

Discussion Paper

Towards a Strategic approach to Supply Chain -Vision and First Steps

Faced with increasing humanitarian needs and challenges, consensus is growing on the transformative impact that a more strategic approach to the humanitarian supply chain can have.

This paper is intended to stimulate the debate on the future of the humanitarian supply chain and to present concrete initiatives under each of the agreed priority areas that will be discussed during the workshops, amongst other relevant issues.

1) Procurement – strengthening cooperation and innovative practices

The level of cooperation on procurement in humanitarian aid is relatively low despite procurement constituting 40 - 60% of all humanitarian aid costs¹.

Procurement savings of up to 15% through joint procurement have been demonstrated to be possible². It is estimated that joint procurement can be used in a quarter of cases. Even a conservative estimate of 7% would equate to savings of approximately EUR 300 million a year if applied to the EUR 20 billion of budget of 30 large INGOs³, without even considering e.g. the UN⁴. Such joint procurement can be implemented in line with the localisation agenda, ensuring that smaller local suppliers benefit at the same time as cost-efficiencies are identified. More cooperation on procurement can also lead to reducing the environmental footprint of humanitarian operations and more transparency, ultimately decreasing fraud and aid diversion.

There are many different procurement standards set by responding organisations and donors which, if optimised, could lead to more efficient and effective processes⁵. This has long been seen as a priority⁶. There are also other areas that are ripe for improvement, such as data on suppliers, and accelerating work on harmonising item standards⁷. There are also existing opportunities that are not yet being used optimally, for example NGOs can already benefit from existing procurement services and pooled procurement mechanisms of different UN organisations. The significant intra-UN procurement collaboration through mutual recognition also offers examples of interesting practice.

Objective

- **Improve the efficiency and effectiveness of procurement practices by strengthening cooperation among humanitarian community actors.**

Concrete initiatives to be explored in the workshops

- Organisations reporting on their own engagement with and analysis of joint procurement, and identifying bottlenecks.
- Conducting an analysis of current collaborative procurement solutions and gathering recommendations on the best approach as a community to identify how to expand practice where this is beneficial.
- Raising organisational awareness of solutions on joint procurement, and to participate in these as a default, when available and when they contribute to humanitarian goals and efficiencies.
- Engaging with the Inter-Agency Procurement Group's current work on mapping and identifying opportunities for harmonisation of donor procurement standards, and working towards the implementation of the solutions identified.
- Investigating where other different standards could be unified, e.g. supplier codes of conduct.

- Exploring joint procurement solutions between UN organisations and NGOs. As part of the prioritisation of digitalisation, promote the use of advanced tools and data analytics to speed up procurement planning and execution processes, including flexible procurement plans that adapt during emergencies.
- While emphasising the importance of efficiency and compliance, encourage innovation and risk-informed decision making in procurement.
- Balancing strict rules and conditionalities with the need for fast responses to support efficient and effective aid delivery, including shared standards, joint intervention and de-branding.
- Making early involvement of supply chain functions, especially procurement, in project and proposal development a donor requirement e.g. that proposals involving supply chain and procurement needs sign off from an organisation's supply chain and procurement teams.
- Exploring incentives to get more value for money, i.e. rebalancing “budget focus” in agreements with mechanisms towards “do more for the funding received”.
- Investigating how the sector could benefit from organisations sharing vetting of same suppliers.
- Assess how humanitarian procurement centres are used and what is their added value for partners.

2) Preparedness - making supply chains more resilient, especially for local communities

Supply chain is crucial in ensuring preparedness. At its core, supply chain preparedness should build local supply chain capacity and assess opportunities for local procurement of goods and services. This can significantly improve response capacity at the national and local level, ultimately reducing the need for international mobilisation. It may also bring secondary benefits, such as reducing the environmental footprint of humanitarian operations. This requires strategic thinking at the organisational level and across the humanitarian sector⁸. Additionally, achieving better supply chain capacity and efficiency through preparedness can contribute to the localisation agenda by upskilling local partners, suppliers, and local authorities, and sourcing products locally⁹.

