WELCOME

LOGISTICS CLUSTER

GLOBAL MEETING

COPENHAGEN, NOVEMBER 2014
#LogClusterGM

logcluster.org  |  logcluster  |  @logcluster

@cashlearning and #cashtransfer

unicef.org/supply

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START OF DAY THREE

Session will start at 09:00
Day 3 Opening - Wolfgang Herbinger
Introductions and Agenda
Cash & Markets Communications - videos
Unlocking Cash and Markets Based Programmes
Web presence for Logistics

Coffee Break
Case Study - Solidarites
Case Study – WFP Kenya

Q&A
Next Steps

Closing Remarks
Cash and Markets: Communications
Video’2’–’Strengthening’
Markets’in’Crisis’
Coming Soon.....
Video 3 – Multiplier Effects in Humanitarian Markets
Background

Following discussions over the last 12 months with UN agencies, INGOs, institutional donors and other stakeholders, the Global Logistics Cluster partners have identified a number of regulatory and compliance based ‘pain points’ which can act as blockers to implementing (and scaling up) cash, voucher and markets based programmes. Whilst by no means a comprehensive list, this paper summarises some key challenges which Logistics and Supply Chain practitioners have identified.

In the aftermath of an emergency, humanitarian agencies are increasingly recognising the value of cash and voucher modalities, and market engagement. For Logistics and Supply Chain, our roles are evolving to embrace this trend and take on new responsibilities. Cash and markets based interventions often involve working with small traders who are geographically and economically closest to affected populations.
Recent studies have demonstrated the significant benefits of working in this way, including recovery impact and multiplier effects, but this is a step change for our organisations. Our processes and controls have been designed with large business partners in mind, delivering items directly ourselves, using our own supply chain and assets. Many organisations are now revising their business processes (including manuals, SOPs and tools) - originally designed for In Kind programming - to work better for cash / voucher and markets based interventions. However, some changes to business processes are constrained by regulatory and compliance requirements. As a consequence, many organisations are writing ‘work-around’ interim solutions (for instance advising countries to apply for waivers / derogations from institutional donors for each individual case).

It is hoped that, by tackling points below, cash / voucher and markets based interventions could be implemented faster and more effectively, but still managing risk appropriately for the context and beneficiary outcomes. There are risks inherent in any type of emergency programme, and any modality; the challenge now is to redesign our controls and regulations to help us reach those most in need as quickly and effectively as possible.
1. Tax Registration and small traders

From the images shown, it’s easy to imagine that not all of the traders we do business with are registered for tax purposes. But the risk of doing small scale business with them, for instance in a voucher model, is not the same as with a large national / multi-national company. How can we build in more flexibility - where appropriate in initial humanitarian response – into tax registration and take decisions based on risk and scale, not on a zero tolerance model? Do we instead want our beneficiaries to travel 10km after a cyclone to the nearest tax registered supermarket?
In humanitarian response, we are used to large competitive procurement processes, awarding sole business to the best bidder. This method is still useful to us, and can achieve consolidation related cost efficiencies, but we know also need to broaden our methods and design processes that allow us to contract with many. Imagine a WASH project in Pakistan, where an assessment shows markets around affected beneficiaries are fully functioning, with many small stores in communities and camps replete with hygiene items. What could be the benefits of working with many as opposed to a single award contract in this scenario?

You could further argue that this doesn’t need to be a competitive procurement process at all – let’s take the analogy of developed countries who have used food ration or coupon systems in the past. Did they restrict the redemption of those coupons to one or even a couple of large supermarkets? No, every shop wanting to participate could, and the existing, functioning market system was sustained and there was equal access to trade. However, in many cases, agencies are experiencing that working with many has been viewed by their donors as ‘artificially splitting’ a competitive procurement process, classified as ineligible expenditure and therefore disallowed. How can we apply best practice models from elsewhere, for instance the tariff system, to enable us to contract with the many, not just with the few? How can we revisit our comfort zone of contracting to allow us to trade with the smallest, not just the biggest?

