



WHO Procurement Report 2020

WHO procurement report 2020

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Contents

1.	Procurement at WHO	1
2.	Procurement statistics	2
2.1.	Procurement overview	3
2.2.	Procurement by value.....	4
2.3.	Procurement by category	5
2.4.	Procurement by WHO headquarters and regional offices	6
2.5.	Procurement by supplier and supplier countries.....	8
2.6.	COVID-19-related procurement.....	10
2.7.	Procurement from catalogues	11
3.	Key initiatives and highlights	13
3.1.	Emergency Health Kits	13
3.2.	Sustainable procurement.....	13
3.3.	Global Procurement Training Programme	14
3.4.	Future ERP – supply module.....	15
	Annex 1. Procurement by supplier country and territories	16
	Annex 2. Procurement of goods and services by WHO regional office	20
	Annex 3. COVID-19-related procurement by WHO regional office.....	23
	Annex 4. How to become a supplier to WHO	26

1. Procurement at WHO

More than 8400 staff members from more than 150 countries work for the World Health Organization (WHO) in 150 offices in countries, territories and areas, and in six regional offices, at the Global Service Centre in Malaysia and at WHO headquarters in Geneva, Switzerland. In addition to medical doctors, public health specialists, scientists and epidemiologists, WHO staff include people trained to manage administrative, financial and information systems, as well as experts in the fields of health statistics, economics and emergency relief. Procurement is a critical function in support of the effective discharge of the Organization's mandate.

In order to fulfil its mandate and achieve its vision, WHO must procure a significant volume of goods and services. Over the past years, WHO has purchased on average more than US\$ 800 million worth of goods and services every year to maintain operations in the field and to react to upcoming and recurring demands. In 2020, the procurement spend has been significantly higher at US\$ 1.718 billion due to the global pandemic of coronavirus disease 2019 (COVID-19) and the related emergency response provided by WHO.

As a public organization entrusted with donor funds and committed to supporting developing economies, the objective of procurement activities within WHO is the timely acquisition and delivery of goods and services, while respecting guiding principles for procurement.

The overall guiding principle for all WHO procurement is to obtain the best value for money for the Organization. "Best value for money" is defined as the most responsive offer that represents the best combination of technical specifications, quality and price. Best value for money is the result of several factors, including: quality; experience; vendor reputation; and life-cycle costs, benefits and parameters that measure how well the good or service allows the Organization to meet its social, environmental or other objectives and has the greatest possible impact on the outcomes from WHO programmes. Other procurement principles that are the basis for WHO procurement are fairness, integrity, transparency and equal treatment; effective competition; the interest of WHO; and environmental concerns.

As a public organization, WHO must also strictly adhere to the Organization's Financial Regulations and Rules, which mandate that contracts be awarded through a competitive process, obtaining bids through formal tenders or through pre-qualified suppliers for specialized items. Contract Review Committees at the WHO headquarters or regional offices ensure that procurement undertaken by WHO complies with the procurement principles and relevant policies and procedures, procurement risks are properly assessed and mitigated, and the best value for money and the interest of the Organization are fully achieved.

In WHO, responsibility for procurement is based on a tiered system, with procurement at the global, regional and local/country levels. WHO offices enter into contracts with vendors, which may be companies or individuals or organizations. In addition, at the HQ level, the WHO Health Emergencies Programme has delegated authority for procurement for emergencies in accordance with established policy and protocols.

Procurement is one part of the supply chain, and in order to deliver the supplies to programmes, WHO expedited over 5000 international commodity movements (surface and air) through its network of freight forwarders and partners, consolidating orders and delivering to some of the most remote, hard-to-reach locations globally.

2. Procurement statistics

This section covers key procurement statistics for the year that ended on 31 December 2020. Every procurement transaction is made and confirmed by issuing a Purchase Order (PO), which commits the relevant funds. The scope of the data in this report covers all WHO offices (except the Regional Office for the Americas¹) and contains all POs approved in 2020. The data are based on the same data set used to produce the statistics for the Annual Statistical Report on United Nations Procurement (ASR) to which WHO contributes annually. The ASR containing the data for the prior year is usually published annually in June and made available on the United Nations Procurement Data portal² on the United Nations Global Marketplace.

In the ASR, procurement statistics have been collected from organizations in the United Nations System and have been reported together since 1984. The most recent data available for the ASR are for the calendar year 2019, when 39 organizations reported a collective US\$ 19.9 billion in procurement of goods and services. US\$ 12.3 billion of United Nations funds were spent in developing countries, countries with economies in transition and least developed countries in 2019. Overall, this amount makes up 62% of the total United Nations procurement spend for its operations around the world. In 2019, US\$ 3.2 billion was spent on pharmaceuticals, contraceptives and vaccines by United Nations organizations – the largest procurement segment. Nearly 50% of this was procured from developing countries, countries with economies in transition and least developed countries. The next largest procurement segments were transportation, storage and mail services, and food and beverage products, with a combined spend of US\$ 4.7 billion.

