

# EVERYCHILD

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unicef   
united states fund



## BUYING POWER

How UNICEF Is Shaping Markets,  
Cutting Costs and Saving Lives

### SURVIVAL

**DROWNING:  
FIGHTING A  
HIDDEN KILLER**

### DEVELOPMENT

**TEXT  
FOR CHANGE**

### PROTECTION

**The NBA**  
Stars Road-Trip for Kids

### EMERGENCIES

**SYRIA**  
MALI & DRC



AS ONE OF THE WORLD'S LARGEST BUYERS OF LIFESAVING GOODS,  
GO FURTHER — GETTING MORE FOR LESS, AND ULTIMATELY SAVING

**T**here could hardly have been more bad news in the Horn of Africa in 2008. Rains failed, crops withered, food prices skyrocketed and political violence spiraled out of control.

Caught in the middle, more than 3 million children were critically affected. Malnutrition rates began to soar.

UNICEF was there, having forecasted and prepared for the crisis. As one of the world's largest purchasers of emergency supplies, UNICEF had plans in place to treat growing numbers of severely malnourished children in six countries with ready-to-use therapeutic food (RUTF). This miracle product can help dangerously malnourished children gain as much as two pounds in a single week.

But as the crisis unfolded, one thing was missing: critical supplies of therapeutic food required to save children on the brink of starvation. "There simply wasn't enough available on the global market," says Shanelle Hall, Director

## Grow Supply

Manufacturers produced  
3 tons of ready-to-use  
therapeutic food in 2000.

By **2011**, global  
production reached

**27,000  
TONS**

of UNICEF Supply Division. Less than a third of UNICEF's orders arrived on time. As a result, dangerously malnourished children had to wait for the treatment they needed — and many died.

At the time, ready-to-eat therapeutic food was produced by just a handful of manufacturers, and as a group, they simply did not have the capacity to meet demand. Compounding the problem: a lack of suppliers in the fragile Horn of Africa region itself.

To UNICEF, the situation was simply intolerable, so it set out to do something that no other humanitarian organization could do — use its size and buying power to reshape the global marketplace for therapeutic food, ensuring that shortages of this product would never again threaten the lives of children in need.

"We knew we couldn't rely on one supplier, and we wanted suppliers on the same continent, or even in the same country, as where the product was needed," says Hall.

To boost the number of suppliers and





## UNICEF USES ITS MARKETPLACE MUSCLE TO MAKE EVERY DOLLAR MORE CHILDREN'S LIVES. **by Michael Sandler / Illustration by James Steinberg**

diversify their location, UNICEF Supply Division staff spread out around the world, taking the business case for therapeutic food production directly to industry. They presented specifications, explained the market and convinced potential manufacturers of the demand.

"Manufacturers were very responsive," says Hall. "In 2008, we only had four qualified suppliers. This year, we have 21. That's a huge increase."

The growth in manufacturers meant that three years later, when the Horn of Africa and the Sahel region were struck by back-to-back, resource-draining nutrition crises, UNICEF was ready and able to mount a mammoth response. In 2012, during the Sahel emergency, UNICEF and its partners treated over 800,000 children for severe acute malnutrition in the largest intervention of its kind the region had ever seen. The supply of therapeutic food was ample. Catastrophe was averted.

What's more, UNICEF's market intervention also resulted in a huge reduc-



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*Director of UNICEF Supply Division*

tion in shipping costs.

"In 2008, nearly three-quarters of the RUTF that we supplied to the region was shipped by air, which is the most expensive method of transportation," explains Hall. "Last year, worldwide, less than 1 percent of RUTF procured by UNICEF had to be airlifted to where it was needed."

Part of the reason for this reduction in shipping costs was the burgeoning local supply from Société de Transformation Alimentaire, a new manufacturer in Niger. For the first time in the Sahel region, as a direct result of UNICEF's actions, a significant quantity of therapeutic food was being produced right where it was needed most.

### WHY BIG IS BETTER

Why does UNICEF have this kind of influence? Simply put, size matters. UNICEF's muscle in the marketplace is one consequence of the massive scope of its work. There is no other children's organization active in as many countries



(190 and counting), and that global reach gives UNICEF the power to influence markets, cut costs and save more lives.

In fact, with annual expenditures exceeding \$2 billion, UNICEF Supply Division (headquartered in Copenhagen) is one of the world's largest buyers of lifesaving commodities — and it's only getting larger. In the last decade alone, the value of goods bought by Supply Division has quadrupled.

Most of that growth has come in "strategic essential supplies" — items like therapeutic food that help save the absolute maximum number of children's lives. UNICEF Supply Division now spends 5 times more on vaccines than it did a decade ago, 11 times more on medicines and bed nets and 10 times more on nutrition. With growth comes leverage, and this purchasing muscle gives UNICEF a unique ability to affect price as well as supply. Despite rising demand during the Horn of Africa famine, the price of RUTF fell some 8 percent between 2010 and 2011.

The savings are greatest in vaccines, Supply Division's largest procurement



## Buy Big

UNICEF purchases of vaccines, pharmaceuticals, nutrition supplies and bed nets grew from \$263 million to nearly

**\$1.5  
BILLION**  
between 2002 and 2011.



category. In 2011, UNICEF bought over \$1 billion worth, and its status as the largest provider of vaccines to the developing world gives it exceptional clout. That year, UNICEF decided to begin publishing the price it paid for every vaccine on the organization's website. Within weeks, some of the world's largest vaccine manufacturers voluntarily announced they would cut prices for vaccines used in developing countries. For UNICEF, the decision to make vaccine prices public was a necessary step toward a healthier market. That move, said the Executive Director of UNICEF, Anthony Lake, "encourages new suppliers and further increases competition."

