ANNUAL PROGRESS REPORT

United Nations Development Programme Zambia
Strengthening Supply Chain Management in the Health Sector 1 January 2019 – 31 December 2019

Reporting Period	1st January to 31st December 2019
Donor	UNDP
Country	Zambia
Project Title	Strengthening Supply Chain Management in the Health Sector in Zambia
Project ID Outputs Strategic Plan and/or CPD Outcomes	00104048 Strengthening Supply Chain Management in the Health Sector in Zambia **UNDP SP (2018–2021)**: Output 1.1.2: Marginalized groups, particularly the poor, women, people with disabilities and displaced are empowered to gain universal access to basic services and financial and non-financial assets to build productive capacities and benefit from sustainable livelihoods and jobs. Signature solutions: 6: Strengthen gender equality and the empowerment of women and girls. **CPD (2016–2021)** : Output 1.1. Government has developed policies, strategies, plans and systems at national and subnational levels to achieve sustainable management of extractives and employment/livelihood intensive productive sectors for reduction of poverty and inequalities. Output 4.2. Communities, CSOs and marginalized groups have developed networks, coalitions to fight discrimination and address emerging issues (such as environmental, electoral justice, people affected by HIV, people living with a disability, women, minorities and migrants).
Implementing Partner(s)	UNDP
Project Start Date	17/03/2017
Project End Date	31/12/2020
Annual Work Plan Budget	USD 1,663,786
Total resources required	USD 1,663,786
Revenue received	• Governement Cost Sharing (MSL) USD 1,663,786 • Total USD 1,663,786
Unfunded budget	Not applicable
UNDP Contact Person	Lionel Laurens Resident Representative UNDP Zambia Email: lionel.laurens@undp.org

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I. Executive summary

After years of dramatic growth in the public health total commodity supply volumes handled by Medical Stores Limited (MSL) central warehouse, MSL was faced with serious capacity challenges. There was need for expanding and strengthening the public health supply chain systems, as articulated in the National Supply Chain Strategy (NSCS) 2015-2017. This included investments in expanding central warehousing capacity and construction of a number of regional hubs, as a relay for distribution of health products to the outlying health facilities. In addition, the need was identified for investments in information technology systems to support the supply chain management operations.

In 2015, MSL in collaboration with UNDP and other Cooperating Partners (CPs) developed a MSL Master Plan (MMP) to address the capacity challenges in the short, medium and longer term. The NSCS Implementation Plan articulated a number of priority areas across the public health sector. The proposed set up was to allow for each of the elements to be funded by different donors/grants, but have the implementation take place within the master plan framework. Each step aimed at providing incremental improvements in storage space, quality of service, and technical capacity, while allowing MSL to continue with its normal operations for providing logistical services.

This annual report covers the Design and Construction of Extension to MSL Central Medical Warehouse, administration support and customer service buildings Phase II, in Lusaka, Zambia and installation of specialist equipment in 2019.

The new very narrow aisle (VNA) warehouse, dangerous goods store, driver's waiting room, administration support and customer support buildings were completed and handed over as of 31st December 2018 with one year Default Liability Period. The contractor has been able to attend to all the defects and outstanding works that were registered on the Snag List and that were subsequently identified. The Final Certificate of Handover and Acceptance was signed 31 December 2019.

The President of the Republic of Zambia, Edgar Chagwa Lungu officially commissioned the new Lusaka Very Narrow Aisle (VNA) Medical Warehouse at Medical Stores Limited (MSL) on Tuesday 23rd July 2019.

During 2019, also all the outstanding works related to the the installation of the remaining pallet racking in VNA Warehouse and the installation of the rail guidance for the VNA trucks were completed and three new VNA Trucks were ordered.

II. Background

After years of dramatic growth in the public health total commodity supply volumes handled by Medical Stores Limited (MSL) central warehouse, MSL was faced with serious capacity challenges. There was need for expanding and strengthening the public health supply chain systems, as articulated in the National Supply Chain Strategy (NSCS) 2015-2017. This included investments in expanding central warehousing capacity and construction of a number of regional hubs, as a relay for distribution of health products to the outlying health facilities. In addition, the need was identified for investments in information technology systems to support the supply chain management operations.

