ANNUAL PROGRESS REPORT

United Nations Development Programme Zambia
Strengthening Supply Chain Management in the Health Sector
1 January – 31 December 2020

Reporting Period	1st January to 31st December 2020
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	18/07/2017
Project End Date	31/12/2021
Annual Work Plan Budget	USD 359,412
Total resources required	USD 359,412
Revenue received	Governement Cost Sharing (MoH) USD 359,412 **Total** **USD 359,412**
Unfunded budget	Not applicable
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Table of Content

I. Executive summary

This annual report covers the Design and Construction of the regional pharmaceutical warehouses (hubs) and installation of specialist equipment in Mansa (Luapula Province), Mpika (Muchinga Province) and Chipata (Eastern Province) by UNDP, funded by Zambia Government/GFTAM.

Chipata hub was fully handed over on 31st May 2018 and MSL began operations on 1st July 2018. The initial Defects Liability Period (DLP) period ran until 30 June 2019, but UNDP further extended the DLP up to 30 June 2020 for failure by the contractor to cater for the works being undertaken by the specialist contractors. UNDP engaged contractors directly to rectify these deficits and all the specialized equipment was installed and/or repaired in 2020.

Mpika hub handover experienced further delays and was only fully handed over on 29th October 2018 and MSL began operations on 1st November 2018. The facility was commissioned by the Republican President on 8th April, 2019. The initial Defects Liability Period (DLP) period ran until 31 October 2019, UNDP further extended the Defects Liability Period (DLP) up to 30 June, 2020 for failure by the contractor to deal with incidences of repair to the dock leveller and also to cater for the works being undertaken by the specialist contractors. UNDP engaged contractors directly to rectify these deficits and all the specialized equipment was installed and/or repaired in 2020.

MSL signed an Amendment to the Cost Sharing Agreement with UNDP on procurement of three new VNA Trucks. These three VNA Trucks were delivered and installed at MSL in 2020.

The solar contractor has been able to complete the installation of the off-grid solar system in September 2020 and this already resulted in a significant costs savings.

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.

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 the regional pharmaceutical warehouses (hubs) and installation of specialist equipment in Mansa (Luapula Province), Mpika (Muchinga Province) and Chipata (Eastern Province) by UNDP, funded by Zambia Government/GFTAM.

UNDP signed the original Cost Sharing Agreement (CSA) for these works with the Ministry of Health in April 2017. UNDP conducted the international competitive process and signed 3 contracts for the works with the contractors on 18th July 2017 respectively. Construction of the Hubs were finalized in 2018/2019, but the installation of some specialized equipment was only done in 2020.

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 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**	**Remedial measures/ Action**
1.1 Storage capacity increased	Partial	Extra 5 regional warehouse hubs constructed	0	4	4	Construction of Luyansha was cancelled	
1.2 Supplies handling capacity improved	Partial	New commodity handling equipment and system installed	0	1	1		

Programme/Project Specific or Joint Programme Outputs						
Output	**Output Indicator(s)**	**Baseline**	**Target**	**Progress Attained**	**Reasons if progress is below target**	**Remedial measures/ Action**
1.1.1 Storage capacity increased	Extra 5 regional warehouse hubs constructed	0	4	4	Construction of Luyansha was cancelled	
1.1.2 Supplies handling capacity Improved	New commodity handling equipment and system installed	0	1	1		