Working with Many: the Benefits

- Local Markets recover faster
- Closest to ‘normal’ behaviour
- More diversity of items
- Multiplier effect
- Project outcome center
- Do no harm local markets
- Beneficiary choice
- No harm local markets
- Local Markets recover faster
- Closest to ‘normal’ behaviour
- More diversity of items
- Multiplier effect
- Project outcome center
- Beneficiary choice

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2. Maximising our impact → Contracting with many
3. Restarting Markets ↔ Rethinking ‘Beneficiaries’

Where markets are in an Amber state (semi-functioning post shock) around a beneficiary population, many agencies are now recognising the value of engaging in Market Strengthening / Market Support activities to aid recovery and stimulate trade in the immediate geographical and economic vicinity of affected populations. Activities vary, from rebuilding infrastructure, supporting micro-traders in seeking credit / scaling up, or giving grants to support micro-traders to recover (to buy fuel, to repair their shops etc.). These are often the small, simple ‘traders’ who are oftentimes affected by the emergency themselves and can also be beneficiaries. Put simply, if a small trader of household essentials on the beneficiary’s doorstep needs a new roof for her store after a cyclone, why not give her $100 to do this? If 20 food traders in a market don’t have working scales to weigh rice, why not buy them new ones and allow trade to happen? If a small producer used to transport their goods to market by bicycle but lost theirs in an earthquake, why not replace it?

It sounds simple, but currently some institutional donor funds cannot be used to give grants to, or otherwise support, these kinds of traders as they are categorised as private entities. This means that market strengthening work with some of the poorest traders is constrained by restrictions which were surely not intended to be applied in this way. Can we move beyond our classical boundaries of ‘beneficiary’ classification and be more inclusive to supply side affected populations, enabling greater programme innovation and impact?
4. Flexibility to change modalities

What we see increasingly in humanitarian response is that, rather than being a clear cut “Cash or In Kind?” modality decision, there is often a need to blend and also to change the modality as conditions either improve or deteriorate. For instance, you might start with an e-voucher programme for hygiene items, only to discover that beneficiaries have moved to an area where the technology and infrastructure can no longer support this; similarly you might start with In Kind as a modality for food, only to see after two or three weeks that cash is now feasible as markets have recovered, or feasible in 20% of the response areas so far. In another example, you might start with cash or vouchers only to find after three weeks that the replenishment of local markets has been affected by the emergency, and there are fractures / interruptions in the supply chain requiring you to move to In Kind.

These ‘hybrid’ solutions, having the flexibility, and changing modality, are absolutely the right thing to do to best meet the needs, but organisations can be constrained by difficulties in institutional funding contracts to changing modality, or even by modality preferences / insistence in some funding streams. It’s time now for regulations to allow flexibility to adjust modality to best meet the needs of beneficiaries and evolving market conditions, allowing better targeting.
Many funding contracts require documentation for a project to be kept for a period of time after the project end date. This can be up to 7 years after the project ends and intended to meet international auditing standards. Previously, this might mean keeping hard copies of procurement contracts, asset certificates etc. and amount to a few archive boxes’ worth of storage per project. Imagine a paper voucher programme, however, where each of 150,000 beneficiaries are given 5 paper vouchers each month for a one year project. The requirement to keep all of these redeemed vouchers (9 million vouchers in this example) results in containers and containers’ worth of storage at considerable cost.

Can we change the contractual requirement in these programmes to recommend a sample % of vouchers be kept sufficient for later audit purposes and specify a maximum? Innovative solutions for the recycling of paper vouchers, for instance into fuel bricks, are already being tried. In addition, it would be worthwhile to discuss how best to maintain compliant records for electronic transfers – what is the minimum best practice sufficient to mitigate risk in these modalities?
6. Supplier traceability

It’s always important to know who we’re doing business with and, for large single transactions, to do more thorough checking as the risk is higher. But what’s the right level of checking to do for those micro-traders above? We might previously have worked with a maximum of 10-20 suppliers for our needs in a country programme, on large framework agreements, and now in a voucher modality we might have up to 300 vendors serving the beneficiary needs (each on a much smaller scale).

How do we ensure we’re managing risk effectively and protecting our agency and our donors, but in a way that’s a proportional investment of time and resources to the risk exposure? Again, can we move away from a ‘zero tolerance’ model if appropriate controls are in place organisation wide and for larger threshold transaction?
For many actors, competitive procurement processes are required to be conducted within the set eligibility dates of a project’s funding contract. For instance, if a new project starts which will require you to buy cement, and two months ago you conducted a large tender process for cement, this process may not be recognised as valid because it was not dated within the project period. The same applies for buying services, for instance for a cash / voucher programme.