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UNDP signed the original Cost Sharing Agreement (CSA) for these works with the Medicals Stores Limited in December 2017. UNDP conducted the international competitive process and signed the contract for the main works with the contractor on 28th February 2018. The contract start date was 7th March 2018 with the expected completion date of 7th October 2018. The contract was extended to 7th December 2018 after additional works (administration support and customer service buildings) were included through a contract amendment.

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III. Progress against Planned Results/Implementation

Country Programme Outcome(s) the programme/Project contributes to: By 2021 national institutions at all levels target, manage, coordinate and account for resources for equitable service delivery and economic growth that is based on reliable data.

Country Programme Output (s) wholly or partially attributed to the programme/project: Countries have strengthened institutions to progressively deliver universal access to basic services.

Country Programme Outputs	**Attribution** (Partial/ Whole)	**Output Indicator(s)**	**Baseline**	**Target**	**Progress Attained**	**Reasons if progress is below target**
1.1 Storage capacity increased	Whole	Central warehouse building extended	7,000m2 storage capacity	21,000 storage capacity	21,000 storage capacity	

Programme/Project Specific or Joint Programme Outputs *(If joint programme outputs contribute to Country Programme Outputs, Updated Annually but outputs can be stated in quarterly reports)*

Output	**Output Indicator(s)**	**Baseline**	**Target**	**Progress Attained**	**Reasons if progress is below target**
1.1.1 Storage capacity increased	Central warehouse building extended	7,000m2 storage capacity	21,000 storage capacity	21,000 storage capacity	

Progress on Implementation of Activities *(Quarterly based on agreed quarterly work plan)*

Main Activity	Target	Progress against planned activities and targets	Planned Completion Date	Implementation Status (Completed, Ongoing-On Track, Ongoing-Off Track & Cancelled)	Reason (s) for slippage and remedial measures taken
1.1.1.1 **Construction of MSL Central Stores - Phase II**	Construction of new VNA washhouse and Administration support units	Construction of VNA washhouse and Administration support units completed and handed over	31 December 2018 with one year Default Liability	VNA washhouse and admin support units completed and final handover was done 31 December 2019	
1.1.1.2 Procurement of Specialist Equipment	Procurement of three new VNA Trucks	VNA Trucks were procured and are their way to Lusaka	April 2020	Ongoing, final installation and training to be completed by April 2020	

IV. Progress Review

The Defects Liability Period (DLP) for this contract ran from 1st January 2019 until 31st December 2019. During this period, the contractor was notified of a number of defects/ snags that needed making good and a number of joint inspections were conducted to monitor the performance of the structures and the progress made by the contractor in correcting the defects.

The contractor has been able to attend to all the defects and outstanding works that were registered on the Snag List and that were subsequently identified. The Final Certificate of Handover and Acceptance was signed 31 December 2019.

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V. Project Risks and Issues

The following Risks will remain beyond the end of the project period.

Market Fires

The marketeers who moved out the area along the boundary wall of Medical Stores Limited have been replaced by Timber Traders who have occupied the place and are trading there.

Action point: MSL has made commitment to secure the area by construction a wall fence to prevent future encroachment.

Damage to Works due to Careless Operation

There is need to address the careless operation of the forklift operators which has resulted in damaging, denting and/or scratching the installations/ works.

Action point: Re-training in operation and altitude change may be considered

Quick Deterioration of Quality of Works

There is a risk of the works deteriorate due to lack of maintenance. The facilities that were handed over earlier have been neglected without due attention of routine maintenance.

Action point: MSL to put in place and adhere to better cleaning/ maintenance system

VI. Lessons Learned

The use of the experienced UNDP focal contract management Staff to monitor progress of the projects was seen to be more beneficial during the contract execution period. Other key best practices include:

Scope Management

There is need to have clearly defined scope during the tendering period so that the pricing of the project is in accord with the scope of the works. Since the Contract was a fixed cost lump sum type and to be completed in a specific time, the Contractor is fully responsible for design and final completion within costs and time.