A United Nations Procurement Data portal, which is hosted on the United Nations Global Marketplace, provides access to the latest procurement statistics through interactive data dashboards, as well as the report itself. In addition to providing data on the procurement spend, this portal provides information on the efforts of United Nations organizations to integrate sustainability considerations into their procurement processes, in the context of the continued focus of the United Nations on sustainable development.

The United Nations Procurement Data portal can be used to see year-on-year developments for each organization, including WHO. This relates to how the procurement spend has developed over the years in terms of the procurement of goods and services, in specific categories or from supplier countries. It is an easy access tool for all the United Nations procurement data. The present report contains additional statistics on WHO procurement that are not included in the ASR on the United Nations Procurement Data portal.

¹ Data for this report is drawn from WHO's enterprise resource planning (ERP) system (called the Global Management System or GSM). The Regional Office for the Americas does not use the same ERP system as the rest of WHO.

² The ASR is available on the UN Procurement Data portal at the following link: <https://www.unqm.org/Shared/KnowledgeCenter/Pages/ASR>



Fig. 1. Screenshot from the UN Procurement Portal – focus on WHO Procurement in 2019. Figures will be updated with 2020 figures in June 2021.

2.1. Procurement overview

In 2020, the total value of WHO's procurement amounted to US\$ 1.718 billion. Out of the US\$ 1.718 billion, US\$ 900 million was for the procurement of goods and US\$ 817.9 million for the procurement of services (Fig. 2). Goods hence represented 52% of all procurement, while services represented 48% of all procurement. At WHO, procurement of goods is centralized and mostly handled by specialized procurement units and teams, including through catalogue procurement, whereas the procurement of services is decentralized and mostly handled by requisitioning departments themselves.

Compared to previous years, the overall procurement volume almost doubled increasing by US\$ 824 million compared with a total of US\$ 893 million in 2019. The vast majority of this increase can be attributed to the emergency response WHO provided to the COVID-19 pandemic as noted in Section 2.6 of this report. Also, compared to previous years, there is a higher share of procurement of goods as compared to procurement of services.

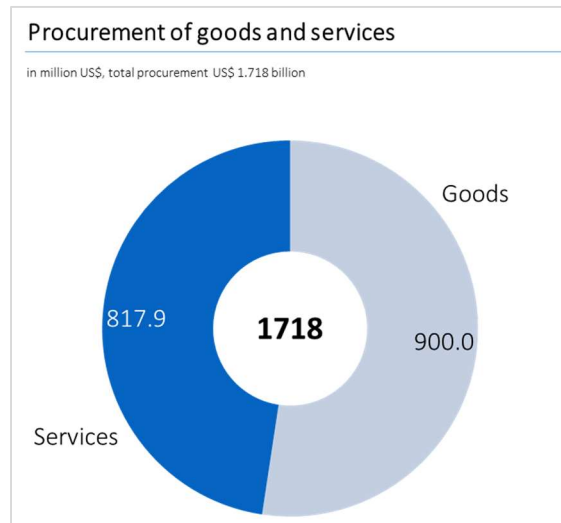


Fig. 2. WHO procurement of goods and services in 2020

2.2. Procurement by value

Over the course of the year, WHO approved a total of 50 011 POs with a total of around 149 835 PO lines.³ The total number of POs increased by almost 10% as compared to 2019 (45 590 POs approved in 2019). This translates into a 75% increase in the average value per PO (US\$ 34 332 in 2020 as compared to US\$ 19 587 in 2019).

It is important to distinguish between the average value of a PO and the median value of a PO. The median is defined as the value separating the higher half from the lower half of all POs. This means that 50% of all POs had a value higher than the median and 50% of all POs had a value lower than the median. The median is more representative of the “typical” value of a PO, as the average can be skewed by a small number of particularly high value POs.

The median value of all POs (excluding the COVID-19-related POs) was US\$ 4440 in 2020. In 2019, the median value of all POs was US\$ 3910, representing an increase of US\$ 530 in the median value of a PO from 2019 to 2020. The POs on COVID-19-related procurement tended to be higher in value, leading to an overall much higher average value of a PO in 2020 compared to 2019. On the portion of the procurement spend not related to COVID-19, there was no significant difference in the median value of a PO.

Fig. 3 shows how many POs were approved within a given value range. For instance, a total of 7410 POs were issued within the value range of US\$ 2500 to US\$ 5000. For these distributions of POs in different value range ranges, it is typical to observe that the vast majority of POs have a relatively low value and only a comparatively small number of POs are issued in the high-value ranges. This is also the case for WHO in 2020, where 78% of all POs were below US\$ 20 000.

