are normally completed twice per year. The frequency of certification may be increased, at the sole discretion of the Finance Branch, when considered necessary based on considerations such as the volume and value of goods supplied during the year and the inventory management performance of field offices.

374. Logistics focal points are responsible for all operational activities (e.g. physical verification of goods held in stock, monitoring of expiration dates for goods that remain undistributed, reporting on inventory adjustments and disposals, etc.) required to complete the certifications.

375. Shipment tracker focal points are responsible for maintaining accurate records in the Shipment Tracker (e.g. providing reports, recording transactions, uploading supporting documents, ensuring data completeness of records available in the system, assisting with reconciling results of physical stock counts with inventory balances in the Shipment Tracker, reporting locally procured goods where applicable).

Stock counts

376. All static inventory held by field offices must be subjected to stock counts with the periodicity required by the Field Office Inventory Certification Guide. Stock counts may be performed on a more frequent basis when considered necessary by logistics focal points, budget holders and heads of office, based on operational considerations and past operating performance of inventory management activities.

377. The stock counts must be completed in accordance with the guidelines provided in the Physical Stock Count Instructions document supplementing this policy, and should be performed and supervised by personnel not involved in warehouse management activities or in the processing of Shipment Tracker transactions.

Inventory adjustments

378. Inventory balances must be adjusted to reflect issues such as (i) discrepancies and/or shortages in the quantities of goods; (ii) damage, obsolescence, expiration or other problems affecting their condition

[32] The 2020 Field Office Inventory Certification Guide is available at this link.

and value; and/or (iii) errors made when recording quantities received, delivered or on-hand, and/or the cost of the goods.

379. Inventory adjustments are normally identified at the time of receiving and inspection activities; inventory stock counts; reconciliations and certifications; or based on regular monitoring and review of the inventory maintained in warehouses and the Shipment Tracker records.

380. Shipment tracker focal points are responsible for the timely and accurate recording of adjustments required to correct inventory accounting errors based on adequate supporting evidence. The adjustments must be reviewed and approved by the operations managers prior to being recorded in the Shipment Tracker.

381. Adjustments for non-reimbursable inventory losses due to theft, waste, expiration, spoilage or any other reason must be processed through a write-off process, following the guidelines outlined in paragraphs 382 to 385.

Inventory write-offs

382. Inventory write-offs, must be initiated through Request for Write-Off or Adjustment (RIWA) forms. RIWA forms must be completed by logistics focal points, and reviewed and certified by heads of office as regards the causes and validity of the write-offs and the accuracy of their amounts.

383. Approval of inventory write-off requests for a cumulative amount of up to USD 500 per year per field office has been delegated to heads of office. Write-offs for amounts in excess of this threshold must be submitted to the Finance Branch Inventory Team for further review and approval prior to further processing.

384. Approval of inventory write-off requests for amounts ranging between USD 501 and USD 2,500 has been delegated to the Chief, Finance Branch. Inventory write-offs in excess of USD 2,500 must be approved by the Executive Director, following their review by the Director, Division for Management Services.

385. Shipment tracker focal points must record the adjustments in the Shipment Tracker within two days of receiving authorization from heads of office or the Finance Branch inventory team, as appropriate, and upload the RIWA forms and other relevant supporting documents to maintain adequate evidence of the cause, determination and approval of the adjustments.

Segregation of duties requirements

386. Different individuals must normally perform the logistics, shipment tracker and warehouse focal point roles. Should there be a legitimate need to combine any of these roles because of operational or programmatic needs, including in humanitarian settings, field offices must obtain prior authorization from the Finance Branch. Authorization must be requested through Integrated Service Desk cases addressed to a member of the Finance Branch inventory team.

Fraud risk mitigation

387. All personnel involved in the management of programme supplies must maintain awareness, when performing their duties, of the different fraud scenarios that may affect the management of the goods by UNFPA or its IPs, and prevent their delivery to the intended programme beneficiaries or use for other intended purposes.