Communication Management

There were many stakeholders to the project, namely; Datong Construction Ltd, UNDP, MSL, the EU, MoH and the general public. In a project with so many stakeholders, it may be difficult to manage communication from the various sources. A system that ensured that all communication that was official must be in writing by the Project Manager (technical) and UNDP Resident Representative (contractual) was employed. Although it sounds bureaucratic, it proved to be a sure way of safeguarding the bounds.

Weekly site meetings, monthly progress meetings, quarterly progress meetings were an effective and efficient way attend to stakeholders' contribution and also to update them on the project progress and issues. All minutes, instructions and any correspondence was recorded and filed.

Resource Management and Technology Transfer

During the course of the construction, the resources were consistently supplied by the Contractor. The project employed specialized technology in the construction of isowall structure and the construction of DM1 floor. Although local artisans and technicians were involved in the execution of the works, there was not a deliberately plan to ensure effective technology transfer.

Most of the workers on the project were employed for this project and have been separated after the project completion. Therefore, whatever transfer of knowledge was gained is not so much a benefit to the Datong Construction Limited as a company and since the individuals are separated after the project, the net effect of the transfer is negligible.

In future projects, it is recommended that a deliberate program of technology transfer be designed in form of hands-on training and a data base kept of those that may have trained for future reference.

Quality Management

Quality assurance and control were important matters that were fully integrate into the construction. Material and equipment resources were approved prior to their use. Tests were conducted to ensure that all components of the works were in accord with the technical requirements. The use of the "Request for Approval" system which require all stages to be approved before the Contractor could proceed to the next stage proved effective.

Schedule Management

The project had a very tight schedule right from the beginning that everyday counted. There was need therefore to strictly manage the schedule if it was to be kept on track. Although the scheduler was engaged to specifically manage the schedule by planning activities, assigning resources to each activity and ensuring that the resources were mobilized, it did not work as was expected.

There is need to build the scheduler's capacity to plan and estimate productivity to ensure that resources are mobilized in accordance schedulers plan. A system were the contractor is guided by the scheduler with the goal of staying on course.

Long lead items were also another major factor in schedule management. As Murphy's Law states; "If anything can go wrong, it will," almost all long lead items imported from outside the country delayed far beyond the expected periods. Early placement of orders must be way to avoid delayed delivery of imported items. It is difficulty however, to determine how early because it desirable to get things Just in Time. This is because of the impact it has on the cash flow and the risk of storage items arrived too early. A balance must be found.

Team Management

The Design and Build consortium was a composition of different entities which were used to working in the traditional contract mode were there were Architects and Engineers were not in the same team with the Contractor. It was clear that one of the most difficult things in life is to unlearn what you have always known in order to learn what you must know.

The Wednesday meetings were organized by the consortium to discuss and harmonize their plans and build consensus among the team. It was however, evident that internal agreements on risk sharing were not always conclusive and reflected the disunity.

The Design and Build model require strong team building were each member of the consortium understands his responsibilities and shares in the risk of success or failure.

Cost Management

The project was a fixed cost lump sum contract and the cost from the UNDP's side was structured to be paid in instalments as progress reached agreed instalments. All additional works to be instructed and done under the contingency sum were first requested by MSL showing that there was available fund to cover them before approval could be granted by the UNDP this system ensured that project cost was kept within the available resource envelop.

Risk Management

Projects are always subjected potential external events that can have negative effect on the success the project. Potential risks were identified early and different response strategies were implemented to ensure that the likelihood of occurring and the impact thereof were reduced or removed.

VII. Conclusions and Way Forward in 2020

Planned activities in 2020 include:

- Final installation of the three new VNA Trucks and training of the staff is expected to be completed by April 2020, which concludes the project.

VIII. Financial Status

United Nations Development Programme
Interim Financial Report to the Medical Stores Limited Zambia
As of 31 December 2019

Empowered lives.
Resilient nations.