Progress on Implementation of Activities					
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 *(if progress and implementation is not on track)* and remedial measures taken**
1.1.1.1 Construction of Mansa Regional Medical Hub	Construction of Mansa MSL regional medical hub	Construction of Mansa hub completed and handed over	March 2018	Handed over on 25th Aug 2018, Final Completion Certificate on 23 Oct 2019	
1.1.1.2 Construction of Mpika Regional Medical Hub	Construction of Mpika MSL regional medical hub	Construction of Mpika hub completed and handed over	March 2018	Handed over on 29th October 2018, DLP extended 30 June 2020	Failure by the contractor to deal with incidences of repair to the dock leveller and also to cater for the works being undertaken by the specialist contractors. Bank garantuee was cashed used to contract suppliers directly to complete repairs.
1.1.1.3 Construction of Chipata Regional Medical Hub	Construction of Chipata MSL regional medical hub	Construction of Chipata hub completed and handed	March 2018	Handed over on 31st May 2018, DLP extended 30 June 2020	Failure by the contractor to cater for the works being undertaken by the specialist contractors. Bank garantuee was cashed and used to contract suppliers directly to complete repairs.
1.1.1.1 Construction of Choma MSL regional Medical Hub	Construction of Choma MSL regional Medical Hub	Construction of Choma hub completed and handed over	March 2018	Handed over on 14th April 2018, final Completion Certificate on 7th Oct 2019	
1.1.1.5 Supply of materials handling equipment for Mansa hub only	Installation of racking and supply of reach truck	Racking installed and reach truck delivered	June 2018	Completed by 30 June 2018	
1.1.1.6 Supply and installation of racking at MSL Lusaka, procurement of VNA Trucks	Installation of racking, sprinkler base, two VNA Trucks from SA, 3 new VNA Trucks	Racking completed, VNA Trucks Operational, Sprinkler Base completed	March 2020	Completed by August 2020	
1.1.1.6 Installation of Solar Equipment at Mansa, Mpika and Chipata medical hubs	On-grid and off-grid system completed	On-grid system completed in 2018. Off-grid completed in 2020.	May 2018	On-grid system completed on 30 June 2018. Off-grid system completed in August 2020.	

IV.Progress Review

Mpika

The project was behind schedule due to a lot of rework on finishing and non-delivery of other materials necessary for rectification of defects. The contractor had been slow in attending to noted snags and to reporting on progress. Below are some of the key outstanding works that were completed in 2020.

(i) Finalization of repairs to the faulty dock lever springs was done with spare parts received from China.
(ii) Faulty air conditioning units (Main warehouse). UNDP nominated contractor (NDKAY) to mobilize and they were able to finish installation and initial commissioning by May 2020.
(iii) Non-functional GMS systems to the chiller-room. UNDP engaged contractor (NDKAY) and they were able to finish these systems by December 2020.
(iv) Faulty CCTV and gate motor –UNDP nominated contractor (Winlink Network) to complete repairs. Final commissioning and handover was done by February 2020.
(v) Post contract equipment maintenance requirements - still remaining.

Action points:

(i) Engagement of an Individual Consutant to conduct an end of project review and final handover Hub and specialised equipment.
(ii) MSL to draw up maintenance strategies/plan and to engage specialist contractors for the maintenance of the specialised installed equipment.

Chipata

The project was behind schedule due to a lot of rework on finishing and non-delivery of other materials necessary for rectification of defects. The contractor had been slow in attending to noted snags and to reporting on progress. Below are some of the key outstanding works that were completed in 2020.

Remaining challenges:

(i) Chiller units need repairs - UNDP nominated contractor (NDKAY) to mobilize and they were able to finish repairs by December 2020.
(ii) Re-configuration of the HAVC system and all necessary repairs - UNDP nominated contractor (NDKAY) to mobilize and they were able to finish installation and repairs by December 2020.
(iii) Disturbance on the roof, wall and paint surfaces by the solar contractor – This was rectified by the Solar Contractor by June 2020.
(iv) Post contract equipment maintenance requirements – still remaining.

Action points:

(i) Engagement of an Individual Consutant to conduct an end of project review and final handover Hub and specialised equipment.

(ii) MSL to draw-up maintenance strategies/plan and to engage specialist contractor for the maintenance of the specialised installed equipment.

Supply and installation of three new VNA Trucks at Lusaka

MSL signed a new Cost Sharing Agreement with UNDP on related to procurement and delivery of three new VNA Trucks in July 2019. These three VNA Trucks encountered some delays due to Covid 19, but were delivered and installed by August 2020 by SB Handling.

Solar Equipment for the Four Hubs

On 29th December 2017, United Nations Development Programme (UNDP) entered into a contract with Gridbow Engineers and Technical Services for supply, installation and commissioning of solar systems to four regional pharmaceutical medical Zambia.

The contractor however, failed to fully fulfill contractual obligations. The contract was partially delivered with the completion of the on-grid system in 2018, but the contractor failed to deliver the off-grid system despite being extended several times by exchange of letters written by UNDP to the contractor. The remaining obligations included installation of off-grid inverter systems, batteries, charge controllers, battery monitors, AJB/DC Combiner box, Ground mounting structures, AC/DC Cables, Earth protection of AC systems & lightening arrester system, BOS accessories, climbing ladders and walk ways.