388. The key fraud scenarios to be considered include: (i) product diversion (the shipment of goods to destinations other than the authorized IPs or service delivery points); (ii) product substitution (i.e., the knowing and willful substitution, without UNFPA's knowledge or consent, of sub-standard, used, or

counterfeit products for those specified in purchase orders); (iii) theft of products while under UNFPA or IP control; and (iv) inflated or fraudulent logistics expenses.

389. The documents titled Management of Programme Supplies Fraud Scenarios and Management of Programme Supplies Case Studies provide details on the above mentioned fraud scenarios, related red flags, possible fraudulent actions and key preventative and detective controls in place at UNFPA. They also discuss real life fraud cases that have affected UNFPA and other programme partners and provide valuable lessons learned and tips on how to prevent any similar incidents from affecting UNFPA in the future. All personnel involved in the management of programme supplies must familiarize themselves with both documents, to strengthen their abilities to assess fraud risks more effectively and minimize these risks through more effective preventive and/or detective controls.

390. Red flags potentially indicative of fraud or other financial irregularities identified through the above controls should be immediately brought to the attention of heads of office and the HQ LMA team to determine appropriate next steps, including their referral to the Office of Audit and Investigation Services.

Step 15 – Monitoring and Assurance

Monitoring of UNFPA supply-chain management performance

391. Monitoring of the adequate safeguarding and management of programme supplies prior to their handover to partners or beneficiaries must be carried out through the regular review of OTS data, Shipment Tracker records, Cognos reports, performance dashboards and the follow-up of issues raised in exception reports.

392. The Finance Branch will periodically report, with the frequency considered appropriate in the circumstances, on conditions indicative of supply-chain management operating effectiveness problems, such as the time lag between financial and physical receipt of programme supplies; time lag between physical receipt and delivery of programme supplies; aged, slow-moving and/or expired or about to expire inventory; unreconciled inventory differences; physical and other inventory adjustments; inventory write-offs; unsupported deliveries; and other indicators and matters considered relevant to assess the operating effectiveness of the process.

Monitoring of IP supply-chain management performance

393. Budget holders must ensure that sufficient visibility and assurance is obtained over the adequate safeguarding, management, and use for intended purposes of programme supplies after their handover to partners or beneficiaries through the Last Mile Assurance (LMA) process and other appropriate monitoring activities.

394. More detailed information on the different LMA process activities is provided in the LMA Process Overview Guidance Note, as well as in separate guidance notes for each one of the activities, as outlined in the following paragraphs of this section.

Supply-chain maps

395. Supply-chain maps, providing a high-level visibility on the key components of the supply-chains through which UNFPA-donated programme supplies are managed at the national, subnational, and local levels, must be prepared in accordance with the guidelines provided in the Guidance Note on Supply-Chain Maps.

Supply-chain management capacity assessments

396. Assessments of supply-chain management capacity of IPs, and any contractees they may engage to adequately safeguard and manage the programme supplies provided by UNFPA, must be completed by field offices following the guidelines provided in the Guidance Note on IP Supply-Chain Management Capacity Assessments.

Flexibility provided under Fast-track procedures

397. Field offices may engage partners for the management and distribution of programme supplies in situations where the use of FTPs has been authorized without undertaking documented assessments of their supply-chain management capacities, if essential to allow an effective humanitarian response.

398. Budget holders, with the support of logistical focal points, must ensure that:

a) The partners have the minimum capabilities and controls required for adequately managing, safeguarding and distributing the programme supplies provided by UNFPA.
b) Documented capacity assessments are completed when it is expected that the partners will continue to receive supplies provided by UNFPA beyond a six-month period.
c) The management, safeguarding and distribution of programme supplies is monitored on a regular basis, in a manner commensurate with the value of the programme supplies provided.

Supply-chain management risk assessments

399. The risk that UNFPA-donated programme supplies may not be properly safeguarded and managed by the IPs, to whom they have been entrusted, or not used for intended purposes, must be assessed annually following the guidelines outlined in the Supply-chain Management Risk Assessment Guidance Note.

