

STRENGTH IN NUMBERS

TOWARDS A MORE EFFICIENT HUMANITARIAN AID:
POOLING LOGISTICS RESOURCES



**EXECUTIVE
SUMMARY**



croix-rouge française



humanity & inclusion

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EXECUTIVE SUMMARY

Humanitarian needs are increasing at an alarming rate and international funding is not keeping up. In 2018, 40% of humanitarian needs were not met because of a funding gap of almost 10 billion dollars in humanitarian response plans.¹ **It is more urgent than ever to improve the operational cost effectiveness ratio in order to reach more vulnerable people.**

In 2016, the international community came together at the World Humanitarian Summit (WHS) to look for solutions to this funding gap. Three key and interdependent elements to address the deficit were identified: reducing needs, deepening and broadening funding sources, and improving the efficiency of humanitarian aid.² Humanitarian actors pledged to become more effective and efficient in order to react more quickly to crises and better meet the needs of vulnerable populations. **Logistics³ is the backbone of humanitarian aid, representing 60 to 80% of expenditure and a major starting point for improving operations cost effectiveness.**

Many studies have been carried out since the early 2000s on the need to reform humanitarian logistics. From the reference document published by Luk Van Wassenhove in 2006⁴ to more recent studies by NGOs like Action Against Hunger and Humanity & Inclusion in 2017,⁵ the same conclusions have been drawn on the importance of investing in the supply chain to increase efficiency. **Aware of the need to complement existing studies, the Réseau Logistique Humanitaire (Humanitarian Logistics Network - RLH) - which brings together around a dozen international humanitarian organisations, represented by their respective directors and logistics managers - proposes specific areas of work orientated towards collaborative practices.**

In 2018, 40% of humanitarian needs were not met because of a funding gap of nearly 10 billion USD.

These areas of work are based on interviews carried out with member organisations of the RLH and other actors such as Atlas Logistique and Bioport to assess logistics operations and current practices. This report is based on an analysis of logistics practices in the humanitarian sector and also considers progress in the private sector, which has put efficiency at the heart of its logistics strategies for a long time. Logistics in the private sector has indeed, for the most part, moved towards the outsourcing and pooling of logistics services, even between competing companies, with the double objective of reducing operational costs and increasing end customer satisfaction levels.

Neither the outsourcing of logistics services nor inter-NGO pooling are sufficiently developed practices in the humanitarian sector. Furthermore, **the limited logistics capacity of the countries where humanitarian interventions are carried out requires more collaboration between organisations to optimise existing resources.** However, some logistics providers are already offering their services in hard-to-reach areas and this has produced clear results. There are also examples of inter-NGO logistics resources pooling, with promising results. By reforming their practices, NGOs can become more efficient and reduce their logistics costs; they can also demonstrate their innovation and development capacities while honouring the commitments of the Grand Bargain.⁶

1 OCHA(2019), *Global Humanitarian Overview 2019*. URL: <https://hum-insight.info/>

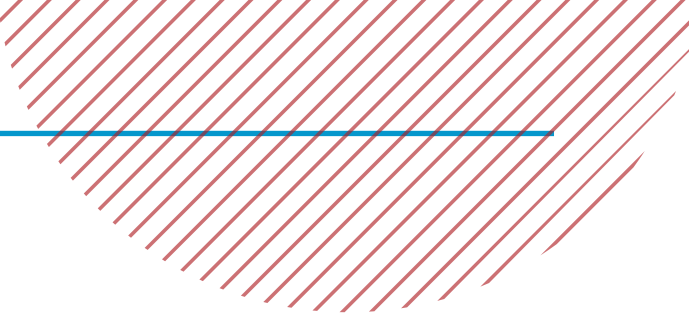
2 High-Level Panel on Humanitarian Financing (2016). *Too important to fail – addressing the humanitarian financing gap*.

3 Humanitarian logistics includes the supply chain with its procurement, supply, transport and warehousing functions; support logistics, with building, fleet, energy and telecommunications management; and operational logistics, whether for reconstruction activities, camp management or water, sanitation and hygiene.

4 Luk N. Van Wassenhove (2006), 'Blackett memorial lecture. Humanitarian Aid Logistics: supply chain management in high gear'. *Journal of the Operational Research Society*, Vol. 57, No 5, p. 475-489.