Objectives

- **Strengthen the resilience of local supply chains through a strategic and risk-informed approach that minimises the need for international emergency responses and enhances preparedness and sustainability at the local level.**
- **Increase information sharing on global, regional and local humanitarian stocks between humanitarian organisations to optimise overall stock composition and pooling in response to needs.**
- **Strengthen regional and national humanitarian hubs in a way that compliments and enhances local preparedness efforts, as well as pre-positioning supplies to increase the use of sea shipments rather than multiple flights, minimising environmental impacts and supporting more efficient emergency responses.**

Concrete initiatives to be explored in the workshops

- Increase local knowledge and supply chains' resilience through local market engagement, knowledge sharing and strategic collaboration. Working together on aggregating pre-positioned supply inventory information for shared visibility, and identifying a common interface¹⁰.
- Joint advocacy on addressing common supply chain bottlenecks, including importation processes and relevant supply chain education programmes at national and regional level.

- Strengthen preparedness by ensuring supply chain rules can adapt quickly in emergencies while maintaining smart controls.
- Strengthen the connection between this theme and localisation through both the promotion of local markets /contents and cash assistance, as applicable.
- Develop systems to quickly mobilise funds and supplies in high-risk areas. Encourage flexible funding from donors to support preparedness needs.
- Strengthen preparedness by ensuring supply chain rules can adapt quickly in emergencies while maintaining smart controls.

3) Environmental sustainability - moving towards greater sustainability of items and processes

75% of humanitarian aid emissions come from procurement alone¹¹.

A strategic approach to the supply chain, especially procurement, offers opportunities to significantly address the environmental impact of humanitarian aid, while increasing its efficiency.

There are many initiatives on greening the supply chain that can be further engaged with, such as the WREC¹², a hub to exchange knowledge and practice in this area. Supply chains also feature as a key part of broader commitments to greening humanitarian aid, such as the Climate and Environment Charter for Humanitarian Organisations¹³ or specific calls to action¹⁴. To meaningfully implement these, specific agreements at strategic level are needed on e.g., how extra upfront costs are considered by partners and donors, how environmental impacts are calculated, and how these can be mitigated in an evidence-based way.

Objective

- **Consistently monitor the carbon footprint of humanitarian organisations through comparable methodologies and implement proven mitigation measures.**
- **Identify the largest environmental risks beyond greenhouse gas emissions in humanitarian operations and actions to reduce them to support increased sustainability and reduce environmental impacts.**

Concrete initiatives to be explored in the workshops

- Using a standardised and high-quality carbon footprint methodology that includes scope three emissions¹⁵.
- In the short-term contribute to knowledge sharing and capacity building by sharing existing life cycle assessments (LCA's) of humanitarian items through a central library, while in the longer term working towards standardisation of industry level LCA methodologies to ensure comparability.
- Agree to choose items with more favourable environmental results, where available.
- Integrate sustainability into procurement policies, including adding environmental sustainability into procurement criteria.
- Find alternatives to or phase out single-use plastics, where possible.
- Use transport pooling solutions and improving fleet management practices to maximise loads and to reduce waste, where possible.
- Strengthen consideration of the connection between environmental sustainability and localisation through both the promotion of use of local markets and cash assistance where deemed more sustainable.

4) Digitalisation - better use of supply chain data and data sharing

A key survey of humanitarian supply chain staff showed that 89% of respondents recognised the positive impact digital transformation can have on supply chain performance¹⁶. Better use of supply chain data is essential to allow humanitarian organisations to source the right items in time, identify opportunities for greater efficiency and effectiveness, take better decisions on how to respond in line with policy areas such as greening and localisation, and collaborate more on solutions and approaches.

Supply chain staff should be empowered to analyse data and move from operational to tactical and strategic approaches.

However, implementation of the required digital solutions and processes can be lengthy, complicated and costly and require change management. It also requires further IT resources for maintenance and ongoing improvements. Donors' and partners' approaches to funding digitalisation have led to this being seen as a back-office overhead cost, with IT departments often overwhelmed and unable to develop better systems.

Objective

- **Optimise supply chain digital solutions that consider contexts, interoperability, and consistent data capturing for better coordination and decision making.**

Concrete initiatives to be explored in the workshops

- Set up an information exchange to provide advice to organisations on the digitalisation of the supply chain, especially on optimal implementation of digital solutions and on the collection and use of data, fed by the experiences of both public and private sectors.
- Work together to identify challenges in funding digitalisation, and a pathway to collectively address this.
- Explore the use of common data models or templates¹⁷.
- Explore how to demonstrate the need and the modalities to balance upfront costs of digitalisation of supply chains against subsequent savings.
- Committing to supply chain performance indicators becoming part of the central management toolkit.
- Explore opportunities in planning tools and data analytics linked to procurement planning and execution including during emergencies.