400. The outcome of the assessment is an IP supply-chain management "risk score." IP supply-chain management risk scores allow UNFPA to communicate to all relevant programme stakeholders, including donors and IPs, the risk profile of downstream supply-chain management activities, and determine the frequency and scope of the remaining LMA process activities.

IP reporting

401. Budget holders are responsible for obtaining periodic reports from IPs for programme supplies received from UNFPA, including under PSDAs, following the guidelines provided in the Guidance Note on Programme Supplies Reports, which establishes different reporting thresholds for partners operating in standard operating settings and partners operating under FTPs.

402. In addition to the programme supplies reports, IPs which commercialize RH commodities provided by UNFPA (e.g., under social marketing schemes), or charge cost-recovery or any other fees to the users of such commodities, must provide periodic reports demonstrating the amount of the proceeds collected and their use in accordance with the agreements reflected in the donated RH commodities workplans.

403. Inability on the part of IPs to provide the reports required should be construed as a significant indicator of lack of supply-chain management capacity, and taken in consideration to determine whether future deliveries should take place.

Inventory spot-checks and audits

404. Budget holders are responsible for the performance of inventory spot-checks following the guidelines provided in the Inventory Spot-Checks Guidance Note.

405. In addition to spot-checks, inventory audits must be performed periodically by external audit firms, with a scope similar to that of the spot-checks (albeit with a more limited frequency) for selected IPs. Audit frequency is determined based on value of programme supplies delivered by UNFPA and assigned risk level, based on thresholds set in the Last Mile Assurance Process Overview Guidance Note.

Other monitoring activities

406. In addition to the LMA process activities, budget holders must regularly monitor the level of RH commodities availability and stock-out levels at central and decentralized warehouses, as well as at

service delivery points, through the review of information provided by the national coordination mechanisms; information from national LMISs; surveys; periodic on-site monitoring visits to the facilities; and other appropriate monitoring activities.

407. Monitoring activities can be performed by logistics focal points and/or monitoring personnel, or by other qualified programme personnel with knowledge of the subject matter. Monitoring checklists must be developed to ensure the monitoring activities are effective and to facilitate documentation of their completion. Budget holders must ensure that the findings of the onsite monitoring visits are properly documented and reported, and tracked through resolution.

Responsibility for implementation of remedial actions

408. Budget holders are responsible for ensuring appropriate remedial actions are taken, in collaboration with the appropriate field office personnel, programme stakeholders and/or partners, to minimize the impact of issues identified through the above-mentioned activities that could affect the proper safeguarding, management and use of the programme supplies by either UNFPA or its IPs.

409. RHCS advisors and humanitarian coordinators must monitor and support the remedial actions implemented by field offices in their respective regions relating to RH commodities and humanitarian supplies respectively.

F. Process governance

410. Key governance arrangements related to the programme supplies management process are outlined in paragraphs 411 to 423 below.

Annual management plans

411. Business units delivering programme supplies for annual amounts of USD 500,000 or more must include relevant outputs in their annual management plans developed using the Strategic Information System myResults module, reflecting indicators, targets and milestones appropriate to measure and monitor the operating effectiveness of their supply planning and order sourcing, fulfillment and delivery activities, and the level of achievement of results planned in this areas.

412. The outputs, indicators and milestones reflected in the annual management plans must allow heads of office to track, at a minimum, (i) the level of implementation of their offices procurement plans; (ii) the timeliness and effectiveness of order fulfillment, customs clearance and inventory delivery activities; (iii) the timeliness and accuracy of inventory accounting activities; (iv) the adequacy of inventory safeguarding while under control of UNFPA; (v) progress in implementing the last mile assurance process activities; (vi) the effectiveness of inventory management activities of the IPs to whom the commodities are entrusted; and (vii) the timelines and effectiveness of the IPs commodity distribution.