However, if we want to be able to quickly activate cash and vouchers in an emergency, much of the competitive analysis could be done in the preparedness stage, for instance with annual surveys of financial institutions, mobile telecommunications companies and even market vendors in vulnerable areas of likely intervention. How can we amend the restrictions on eligibility of competitive processes, to allow us to respond faster and more effectively, particularly in those countries where emergencies are most frequent?
Funding, and projects, have typically and for too long been restricted to the silos of “Emergency” or “Development”. Try to do some ‘development’ work in an emergency, or to do some perceived ‘emergency’ work in a development period, and you will struggle to get support. But truly active preparedness, particularly for some of the world’s most vulnerable countries, means thinking outside of these boxes, it means not just collecting information on weaknesses in a country’s supply chain, but then also addressing them before an emergency happens. If the only road into a major market in Uganda (below) is virtually impassable every rainy season, what can we do to address this, and other key arteries, to improve market resilience? Emergencies and Development work happen along a continuum, not in discrete boxes, how can we change how we fund to support this desperately needed work before a crisis hits?
Cash and Markets: *Tools & Information Management*
COFFEE BREAK

Session will re-start at 10:30
Case Study

Helene Juillard, Solidarites
Water voucher scheme- Somalia
Global Logistics Cluster

27th November 2014
Copenhagen
Water voucher project in Somalia

- SI in Somalia
- Before 2011: water trucking, direct delivery from SI
- Major humanitarian crisis creating space for CTP approach
- 11,025 HH covered with water vouchers
The water market in South Somalia

- Water market system is complex market system to understand, so the whole team was involved in the analysis
- Water is considered a commodity in South and Central Somalia
- Existence of water vendors at village level
- Understanding the market => market based programming => more sustainability and impact
**Situation analysis**

- Decision on the use of CTP initially triggered by good programming requirements
- Feasibility of CTP is not about security but about a safe and accessible payment mechanism
- Role of the logistics in the situation analysis: be part of the market analysis
Implementation - key role of logistics

- Water vendors assessment and contracting
- Vouchers design and supply
- Water vendor payment
Monitoring

- Humanitarian indicators
- Price monitoring
- Market monitoring
- Non faced challenge of having to switch back to in-kind
Key success factors

- Active WaSH cluster and existing guidelines highlighting the different roles and responsibilities
- Team has approached delivering water through voucher as direct delivery, considering CTP is just a tool, not an objective
- Experienced team and willingness of the logistics team to adjust their processes to the use of CTP
Thank you
Case Study

Alvaro Villanueva, ACF Spain
ACF-Spain market opening strategy: The case of water filters in Colombia

Log Cluster Global Meeting, Copenhagen Nov. 2014
¿ACF-S in Colombia?

BASE: MONTERIA (CÓRDOBA).

BASE: PASTO (NARIÑO).

BASE: PTO. ASIS (PUTUMAYO).
Objective

- Assist population affected by conflict and/or natural disasters by providing household gravity filters
- Targeting population who previously only had access to unsafe water sources
Beneficiaries WASH – ACF-SP 2014
• Candle produced in Brazil
• Bucket and assembly in Colombia
• Initial cost of one candle was 75 k pesos (20-30US$). Cost to distributor was 2US$
The problem

- Filters operating with disposable candles (8-10 months) + spares (another 8-10 months)
- Spares unavailable in rural/remote areas where the program is run

Therefore impact and sustainability is greatly reduced!!
New objective

• Increase access of the rural population to filtration systems and spare parts, through its marketing in local markets
Strategy

• Pricing model
• Identification and awareness of regional and local suppliers
• Communication and dissemination plan
Arising questions

• How different is this from product launch (marketing)?
• Are we not benefiting one particular manufacturer/supplier?
• How do we fix/agree a just price?
• Use of ACF logo (commercial?)
• How to identify regional and local suppliers?
Explanatory notes

• Already had experience with different types of filters
  • Candles, lifestraw, ceramic pot with silver bath

• Cost benefit ratio is best with candles

• There is only one kind of candle filter in Colombia

• Comparative studies well documented:
  • emergencies, stable context, remote indigenous communities

• Dissemination among the humanitarian community

• Make the market function in such a way that if one of the actors is inefficient another can replace it. (Even at the manufacturing stage)
Comparative analysis of different filtration systems
The process: Selection of importer (Goodtrade)

- Manufacturer already looking for single importer with big capacity

- Identification of potential importers through previous tender. 2 kinds of supplier identified:
  - A: good for humanitarian operations but no capacity to ensure sustainability
  - B: looking for big volumes, strategic vision of the business. SELECTED!
The process: strategy and product development

• Logistics quality control
• Talk with Goodtrade to define margins and market strategy.
• Improve technical aspects making recommendations to Goodtrade.
• Partnership model to deliver a final assembled product.
How do we fix/agree a just price?