Contributions reference no.	
Country:	**Zambia**
Project description:	**Strengthening Supply Chain in Health Sector in Zambia**
Project:	**00101751**
Output description:	**Construction of MSL warehouses**
Output:	**00104048**

(in United States dollars)

	Prior years	2019	Cumulative to 2019
	(1)	(2)	(3)
Income/Revenue			
Contributions[a]	5,071,225.00	1,107,513.31	6,178,738.31
Other Revenue[b]	-	-	-
Transfer to/from other funds	-	-	-
Refunds to donors	-	(394,162.91)	(394,162.91)
Total - Income/Revenue	5,071,225.00	713,350.40	5,784,575.40
Expenses			
Staff and other personnel costs	42,835.11	28,165.52	71,000.63
Supplies, commodities, materials	-	25.44	25.44
Equipment, vehicle and furniture including depreciation	3,778,262.15	823,078.00	4,601,340.15
Contractual services	103,023.17	23,023.40	126,046.57
Travel	-	-	-
Transfers and grants to counterparts	-	-	-
General operating and other direct costs	437.13	142,224.14	142,661.27
Subtotal	3,924,557.56	1,016,516.50	4,941,074.06
Programme support costs[c]	196,230.20	50,822.17	247,052.37
Total Expenses	4,120,787.76	1,067,338.67	5,188,126.43
Balance[d]	950,437.24	596,448.97	596,448.97
Future Expenses[e]			
Balance of un-depreciated assets & inventory purchased	-	-	-
Commitments	857,059.56	595,907.41	595,907.41
Subtotal	857,059.56	595,907.41	595,907.41
Receivable[e]			
Less: Contributions receivable from donors	-	-	-
Available Resources[f]	93,377.68	541.56	541.56

Disclaimer: Data contained in this financial report section is an extract of UNDP financial records. All financial provided above is provisional.

Disclaimer: UNDP adopted IPSAS (International Public Sector Accounting Standards) on 1 January 2012, cumulative totals that include data prior to that date are presented for illustration only.

Annex 1: Final Certificate of Handover and Acceptance

FINAL CERTIFICATE OF HANDOVER AND ACCEPTANCE

Project Name:	Design and Construction of extension to MSL central medical warehouse in Lusaka, Zambia. Phase 2A and B
Handed Over By:	Datong Construction Limited.
Taken Over By:	United Nations Development Programme -Zambia.

