

Annex XX: Delivering through markets

How does this annex link to the handbook?

Meeting Sphere standards relies on understanding, using, supporting, and--when appropriate--managing markets for the provision of goods and services. The annex applies to all technical chapters covered in the Handbook and provides standard guidance to supply chain/logistics and programme staff on how to deliver assistance through markets. It also discusses how to best source goods and services through a combination of international and local procurement, and / or cash-based assistance.

Guidance for choosing the appropriate response modality (or combination thereof) to meet specific standards remains in the technical chapters (cross-reference to Handbook Introduction). While some standards are well adapted to local procurement, others cannot appropriately be met through local markets. For instance, there are specific internationally-recognised procurement mechanisms for medicines and medical equipment necessary for quality assurance (see Health Chapter, 1.0 Health systems).

The annex is structured as a set of actions for delivering through markets, both through supply chains and cash-based assistance. Some of these actions are common, for example relating to market analysis , engagement with market actors, and market monitoring. Other actions relate specifically to supply chain and logistics, or cash-based assistance. The 'what else do I need to know' section provides more guidance across these areas. These actions and guidance are complemented by sector-specific guidance on delivering through markets in the technical chapters. (cross-reference to MISMA and the MERS Analysis and Assessment standard)

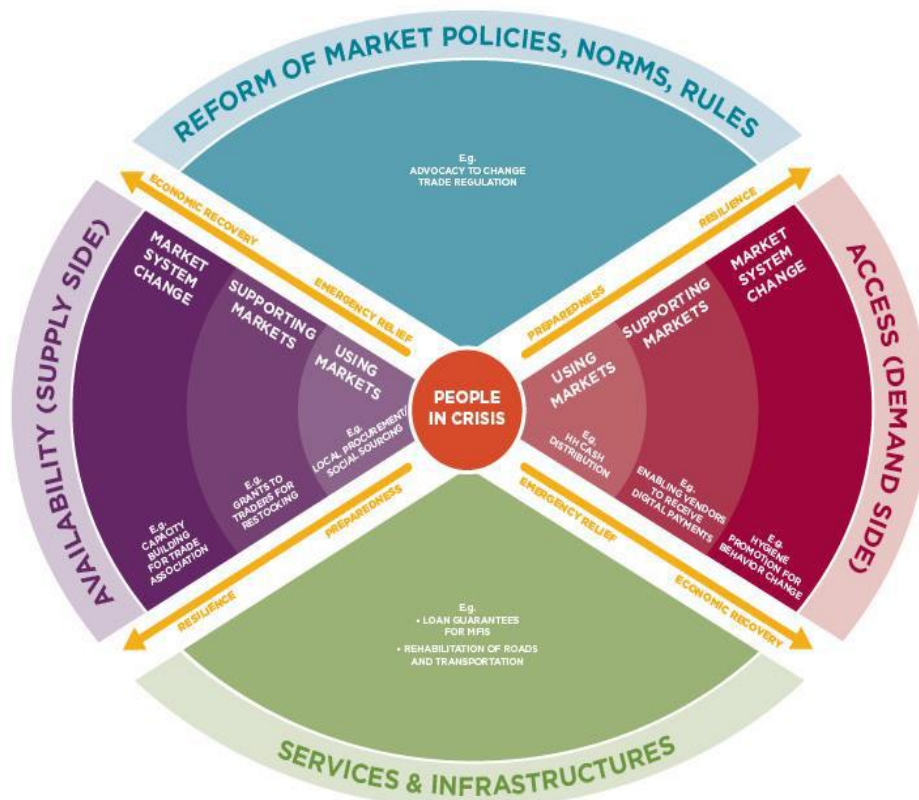
How humanitarian standards can be met through markets

Humanitarian assistance should be 'market aware' so that local markets are considered and accounted for in the design, implementation and monitoring of humanitarian responses. Market analysis is essential for defining response modes and response options, and identifying opportunities to support local markets.

Market-based interventions can work through markets, or support them. As presented in the graphic below, this can mean several things:

- procuring from local or regional markets;
- supporting markets through grants or other assistance;
- building market system capacity.

Market-based programming:
Working through or supporting the local market to help crisis-prone and affected populations cope with emergencies



Markets in Crises, 2016

There are two broad types of intervention that use local markets:

- Local (or regional) procurement
- Cash-based assistance to people in need, which enables them to buy locally available goods or services

Market-based interventions can also *support* local markets, for example temporary direct support to market actors, or other entities that make up a market system, so that users have access to a sufficient supply of goods, services, or income to meet needs in a crisis.