<table>
<thead>
<tr>
<th>Item</th>
<th>Goodtrade SAS</th>
<th>REGIONAL</th>
<th>LOCAL</th>
<th>Final selling price (recommended)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Price before VAT</td>
<td>Price Goodtrade (with VAT)</td>
<td>Transport Bogota - región</td>
<td>Margin 20%</td>
</tr>
<tr>
<td>2 candle Filter</td>
<td>34.913</td>
<td>5.586</td>
<td>40.499</td>
<td>3.600</td>
</tr>
<tr>
<td>1 candle filter</td>
<td>30.256</td>
<td>4.841</td>
<td>35.097</td>
<td>3.600</td>
</tr>
<tr>
<td>Candle</td>
<td>5604</td>
<td>897</td>
<td>6501</td>
<td>500</td>
</tr>
</tbody>
</table>

Candle cost aprox. 0.5$ (initially 28$)

Price stability not guaranteed, however: if prices become much higher, we can talk with the Brazilian manufacturer and very high prices would threaten its scalability and volume growth strategy.
The process: regional and local deployment

- Approach regional suppliers that we already knew for hardware materials. Scenarios:
  - Some already ordered Goodtrade products
  - New suppliers with interest
  - Dealer’s initially enthusiastic then lost interest

- Edit communication material to distribute in the communities. Go back to communities where we are not working anymore.

- Asked the main distributor to donate us filters for local hardware stores.
Thoughts

- Innovative
- We are encouraging the market for real needs
- With very few funds well leveraged
- Taking advantage of visibility from previous activities
Thank you!
Case Study

Olive Wahome, WFP Kenya
Kenya Logistics’ Role in C&V

Logistics Kenya strives to be involved in the planning phase of C&V interventions, which then enables us to better define the features and processes needed to enhance cash and voucher support, tracking and accountability & get information to facilitate analysis and assessments e.g. retail assessment, supply chain - value chain enhancement, identify gaps for Logistics to offer capacity building, etc.
Our Goal

Logistics helps WFP achieve its unique strength in switching between modalities

- Retail Supply Chain Analysis
- Operational Risk Analysis
- Hybrid Capacity
- Supply Chain monitoring
- Identify ways to increase Supply Chain efficiency

- Resolve identified bottlenecks hindering market supply & recovery, related to Gov’t regulation, infrastructure, fuel, transport etc.
- Partner with private sector & academics for innovative effectiveness gains.

Assuring Supply

Efficiency Gains: cost per beneficiary
Effectiveness Gains: food quality and diversity, hybrid capacity
Multiplier Effect: trade enabled, Programme outcomes enhanced
Operational Risk reduction: sensitivity to fraud, price hikes

Enabling Supply

Internal Control and Quality Assurance
- Voucher Reconciliation
- Service Delivery Certification
- Quality Control
- Cost Efficiency & comparative analysis

Emergency Preparedness and Response
- C&V Baseline data in LCAs
- C&V Emergency Delivery Capacity
- Hybrid Capacity
<table>
<thead>
<tr>
<th>Activity</th>
<th>Transfer Mechanism</th>
<th>System</th>
<th>Background</th>
</tr>
</thead>
</table>
| Cash & Vouchers Interventions | Cash-for-Assets (CFA)                  | CTM        | Beneficiaries are required to complete work-norms each month to be eligible for food assistance through cash transfers to the head of the beneficiary household’s bank account/mpesa,  
**Logistics’ Role:** System administrator, beneficiary data analysis, payment transfer processes and data reconciliation & liaison with FSP.                                                                                                                                 |
|                          | Bank account transfers & Mobile Money Transfers | >450,000 beneficiaries in 61,428 HHs |                                                                                                                                                                                                                                                                                                                                               |
| Cashless Transfer Pilot (Cashlite) | Cash cards/ Bank accounts             | CTM (initially on SCOpe) 10,400 beneficiaries in 2,031 HHs | GFD Beneficiaries receive unconditional monthly entitlements into their bank accounts. The funds were accessed by beneficiaries swiping their account-linked MasterCards at participating merchants contracted by the Bank  
**Logistics’ Role:** System administrator, beneficiary data analysis, payment transfer processes and data reconciliation & liaison with FSP.                                                                                                                                 |
| Cash-to-Schools (CTS)    | Bank transfers                         | CTM        | Expanding Home Grown School Meal Programme [HGSMP] in arid areas. Cash is disbursed by WFP directly to the bank accounts of participating schools based on the enrollment number, food value and distance from the nearest main market.  
**Logistics’ Role:** System administrator, beneficiary data analysis, payment transfer processes and data reconciliation & liaison with FSP. Capacity building in commodity management & transport contracting |
| Fresh Food Vouchers (FFV) | Paper Vouchers                         | FFV        | The FFV programme is seamlessly integrated into the antenatal care (ANC) scheme of UNHCR. Health partners register both pregnant women and the distribution of paper vouchers. FFV pilot targets pregnant Women in their 2nd trimester up to three months of lactating. The paper vouchers give access to a ration of meat, fruit and vegetables redeemable at the local camp markets from retailers contracted by WFP.  
**Logistics’ Role:** System administrator, beneficiary data analysis, payment transfer processes and data reconciliation & liaison with FSP. Capacity building in commodity management & transport contracting |
|                          |                                        | about 10,000 |                                                                                                                                                                                                                                                                                                                                               |
Dadaab refugee camps are located in Northeastern Kenya, about 470 km from Nairobi and 100 km from the Somalia border. Area characterized by harsh living conditions, limited opportunities for economic activity, insecure environment, and are situated in remote arid regions with little surface water where refugees and local population competes for scarce natural resources.