Roles and responsibilities

413. Performance plans of all personnel responsible for key activities within the programme supplies management process must reflect workplan outputs, activities, and performance indicators and the related baselines and targets, aligned to those reflected in their offices annual management plans, adequate to measure the effectiveness of their individual performance and contribution to their offices planned results.

Implementing partner agreements

414. Budget holders are responsible for ensuring that programme supplies are only provided to partners that:
   a) Have valid IP agreements with UNFPA;
   b) Have all the required legal and regulatory permissions to manage and distribute the requisite supplies; and

c) Have adequate capacity to manage the supplies.

415. Responsibilities of IPs as regards the management of programme supplies are outlined in the UNFPA General Terms and Conditions for IP Agreements. Budget holders must ensure that IPs meet the requirements established therein.

416. In exceptional situations, typically in humanitarian settings, UNPFA may provide programme supplies to partners without signed IP agreements, using the PSDA, provided these partners have the required capacities. Responsibilities of partners as regards the management of programme supplies are outlined in the UNFPA General Terms and Conditions of PSDA. Budget holders must ensure that partners meet the requirements established therein.

417. The sale of RH commodities provided by UNFPA (e.g., as part of social marketing programmes) can only be undertaken by authorized IPs that have signed an amendment to the standard IP agreement specifying all applicable additional terms and conditions.

Contractees

418. IPs must obtain UNFPA written approval prior to engaging contractees for the management of programme supplies provided by UNFPA.

419. IPs are required to enter into valid contractual agreement with the contractees they engage, clearly defining their responsibilities for the management of programme supplies provided by UNFPA, which should meet the minimum requirements outlined in the UNFPA General Terms and Conditions for IP Agreements and this policy.

420. It is the responsibility of the IPs to ensure that all requirements set forth in their agreements with UNFPA are met regardless of their contractual arrangements with other parties.

Workplans

421. Budget holders are responsible for ensuring that programme supplies are not provided to IPs prior to signing workplans, supplemented by other appropriate programme documents (e.g., distribution plans), specifying: (i) the types and estimated volumes of the programme supplies to be provided by UNFPA; (ii) their estimated values; (iii) any responsibilities of, and costs to be assumed by, the IPs for the custom clearance and transport of the programme supplies from their point of destination to the IP facilities; (iv) a description of the intended use of the supplies provided, including, when appropriate and as feasible, the service delivery points and target populations to which they should be provided; (v) any foreseen collaboration with other development or humanitarian partners, if any, in distributing the programme supplies; and (vi) the activities to be undertaken by the IPs to ensure the programme supplies are used for the intended purposes.

422. The sale of programme supplies, including through cost-recovery charges to users, must be undertaken in line with the requirements of the Policy and Procedures on Management of Donated RH Products.

423. Customs clearance and other downstream logistical costs, for which field offices will be responsible, and cost of programme supplies expected to be delivered under PSDAs, must be reflected in the appropriate UNFPA execution workplans and budgets.

Recovery of losses

424. IPs will be required to reimburse to UNFPA the value of waste and losses (including due to damage, expiration, stock-count differences or inventory adjustments) affecting programme supplies provided by UNFPA, not originating from force majeure situations, in excess of the risk appetite thresholds defined below:

a) In development contexts: 2.5 per cent of the average acquisition cost of the programme supplies provided in the last 3-year period or USD 150,000, whichever is lower. For programme supplies procured with funding from the UNFPA Supplies Partnership programme, loss reimbursement claims will be determined by the Finance Branch in consultation with the programme's governance mechanisms.
b) In humanitarian contexts: 10 per cent of the acquisition cost of programme supplies provided in the year in which the losses were reported or USD 250,000, whichever is lower. Loss reimbursement claims will be determined by the Finance Branch in consultation with the Humanitarian Office.

425. The value, measured at UNFPA acquisition cost, of products wasted or lost due to product diversion, theft, fraud or gross negligence or reckless conduct, perpetrated by or against the IP must be refunded in full.