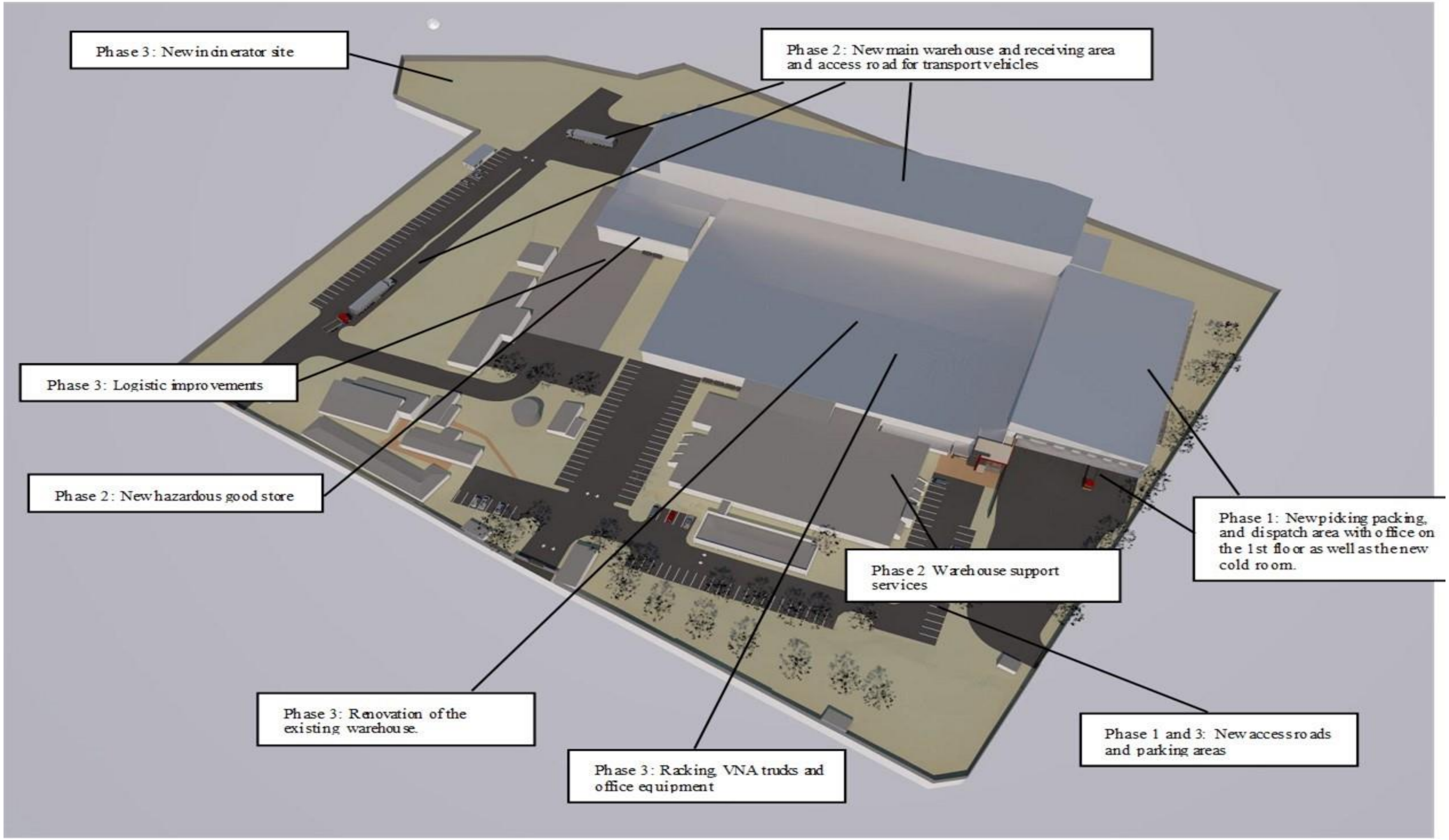
FINAL HANDOVER	
Subject matter of handover and acceptance: Description of Project Components	1. Main Warehouse 2. Hazardous Goods Store 3. Drivers Rest/ Change Room 4. Guard House 5. Waste Management Area Units 6. Warehouse Administration Support Units 7. Boundary Wall Fence 8. Existing Warehouse (Renovation) 9. Rainwater Harvesting and Reticulation System 10. Driveway and Parking Areas 11. Landscaping 12. Base for Fire Sprinkler Tanks 13. Demolition of External Structures (completed) Works including all fittings and installations including but not limited to: Electrical, Plumbing, Air conditioning, Doors and Dock Levelers, Floors, Walls, Fire Extinguishers, Roller Shutters/ Sectional Doors, CCTV Cameras and LAN network, Water Reticulation Installations are hereby handed over and accepted as complete and in working condition in accordance with the Conditions of Contract and Technical Requirements.
Handover method	The final inspection for purpose of Handover/ Takeover was jointly conducted by representatives from Datong Construction Limited, Medical Stores Limited and the UNDP Zambia on Tuesday 31st December, 2019.

Medical Stores Ltd

EUROPEAN UNION

ACCEPTANCE STATEMENT	
The Client (MSL) hereby accepts the works being handed over WITHOUT RESERVATIONS	
Place:	Medical Stores Limited, Lusaka — Zambia
Date:	31^{st} December, 2019
SIGNATURE SHEET:	
Person accepting the subject matter of handover.	Person handing over the subject matter of handover
United Nations Development Programme. Position: Resident Representative UNDP, Zambia Name: Lionel Laurens :..	(i) Datong Construction Limited Position: Managing Director Name: Yu Wang Ping :..
Medical Stores Limited. Position: Director of Programmes Name: Chipopa Kazuma :..	
(iii) Project Manager Name: Joseph M. Chanda REng.	

Annex 2: Progress in Pictures



Main Warehouse Receiving Bay Front End

Main Warehouse

Hazardous Goods Store

Customer Service Building – Side/Front View

Maintenance Building – Side/Front View