**BUT Markets do exist:** *Camps have developed their own internal economy.*

- supplies via the Northeastern corridor that links Nairobi with Somalia
- Livestock and milk locally produced
- Informal cross-border trade with Somalia exist
- Large number of traders, refugees & host
- No restriction to entrance of new traders
- Wholesalers in supply market are sufficient
- Sufficient transporters in the market
- Steady demand from refugees & host community
- Storage not a problem given the re-supply times (1.5 days - 3.3 days)
- Challenges -> bad road conditions in rainy seasons & transport capacity = irregular supply
Logistics Role in FFV

• **Retailer Assessment:** - Logistics undertakes retail assessment prior to trader selection and during performance evaluation to determine retailer capacity and compliance to Government trade rules. Undertake assessment of retail outlets as we would a warehouse/EDP. This involves proximity to beneficiaries, quality and condition of the outlet.

• **Traders’ selection & capacity building:** - Logistics contracted 65 retailers, both from the host and refugee community. Logistics is responsible for trader training and coordination of meetings to address any challenges and offer solutions.

• **Voucher Management & Accountability:**
  
  – Logistics takes custody of the paper vouchers from Finance, verifies and endorses their activation and essentially tracks voucher movement from CP to Bank
  
  – Handles all issues arising with trader payments with either the bank, Programme and/or Finance. Issues arising include system connectivity, voucher barcode problems.
  
  – After every distribution, Logistics undertakes Physical Stock count of the Voucher balances remaining with the CPs and a PI report send to innovations and CO Refugee unit.

• **Retailer Performance Monitoring:**
  
  – Use mystery shopper and complaints mechanism.
Logistics Role in FFV

- **Liaison with the Bank in case of delayed payment to the traders**

- **Service Voucher Requisition Note [VRN]:** The CPs raise the VRN based on the beneficiary population retrieved from the FFV database by Logistics. The VRN is submitted to Logistics’ for verification against the registered population and Voucher Balances.

- **Coordination meeting with FFV Partners:** Logistics coordinates monthly FFV teleconference and other coordination meetings with the partners.
Markets - Now

It Worked!

- Cross-border supplies increased
- Public slaughter houses increased
- New “shops” opened
- Traders formed groups to aggregate orders & transport in bulk by truck & final distribution by smaller means e.g. motorcycles
- Mobile wholesalers sell products in the camps
- Markets have been responsive & increased supply to meet new demand without increase in prices = more jobs
- Traders have access to credit
1. **Logistics to get actively involved in technical evaluation of all C&V service providers.**

A series of LTAs are to be prepared with banks, mobile network operators (MNOs), and (e & paper) voucher suppliers. This means significant procurement effort and a CO project team is to be established to define the requirements and act as a sounding board and (eventually) technical valuators throughout the procurement process.

2. **Supply Chain Assessment & Value Chain Addition**

   This is applicable to all interventions as we continue to work closely with contracted retailers and link them to small farmers and other structured agricultural markets.
   - Build capacities of retailers to contract transport (capacity building)
   - Focus on the value chains for fruits and vegetables produced at government run irrigation schemes (closer to camps)

3. **Conduct retailer/supply chain performance:**

   Use evaluation findings to determine the performance of the Supply chain for C&V interventions, the impact on food markets and the challenges/constraints in the supply chain. Fill the gaps identified e.g.
Q&A
Next Steps

Training materials?
...
...
...
Closing Remarks: 
Global Cluster Meeting