In 2020 the contractor requested, and UNDP agreed that the contractor assign the remaining contract obligation to a third party (African Renewable Energy Inc). African Renewable Energy Inc agreed to assume contractor’s obligation on the same terms and conditions as set forth in this contract. UNDP agreed to the assignment of contract to African Renewable Energy Inc. African Renewable Energy started works in May 2020 and were able to complete installation of the off-grid system by September 2020. This already resulted in a significant costs savings at MSL.

V. 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:

1. **Timely engagement of qualified and experienced contract managers either as ICs or firms**.
   During the implementation stage, delays were experienced when engaging some of the supervision team and this had an impact in initial stages of the projects progress.

VI. Conclusions and Way Forward in 2021

Planned activities in 2021 include:

- Engagement of an Individual Consutant to conduct an end of project review and final handover of the two remaining hubs, Chipata and Mpika.
- Reimbursement of remaining funds from cashing bank guarantee to the contractor (SunShare)

VII. Financial Status

United Nations Development Programme
Interim Financial Report to the Zambia Ministry of Health
As of 31 December 2020

Contributions reference no:
Country: **Zambia**
Project: **00101751 - Strengthening Supply Chain in Health Sector in Zamb**
Output: **00104048 - Construction of MSL warehouses**
Output status: **On Going**
Fund: **Programme cost sharing-GFTAM**

(in United States dollars)

	Prior years	2020	Cumulative to 2020
	(1)	(2)	(3)
Income/Revenue			
Annual Contributions Revenue[a]	8,779,250.00	-	8,779,250.00
Other Revenue[b]	-	-	-
Transfer to/from other funds	-	-	-
Refunds to donors	(1,200,000.00)	-	(1,200,000.00)
Total - Income/Revenue	7,579,250.00	-	7,579,250.00
Expenses			
Staff and other personnel costs	436.40	-	436.40
Supplies, commodities, materials	658.38	136,162.00	136,820.38
Equipment, vehicle and furniture including depreciation	5,766,453.26	15,850.00	5,782,303.26
Contractual services	304,920.59	29,652.04	334,572.63
Travel	92,605.17	798.78	93,403.95
Transfers and grants to counterparts	-	-	-
General operating and other direct costs	674,742.16	13,834.26	688,576.42
Subtotal	6,839,815.96	196,297.08	7,036,113.04
Programme support costs[c]	342,188.37	9,837.57	352,025.94
Total Expenses	7,182,004.33	206,134.65	7,388,138.98
Balance[d]	397,245.67	191,111.02	191,111.02
Future Expenses[e]			
Balance of un-depreciated assets & inventory purchased	-	-	-
Commitments	37,901.59	186,782.00	186,782.00
Subtotal	37,901.59	186,782.00	186,782.00
Receivables Past due, less advance receipts[e]			
Less: Contributions receivable from donors	-	-	-
Available Resources[f]	359,344.08	4,329.02	4,329.02
Total Contributions Revenue [g]	8,779,250.00	-	8,779,250.00
Total Contributions Revenue Received [h]	8,779,250.00	-	8,779,250.00
Total Receivables [i]	-	-	-
Deferred Revenue and Advance Receipts [j]	-	-	-

a. Contributions represent recognized revenue based on the payment schedule dates of signed agreements.
b. Other Revenue represents revenue resulting from miscellaneous activities.
c. Programme support (indirect) cost is calculated based on the expenses excluding amounts of foreign exchange gain/loss.
d. Balance in column (2) is inclusive of balance in column (1).
e. Amounts in column (2) are the balances outstanding as of the report date which are included in the available resources. Amounts in column (1) are shown for information purpose only.

f. Balance after future expenses, and contributions receivable from donors (i.
amounts past due) have been accounted for.
g. Total value of donor contribution as per the signed date of the agreement.
h. Total cash received to-date.
i. Total outstanding amount due from donors, comprising both past due and f
receivables.
j. Contributions that have been received from donors but yet to be recognize
revenue in future years when payment schedules are realized.