Effective market-based programming requires the relevant skills and knowledge to be embedded across humanitarian functions. This includes the ability to analyse markets, use market information to inform programme decisions, and continuously monitor markets to reduce the risk of harm. Ethical and environmental considerations should be embedded into the procurement, contracting and delivery of goods, services and cash-based assistance. Supply chain / logistics staff should be trained in market analysis and cash-based assistance, and programme staff should understand supply chain management. The steps and functions involved in supply chain management and cash-based assistance should be integrated into all stages of project cycle management (PCM). (*cross-reference to MERS Core Standard – Staff have the relevant skills*)

Delivering through markets

**Key
Common
Action A:**

Analyse local markets and their associated supply chains as part of response design (or contingency planning). Analyses should be driven by clear objectives based on what goods and services are needed and how data will be used. Market analysis should consider:

- access to markets by the affected population macro-level market capacity (market environment, actors, goods and services); and
- functionality of sector-specific market systems (including commodity markets; public-sector markets such as water and health; financial markets; and other services like rental or transport markets).

For more guidance see the Minimum Standard for Market Analysis, and the MERS Assessment and Analysis standard

**Key
Common
Action B:**

Collaborate with market actors (including other humanitarian actors) for market analysis and ensure that the overall humanitarian response (rather than individual projects) uses and supports the market. This requires:

- coordination on data collection, including using technology and digital market data;
- coordination on information sharing and analysis;
- collaboration with local market actors to analyse local power dynamics; and
- transparent communication with market actors throughout every step of the programme analysis and design.

For more guidance, see the MERS Core Standard 2 'Efforts are coordinated to improve effectiveness'

**Key
common
action C:**

Use market analysis (as part of broader response analysis) to adequately inform programme design and the decision on whether supply chain management, cash-based assistance, or a mixed approach is appropriate.

For more guidance see the Minimum Standard for Market Analysis Action 4, and MERS Core standard on Assessment and Analysis.

See also the introduction sections to each technical chapter

Supply chain and logistics

Manage commodities and services, and their associated costs, using impartial, transparent and responsive systems.

Cash-based assistance

Deliver cash-based assistance, through safe, accessible and effective mechanisms

**Key Action
1:**

Ensure a transparent, fair and open procedure for awarding contracts. Consider local, national and international options

Map Financial Service Provider (FSP) options, considering local, national and global options

		<i>See the MERS Standard 5 'Financial services standard'</i>
Key Action 2:	Build good relationships with suppliers and service providers and enforce (through contracts) the appropriate quality of goods and services as well as ethical and environmentally sustainable practices.	Assess the financial regulatory and infrastructural environment, and the implications for cash-based assistance
Key Action 3:	Train and supervise staff at all levels of the supply chain to observe product quality, safety procedures (for beneficiaries and staff) as well as ethical and environmentally sustainable practices.	Define clear criteria for selecting cash delivery mechanism(s) and/or voucher delivery mechanisms. Ensure that the selection reflects beneficiaries' financial literacy and preferences
Key Action 4:	Establish appropriate accountability procedures including supply, transport and storage planning, inventory management, reporting and financial systems.	Include the dimensions above, and clear criteria for selection, in all FSP tenders and contracts, and the process for selecting and contracting vendors for voucher programmes
		<i>For more guidance, see the MERS Standard 5 'Financial services standard'</i>
Key Action 6:	Minimise and report any product losses at all levels of the supply chain, whether international, national or local.	Ensure the privacy and protection via data protection measures and considerations, and consider cash and voucher-specific accountability and feedback loops.
Key Action 7:	Monitor and manage commodity pipelines so as to avoid diversions and interruption to distributions as well as market distortions.	Ensure cash and voucher delivery processes clearly define roles and responsibilities, and risk mitigation mechanisms.
Key Action 8:	Regularly inform all stakeholders regarding the performance of supply chain efforts. Ensure that accountability and communication mechanisms reflect the specificities of delivery processes.	Document the cash or voucher delivery process and ensure it is compliant with donor/agency financial procedures.
Key Action 9:	Ensure that commodity tracking and information management systems are in place from the beginning of the intervention.	Reconcile outgoing funds for cash and voucher delivery processes at organisation level with funds received by beneficiaries
	<i>See www.logcluster.org/cargo-tracking</i>	

Key Common Action D:	<p>Continuously monitor the effect of the supply chain or cash-based interventions on local markets. This includes:</p> <ul style="list-style-type: none">• identifying which assumptions and outcomes are most uncertain or sensitive to change, based on the key market analysis findings;• determining practical measurable indicators for tracking these assumptions and outcomes;• determining frequency with which monitoring should occur by considering the robustness of the initial market assessment, the expected volatility of the market and the relative scale of the programme compared to local markets;• if monitoring reveals market distortions as a result of the intervention, reconsidering the design of the programme, including switching between modalities
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For more guidance see the Minimum Standard for Market Analysis and MERS core standard 4: Do no harm

What else do I need to know to deliver through markets?