5) Localisation

There is a large interplay between preparedness and localisation, as preparedness should aim to make a local level response possible - but it is important to still dedicate space to the specific considerations of localisation as the supply chain has such a key impact in this area.

Localisation should be considered from the outset of supply chain planning, which itself should be done as early as possible. When combined with better coordination and a more joined up approach, considerable opportunities to benefit the local economy and local resilience can be unlocked.

This can allow local actors to benefit from global knowledge and economies of scale, and put more tools, training and capacity building at their disposal, supporting equitable partnerships between international and local organisations. This can also help ensure resilient supply chains when international actors scale down, in line with the ultimate aims of localisation.

It is also important to make the distinction between localisation and local procurement and define the conditions under which localisation is preferable to global standards/solutions and economies of scale. The use of local and regional markets should be prioritised over international markets for both preparedness and emergency response, where relevant. This will be possible if short- and long-term goals and perspectives are more integrated and if the focus is put much more on local actors, capacities, infrastructures, and systems.

Objectives

- **Support local actors to lead on supply chain management by providing targeted training, upskilling and knowledge dissemination based on identified needs to increase the resilience of national and regional supply chains and optimise the use of international responses.**
- **Enhance access to essential supplies and services at the national and regional level by supporting market access initiatives.**

Concrete initiatives to be explored in the workshops

- Work towards a common approach to supply chain skills strengthening ^{18 19}.
- The community making coordinated efforts to open procurement processes to local organisations, where relevant.
- Strengthen and build on existing supply chain software solutions at the local level, and ensure interoperability between systems.
- Move from a front-line role to an intermediary facilitation and knowledge dissemination role as soon as conditions permit, to encourage a more resilient local supply chain.
- Advocate for donor flexibility to support promising local manufacturers and other local innovations, especially for high-quality, sustainable local sourcing.
- Partner with local businesses to improve local supply quality and resilience, where feasible.
- Dedicate funding to strengthen preparedness and resilience of local and regional supply chains and establish mechanisms that allow transaction of funding to local actors (with special attention given to women in supply chains and including investments in local commercial suppliers).

6) Cross-cutting considerations

- It is also important to note that the current funding model has a significant impact on how a more strategic approach to supply chain can be achieved. A longer-term plan and more cooperative approach to supply chain preparedness and digitalisation, for example, requires amortisation of investments.
- Beyond traditional funding, it would be important to consider innovative financing solutions and how they can drive supply chain resilience (including support to localisation, sustainability, and digitalisation) via tools like pre-financing, special contracting, bridge funding, and match funding, with more tools currently being designed for specific situations.
- Lack of clarity and /or rigid delineation between support and program costs also hinders investment in supply chain, as supply chain costs are often entered as support costs and required to be cut by donors. Flexibility of funding for core relief items (i.e. non-earmarked) should also be explored to allow for easier redeployment. Macro level funding incentives to build supply chain powerhouses rather than building on existing solutions should be tackled.
- The supply chain is largely delivered by the private sector, and better integration and cooperation with the private sector, e.g. suppliers, must be explored. This can only come from structured engagement, at global, local and regional level.

- The nexus between humanitarian aid and development plays an important role, as how the humanitarian supply chain is implemented will have an impact on the future and resilience of a countries' supply chains.
- The fragmented nature of humanitarian supply chains often results in inefficiencies. A collaborative approach should be championed, including shared services, pooled resources, and continuous evaluations of outsourced functions. common standards, such as the GS1 standards, should be worked towards where relevant.
- There is a need to consistently include supply chain considerations at upstream decision-making groups and consider them continually in the strategic planning and budgeting phase.
- Explore more consistent use within organisations of structured incentives and the potential to reward operational performance improvements, such as cost savings and timely deliveries.
- Build flexible options for switching between cash and goods based on local market stability and response analysis, making use of local market assessments that are conducted using a consistent and agreed methodology and shared between organisations.