United Nations Development Programme
Interim Financial Report to the Medical Stores Limited Zambia
As of 31 December 2020

Contributions reference no:	**Zambia**
Country:	**00101751 - Strengthening Supply Chain in Health Sector in Zambia**
Project:	**00104048 - Construction of MSL warehouses**
Output:	**On Going**
Output status:	**Programme cost sharing - GOV1**
Fund:	

(in United States dollars)

	Prior years	2020	Cumulative to 2020
	(1)	(2)	(3)
Income/Revenue			
Annual Contributions Revenue[a]	6,178,738.31	-	6,178,738.31
Other Revenue[b]	-	-	-
Transfer to/from other funds	-	-	-
Refunds to donors	(394,162.91)	-	(394,162.91)
Total - Income/Revenue	5,784,575.40	-	5,784,575.40
Expenses			
Staff and other personnel costs	71,000.63	-	71,000.63
Supplies, commodities, materials	25.44	5,021.83	5,047.27
Equipment, vehicle and furniture including depreciation	4,601,340.15	449,710.92	5,051,051.07
Contractual services	126,046.57	(31,189.00)	94,857.57
Travel	-	-	-
Transfers and grants to counterparts	-	-	-
General operating and other direct costs	142,661.27	86,102.58	228,763.85
Subtotal	4,941,074.06	509,646.33	5,450,720.39
Programme support costs[c]	247,052.37	25,482.31	272,534.68
Total Expenses	5,188,126.43	535,128.64	5,723,255.07
Balance[d]	596,448.97	61,320.33	61,320.33

Future Expenses[e]			
Balance of un-depreciated assets & inventory purchased	-	-	-
Commitments	595,907.41	702.61	702.61
Subtotal	595,907.41	702.61	702.61
Receivables Past due, less advance receipts[e]			
Less: Contributions receivable from donors	-	-	-
Available Resources[f]	541.56	60,617.72	60,617.72

Total Contributions Revenue [g]	6,178,738.31	-	6,178,738.31
Total Contributions Revenue Received [h]	6,178,738.31	-	6,178,738.31
Total Receivables [i]	-	-	-
Deferred Revenue and Advance Receipts [j]	-	-	-

a. Contributions represent recognized revenue based on the payment schedule dates of signed agreements.
b. Other Revenue represents revenue resulting from miscellaneous activities.
c. Programme support (indirect) cost is calculated based on the expenses excluding amounts of foreign exchange gain/loss.
d. Balance in column (2) is inclusive of balance in column (1).
e. Amounts in column (2) are the balances outstanding as of the report date which are included in the available resources. Amounts in column (1) are shown for information purpose only.

f. Balance after future expenses, and contributions receivable from donors (i. amounts past due) have been accounted for.
g. Total value of donor contribution as per the signed date of the agreement.
h. Total cash received to-date.
i. Total outstanding amount due from donors, comprising both past due and receivables.
j. Contributions that have been received from donors but yet to be recognize revenue in future years when payment schedules are realized.

This is to certify that the above statement of revenue, expenses and available resources is correct and that the expenses were incurred in connecti the approved projects for which funds have been received.

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: Annual Work Plan 1 January – 31 December 2020

EXPECTED OUTPUTS	PLANNED ACTIVITIES	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding	Budget Description	Amount (USD)
Activity 3: Mpika **Gender Marker Score: 1** ***Indicator(s): Final Handover Signed*** **Baseline:** 0 **Target 2020**: 1	1. Recruitment of two Project Managers (IC) to do final certification of Mpika Hub and Solar Systems					UNDP	12772	71300 Local Consultants	8,055
	2. Cost for one PSM Officer (SC) for Contract Management					UNDP	12772	71400 Contractual Services - Individual	8,815
	3. Rectification of Specialised Systems and Off-Grid Solar installations					UNDP	12772	72100 Contractual Services-Companies	152,926
	4. Final Inspection at the end of Defect Liability Period					UNDP	12772	71600 Travel	1,353
	GMS (5%)					UNDP	12772	75100 Facilities & Admin	8,558
	Total for Activity 3								**171,830**
Activity 4: Chipata **Gender Marker Score: 1** ***Indicator(s): Final Handover Signed*** **Baseline:** 0 **Target 2020**: 1	1. Recruitment of two Project Managers (IC) to do final certification of Chipata Hub and Solar Systems					UNDP	12772	71300 Local Consultants	6,693
	2. Cost for one PSM Officer (SC) for Contract Management					UNDP	12772	71400 Contractual Services - Individual	8,815
	3. Rectification of Specialised Systems and Off-Grid Solar installations					UNDP	12772	72100 Contractual Services-Companies	154,288
	4. Final Inspection at the end of Defect Liability Period					UNDP	12772	71600 Travel	1,353
	GMS (5%)					UNDP	12772	75100 Facilities & Admin	8,558
	Total for Activity 4								**170,468**
TOTAL									**359,412**

Annex 2: Progress in Pictures

Handover 3 new VNA Trucks and training drivers by SB Handling