Market analysis

The Minimum Standard in Market Analysis (MISMA) – a Sphere partner standard – describes five key actions applicable across market and supply chain analysis, in preparedness and response. The following five actions are each supported by indicators:

1. Define the analytical and geographic scope of the assessment
2. Build a competent and knowledgeable team for data collection and analysis
3. Use data collection methods and information sources of sufficient quality
4. Use market analysis to inform programme design and achieve programme objectives.
5. Use market monitoring to review assessment findings and enable programme adaptations when needed

Multiple modality / modality switching

Market analysis, as part of response analysis can identify that multiple modalities are appropriate to meet programme objectives, or that it is appropriate to switch modalities (i.e. in-kind to cash or vouchers and back again, or vice versa) during the course of the programme. Continuous market monitoring is essential to enable the flexibility to switch between modalities. This highlights the importance of collaboration between supply chain / logistics and programmes/monitoring teams.

Transparency and communication with market actors

The success of market-based programming relies on effective communication with market actors (e.g. traders/suppliers, importers, chambers of commerce, local government), and beneficiaries (including traders for cash/voucher programmes). Specific actors need to be provided with relevant information at the right time to avoid misunderstandings. Consider using the local media, traditional methods of news dissemination and current technologies (mobile phone text messages, email) as a ways of keeping relevant actors and recipients informed about commodity deliveries, or cash and voucher distributions, and to reinforce transparency.

What else do I need to know for supply chain and logistics?

Supply chain management (SCM)

SCM starts with the choice of commodity or service. It includes identifying the source of what is needed, procurement, quality management, risk management (including insurance), packaging,

shipping, transportation, warehousing, inventory management, delivery and distribution. SCM involves many different partners, and it is important to coordinate activities (see Core Standard xx). Management and monitoring practices should ensure that commodities are safeguarded to distribution points. However, humanitarian organisations are also responsible for products and services (including cash based assistance services) reaching targeted persons receiving assistance.

Using local services

Assess the availability and reliability of local capability before sourcing from outside the area. Carefully ensure that sourcing locally does not cause or exacerbate hostilities and does more harm in the community. Reputable local or regional transporters and freight forwarders have valuable knowledge of local regulations, procedures and facilities, and can help to ensure compliance with the laws of the host country and to expedite deliveries. In a conflict environment, the vetting of service providers should be especially rigorous.

Local versus international sourcing

Assess the implications for local production and markets of locally sourcing or importing commodities. Include an assessment of environmental sustainability. Local and regional purchasing stimulates markets, which may give farmers and manufacturers an incentive to produce more and in turn boost the local economy. When supplies are relatively limited local / regional purchasing could divert products/services and cause problems in other markets, or could potentially disrupt existing commercial networks that normally deliver these products/services. Conversely importing can potentially crowd-out local/regional producers and also disrupt existing commercial networks. If several organisations are involved, coordinate local sourcing to the extent possible. Other in-country sources of commodities may include loans or reallocations from existing supply programmes (donor agreement may be necessary). For local sourcing specifically, use independent inspection services to perform end product testing (eg aflatoxin contamination) prior to taking ownership.

Impartiality

Fair and transparent contracting procedures are essential to avoid suspicion of favouritism or corruption. Evaluate service provider performance and update shortlists based on findings.

Skills and training

Mobilise experienced SCM and market systems practitioners and programme managers to set up the SCM system and train staff. Particular types of relevant expertise include contract management, transportation and warehouse management, inventory management, pipeline analysis and information management, shipment tracking and import management. Include staff of partner organisations and service providers in trainings and conduct training in the local language.

Using food as a means of payment

Avoid using food to pay for logistics operations, such as unloading at warehouses. Such costs should be included in the core budget.

Reporting (including logistics cluster and interagency collaboration)

Most donors have specific reporting requirements and supply chain managers should be aware of these requirements and establish systems that meet them. Day-to-day management needs include prompt reporting of any delays or deviations in the supply chain. Share pipeline information and other SCM reports in a transparent and regular manner.

Documentation

Make sufficient documentation and forms (waybills, stock ledgers, reporting forms, distribution lists etc.) available in the local language at all locations where goods are received, stored and/or dispatched. Doing so maintains a documented audit trail of transactions.

Warehousing

Separate warehouses for food and non-food items are recommended over shared facilities but good management can minimise risks. When selecting a warehouse, establish that it has not been used to store hazardous goods and that there is no danger of contamination. Factors to consider include: security, capacity, ease of access, structural solidity (of roof, walls, doors and floor) and absence of any threat of flooding.

Disposal of commodities

Damaged or unsuitable commodities should be inspected by qualified inspectors (such as food safety experts and public health laboratories), and certified for disposal. Damaged commodities should be disposed of quickly before they become a health or security hazard. [Add link to safe waste disposal in Health chapter xx]. Methods of commodity disposal include sale (eg. of food for animal feed) and burial/incineration authorised and should be witnessed by relevant authorities. In all cases, unfit commodities must not re-enter the supply chain, harm the environment or contaminate water sources.