¹ Procurement represents 65-75% of supply chain costs - which represent approximately 60-80% of overall humanitarian costs related to supply chain.

Schulz, S. F. (2009). *Disaster relief logistics: Benefits of and impediments to cooperation between humanitarian organizations* (Vol. 15). Haupt Verlag AG.

Stumpf, J., Besiou, M., & Wakolbinger, T. (2023). *Assessing the value of supply chain management in the humanitarian context – An evidence-based research approach*. Journal of Humanitarian Logistics and Supply Chain Management, 13(1), 1–9. <https://doi.org/10.1108/JHLSCM-03-2022-0039>

²Hulo 2023 Annual Activity Report.

³ From individual 2022 annual reports, figure compiled by Hulo.

⁴ For collaboration figures across the UN, please see the Annual Statistical Report on UN Procurement.

⁵ *Donors want it faster, humanitarian organizations get it cheaper*, Jorge García Castillo, World Development Volume 177, May 2024, 106554.

⁶ Identified as a top priority at the 2023 Global Logistics Cluster meeting, Budapest.

⁷ For example, via the Quality, Social and Environmental Procurement Sub-group which, in view of the fact that ICRC, IFRC, IOM, MSF, UNHCR and UNICEF have similar humanitarian goals and use similar (or the same) technical specifications for several relief items the QSE Procurement Sub-group' main objective is the expansion of cooperation on Quality Management, Social compliance and Environmental awareness regarding production lines.

⁸ The UN Humanitarian Response Depot (UNHRD) network has recently established a taskforce to encouraged that the different users of the depots are analysing the stock they hold taking into account what others are holding and in consideration of what the most likely emergency scenarios are in each region.

⁹ A survey by Centre for humanitarian Logistics and Regional Development (CHORD), [The State of Logistics and Supply Chain in the Humanitarian Context 2023](#) showed 46% of respondents reporting a lack of preparedness in their supply chains to cope with key risk factors. These include a lack of coordination, funding, and reliable demand forecasts for relief operations.

¹⁰ The Global Logistics Cluster - ECHO Stockpile Mapping Project 2024 may be relevant here. Of the 67 analysed stockpile systems, the STOCK of Humanitarian Organisations Logistics Mapping (STOCKHOLM) tool was identified as suitable to function as an overall common platform, due to its technical abilities and operating framework.

¹¹ According to *Climate Action Accelerator's Towards Halving Greenhouse Gas Emissions by 2030 in the Humanitarian Sector: a Sectoral Roadmap*, which calls on donors to "consider emissions reduction from humanitarian supply chains as a top priority"

(¹²)Waste management & measuring, Reverse logistics, Environmentally sustainable procurement & transport, and Circular economy (WREC Coalition).

¹³ [The Climate and Environment Charter for Humanitarian Organizations](#).

¹⁴ [Call to Action: A supply chain Framework for the future: reducing the carbon footprint of humanitarian aid](#)

¹⁵ Indirect greenhouse gas (GHG) emissions that occur from an organization's activities but are not owned or controlled by the organization.

¹⁶ Centre for humanitarian Logistics and Regional Development (CHORD) survey, [*The State of Logistics and Supply Chain in the Humanitarian Context 2023*](#).

¹⁷Such as via the Frontline Humanitarian Logistics (FHL) Data Standard project.

¹⁸ A well-known learning opportunity for local actors is PARCEL, a good example of existing practice in the sector that can be built upon. The PARCEL Project, an inter-agency initiative, developed training materials and tools for international agencies to use when developing logistics capacity of local NGO partners based on the minimum standards.

¹⁹ A survey by Oxfam of its partners found that 91% of respondents considered that common standards in supply chain and logistics would be helpful to their organisation. The challenge to comply with different rules and compliance requirements from international actors is creating significant challenges, impacting ability to respond to humanitarian need, impacting the wellbeing of local and national humanitarian actors (LNHA) teams, affecting trust and affecting ability to access funding. In addition, 59% of respondents could not identify any Supply Chain and Logistics training and capacity building opportunities and 13% said that they did not know where to find training.

A lack of training (reported by 30% of respondents) and the challenges of complying with different rules and requirements of different donors (reported by 27%) is hindering LNHA's ability to deliver efficient and effective humanitarian response.