The number of POs in the highest value bracket above US\$ 1 000 000 represents around 0.4% of the total number of POs approved.

³ Each PO is issued to one supplier but can contain different items or deliverables that are expressed in the different PO lines.

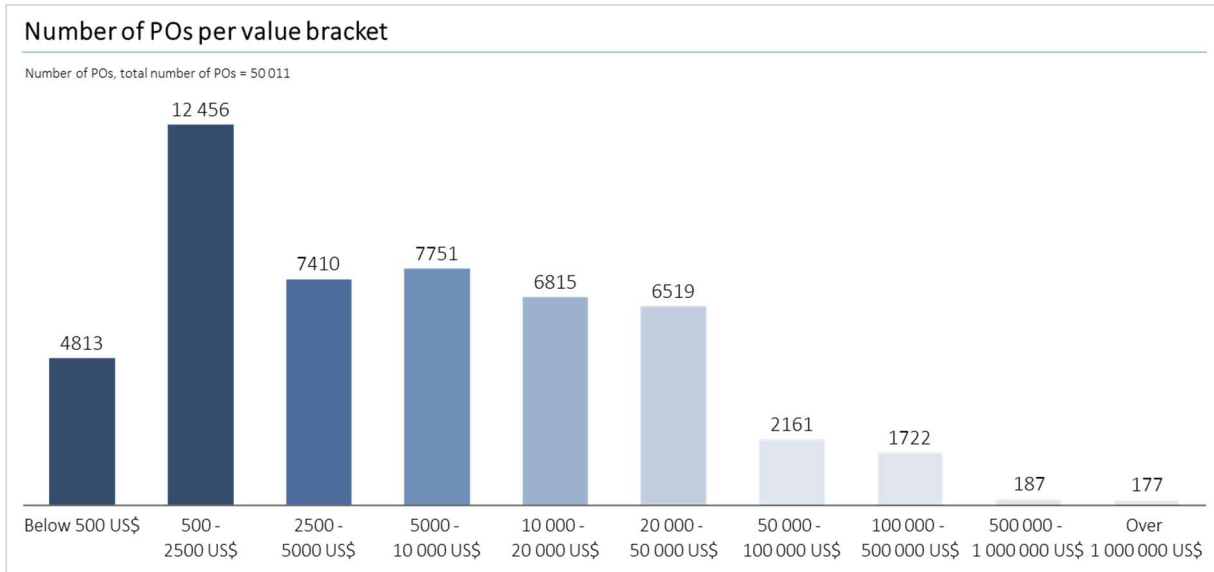
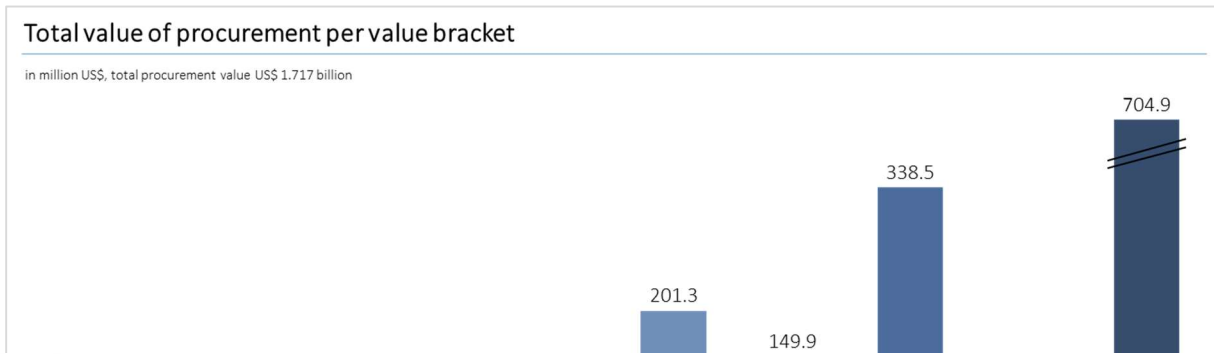


Fig. 3. Number of POs per value range

Fig. 4 shows the total value of all POs within a given value range. For instance, all 7410 POs which were issued in the value range from US\$ 2500 to US\$ 5000 together had a total value of US\$ 26.6 million. These kinds of distributions typically show that the large majority of the value of procurement is generated by a relatively small number of high value POs. This is also the case for WHO where only a relatively small fraction of the overall expenditure (US\$ 197.1 million or approximately 11%) lies in the lower value brackets up to US\$ 20 000, but the small number of 177 high-value POs accounted for a total of US\$ 704.9 million or 41% of the total spend. The 2086 POs with a value above US\$ 100 000 together amounted to US\$ 1169.6 million or 68% of the total spend.



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