Threats to the supply chain

In situations of armed conflict or general insecurity, looting or requisition by warring parties is a danger. Assess and manage risks to the security of transport routes and warehouses. There is potential for theft at all stages of the supply chain. Establish control systems and supervise all storage, hand-over and distribution points to minimise this risk. To reduce the risk of collusion, use internal control systems to distribute responsibilities. Regularly check stocks to detect any illegal diversion. Take measures not only to ensure the integrity of the supply chain but also to analyse and address broader political and security implications, such as the possibility of diverted stocks fuelling an armed conflict. (see Protection Principle xx).

Analyse the pipeline

Share relevant information on stock levels, expected arrivals and distributions among supply chain stakeholders. Use the tracking and forecasting of stock levels to highlight anticipated shortfalls and problems in time to anticipate mitigating solutions. Information sharing among partners may facilitate loans that prevent pipeline breaks. Pipeline breaks may be unavoidable if resources are inadequate. In such cases, prioritisation of commodity need may be necessary when choosing what to buy with available funds. Consult stakeholders when considering solutions.

What else do I need to know for Cash-based assistance?

Preparedness

Organisational capacity for CBA should be assessed as part of preparedness, and capacity gaps addressed. Specifically, Financial Service Provider (FSP) options should be mapped out and framework agreements signed with FSPs.

Financial Service Provider (FSP) assessment

The following steps form part of FSP assessment:

- Scope out the infrastructure environment in the operating context to understand what means are currently used to transfer cash in your environment.

- Identify the regulatory considerations in the operating context to understand the effect on how beneficiaries can access cash.
- Document the characteristics of potential CBAs: size; frequency of transfer; required speed of delivery; scale-up; Profile of population, and potential risks related to gender and other social dynamics, and implications for identity; likely level of contextual risk; organisational risk (procurement policies, data protection policies).
- Identify existing FSPs (including traders) in the operating context.
- Recognize beneficiary financial literacy and preferences.
- Allow for a convenient, familiar, flexible, accessible and low cost delivery system for beneficiaries, while upholding safety and delivery preferences.

Selection of cash delivery mechanism

Criteria for the selection of cash delivery mechanisms should be based on the following dimensions: Infrastructure/geographic services; cash/monetary considerations; system reporting & data protection; reliability, flexibility and scale; time and speed; accessibility (particularly for people living with disabilities, older people etc...), beneficiary interface and acceptance; risk; organisational alignment/ease of implementation; cost-effectiveness; resilience, financial inclusion, and secondary impacts

Selection of voucher delivery mechanism

Criteria for the selection of voucher delivery mechanisms should consider the following: vendor selection criteria (including price, ability to supply, variety/quality of goods, accessibility for participants, hours and days of operation, willingness to accept terms and methods); and a transparent vendor application and selection process based on these criteria.

Contracting and delivery

Cash and voucher delivery processes need a clear share of roles and responsibilities and risk mitigation mechanisms informed by risk assessment. Vendor contracts should specifically include payment terms and conditions under which the contract may be terminated. The cash or voucher delivery process needs to be documented and compliant with donor/agency financial procedures. Reconciliation of outgoing funds at organisation level with funds received by beneficiaries should take place systematically.

Registration and data protection

Beneficiary registration and identification systems need to include data required by the FSP. This means collecting the necessary data from beneficiaries, and applying and documenting data protection measures to this data. Wherever possible, seek inter-operability of digital identity data between humanitarian actors and with FSPs.

Communication, accountability and protection

Any cash or voucher delivery process should identify risks and opportunities for accountability to affected populations (AAP), and include these in accountability and feedback mechanisms. These include:

- Specific guidance to beneficiaries so they can effectively use the selected mechanism

- Guidance to beneficiaries on the programme objective and the duration so that they can make informed spending decisions
- Ensuring FSPs are accountable to beneficiaries (through contractual management and monitoring)

References:

- CaLP CBA quality toolbox
- Market-based programming framework
- <http://www.cashlearning.org/downloads/mbp-framework2may2017final-2.pdf>
- <http://www.logcluster.org/document/oxfam-market-systems-and-scenarios-ctp-rag-model-2013>
- http://www.logcluster.org/sites/default/files/wfp_trade_logistics_assessment_2014.pdf
- <https://www.humanitarianresponse.info/en/topics/environment/page/logistics>
- <http://www.cashlearning.org/downloads/mpg-toolkit-pdfs/mpg-annex1.pdf>
- Preventing Corruption in Humanitarian Operations -
https://www.rodekors.no/contentassets/cb5a6498440946c1a3ccd218b04f8be0/pocket-guide_corruption.pdf
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