In the years since, other manufacturers from both the industrialized and emerging markets have responded with better pricing, permanently changing the vaccine market and making it possible for UNICEF to purchase more vaccines for less, and again — save more children.

Supply Division's ability to buy in bulk has even produced staggering cost benefits with new vaccines, which usual-





ly cost substantially more than those that have long been on the market. Backed by partners like the GAVI Alliance — the public-private partnership that works to increase access to immunization in developing countries — UNICEF can assure large-volume purchases over extended periods of time. In the case of the new rotavirus vaccine, which protects children against deadly strains of diarrhea, “volume guarantees and some special financing terms let us launch the vaccine at a price that normally would have taken years to achieve,” says Hall. The projected savings: nearly \$500 million dollars. This savings will allow an additional 50 million children to be immunized against the second-biggest killer of children under five.

UNICEF is reaping similar monetary benefits in the battle against the third-leading cause of death for children under five — malaria. Here, the weapons are long-lasting insecticidal bed nets, which shield children from disease-bearing mosquitoes while they sleep. As with vaccines, UNICEF brought transparency and multi-year

## SAHEL NUTRITION CRISIS 2012

# When Supply Saves Lives

She brought him to the hospital by donkey, traveling along dusty roads into Biltine, Chad. How long was the journey? Kaltuma Brahim wasn't sure.

All she knew was that her son Hassam badly needed help. He was vomiting and losing weight. When Kaltuma finally arrived, the 20-month old boy weighed a paltry 12 pounds.

Doctors at the UNICEF-supported hospital in Biltine gave Hassam antibiotics and fortified milk. Later on, they fed him ready-to-use therapeutic food

(RUTF), the lifesaving protein-packed peanut paste. Over the next 17 days, Kaltuma's baby boy got better and started gaining weight. For little Has-



sam, and thousands of other children across the Sahel in 2012, plentiful supplies of RUTF had meant the difference between life and death.

And the existence of these

supplies was due in part to the diversified supplier base UNICEF helped create in the years immediately preceding the crisis.



awards to the bed net market and has helped drive the price of a net down to as low as under \$3 in 2012. That's about a 20 percent reduction over recent prices — huge for an organization that distributes 25 million or more nets each year. "Never before have bed nets been so accessible and affordable," Hall says.

Not all savings happen overnight. In 1999, UNICEF and WHO developed a policy to promote auto-disable syringes. With a plunger that can only retract once, re-use is impossible, and the syringes prevent the transfer of blood-borne diseases. When UNICEF first began using auto-disable syringes, there were very few makers, and the syringes were costly — up to five times more expensive than traditional ones. But for the better part of a decade, UNICEF worked diligently to nurture a healthier supplier base, encouraging manufacturers to increase capacity. By 2009, the price of an auto-disable syringe had dropped below a nickel, just a penny or two more than an ordinary syringe — a tiny price to pay for helping children avoid hepatitis or AIDS.

## Save Lives

Volume purchases of just one vaccine — rotavirus — will save \$498 million through 2015 and ensure an additional

**50 MILLION** children are vaccinated.

## QUALITY & INNOVATION

Whether syringes, vaccines, therapeutic food or bed nets — supply and price are not UNICEF's only yardsticks. Quality counts, too, and Supply Division regularly uses its market influence to demand higher standards for the commodities it procures. "With bed nets," says Hall, "we're working on durability as a factor in our orders. How often do the nets need to be replaced? How long does the pesticide last after several washings? Hopefully, by the next tender, we'll have a durability standard."

A relentless drive to improve products also fuels UNICEF's innovation, and Supply Division is continually unveiling new ideas. School furniture is one example — UNICEF buys millions of dollars worth each year in Africa and Asia, and is calling on design companies to create furniture that will help children learn more easily. In developing countries, students must often overcome poorly made, ergonomically inappropriate chairs and desks. UNICEF hopes to give them something better — comfortable, durable, child-friendly



furniture that is suitable for varied classroom setups and ideally, locally sourced from sustainable materials.

UNICEF innovation can also be seen in products like the SolarChill refrigerator, developed in collaboration with several partners and offered to the industry as open-source. This solar-powered refrigeration system stores the sun's energy in banks of ice without using electricity and can become a crucial link in cold chains, preserving vaccines in the remotest areas. SolarChill has undergone successful pilot testing in Haiti, Papua New Guinea, Rwanda and other countries. It's the kind of pioneering product that results when a growing pool of people use their creativity and skills to better the lives of people in developing countries.

As UNICEF combines its influence with ideas like these, Hall sees limitless possibilities. "We're really on the cusp of using so much interest and creativity to help improve children's lives," she says.

If Hall is right, the true dividends — the lives saved, the futures protected, the childhoods kept intact — will be immeasurable.

## THE BRIDGE FUND

# Making Buying Power Bigger

The U.S. Fund's UNICEF Bridge Fund helps make Supply Division's buying power even bigger. Created in 2011, the Bridge Fund is an innovative social investment tool that makes it possible to surmount temporary financial hurdles and expedite the delivery of essential commodities for children. A

recent transaction shows how the flexible funding it provides allows the Supply Division to get better pricing.

The Bridge Fund will use

its pool of funding to support UNICEF purchases of 4 billion doses of oral polio vaccine (OPV) from 2013-2016. In

total, the Fund is guaranteeing \$17 million in purchases, \$3-\$5 million in purchases each year.

Because of this guarantee, the OPV manufacturer will reduce its pricing, and

UNICEF will save \$10 million. That's an additional \$10 million UNICEF can plow into the fight to finally eradicate this crippling, lethal disease.

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