5 HELP Logistics, KLU, Action Against Hunger (2017). *Supply chain expenditure and preparedness investment opportunities*.

6 Australian Aid at al, *The Grand Bargain – A Shared Commitment to Better Serve People in Need*, Istanbul, Turkey, 23 May 2016



Pooling logistics resources must go beyond the supply chain and should consider in particular the sharing of infrastructure, fleet (vehicles / generators), technical resources and skills. These aspects should not be overlooked especially as the standardisation of management policies, required for an effective pooling, would greatly benefit the humanitarian community.

Extending the use of pooling practices would allow last mile logistics to be optimised and avoid the duplication of costs. Therefore, in coming years, we could see the creation of joint procurement and supply platforms, systematic pooling of transport and storage, as well as shared human resources.

The adoption of best management practices in the logistics chain can lead to savings of over 7% of annual operating costs.⁷ Pooling resources could be instrumental here because consolidating needs between organisations enables optimising capacity utilisation, stronger negotiating position and the specialisation of certain tasks. **Considering the total budget of international humanitarian aid reached USD 27.3 billion in 2017,⁸ by calculating 7% of the 60 - 80% represented by logistics expenditure, the optimisation of humanitarian logistics would enable savings of between 1.1 and 1.5 billion dollars.** This amount is equivalent to the expected outcome of the implementation of the Grand Bargain.

This optimisation must be reflected throughout the logistics chain, from support logistics to operational logistics, starting with emergency preparedness. **Each dollar invested in preparedness, as a part of disaster risk management, could save seven dollars in emergency response.⁹**

Investing sooner and smarter could also reduce needs and help the community of humanitarian actors as a whole to accomplish more while using fewer resources.

This report recommends **a change in operational strategy, moving from a model of fundraising and using funds to a model of fundraising and optimising these funds.** One key element of this paradigm shift is the focus placed on planning in all areas of humanitarian logistics. In this respect, the question of donor funding is key. If funds are allocated based on anticipation instead of reaction to humanitarian needs, it would allow for a significant reduction in operating costs, and a more flexible and appropriate response to changing conditions in the field. This would also allow for a more strategic approach to emergency response thanks to greater emphasis on planning.

A collaborative approach leads to a sustainable logistics model in the medium term and must involve strong commitment from all partners involved. **Logistics must become strategic** in order to become part of the decision-making process starting from the assessment and programming stages.¹⁰ **It must also become a tool for political reflection,** because the broader the range and geographical coverage of pooled logistics services, the more governance will be a deciding factor in the success of joint initiatives. The governance model will depend on the partner organisations' level of ambition. It may take the form of bilateral or multi-party agreements to make logistics services available or may lead to the creation of a new collective legal structure.

⁷ Mahyar Eftekhari, Andreas Robotis & Luk N. Van Wassenhove (2010), « Optimal Fleet Trajectory for the Humanitarian Relief Operations », *Operations in Emerging Economies Conference*, Vancouver, 7-10 May. Cité par Alfonso Pedraza-Martinez & Luk N. Van Wassenhove (2012), « Using OR to adapt supply chain management best practices to humanitarian logistics », *International Transactions in Operational Research*, Vol. 19, Issue 1-2, p. 319.

⁸ Which is broken down into USD 20.7 billion from governments and European institutions and 6.5 billion from the private sector. Out of this amount, almost 14 billion were allocated to humanitarian response plans. See Development Initiatives (2018), *Global Humanitarian Report Assistance 2018*

⁹ See HELP Logistics, KLU, Action Against Hunger (2017). *Supply chain expenditure and preparedness investment opportunities*; HELP Logistics, KLU, IFRC (2018), *Supply chain expenditure and preparedness investment opportunities*; HELP Logistics, KLU, Save the Children (2018), *Investing in supply chain preparedness*.

¹⁰ Rebecca Lewin, Maria Besiou, Jean-Baptiste Lamarque, Stephen Cahill & Sara Guerrero-Garcia (2018), 'Delivering in a moving world...looking to our supply chains to meet the increasing scale, cost and complexity of humanitarian needs', *Journal of Humanitarian Logistics and Supply Chain Management*, vol.8, Issue 4, p. 518-532.