

Mid-Year report



International Federation
of Red Cross and Red Crescent Societies

Global Logistics Service

Appeal no. MAA00028

31 August 2011

This report covers the period 1 January 2011 to
30 June 2011.



In June 2011, building materials are delivered for a transitional housing project as part of the Haiti earthquake operation. Photo: IFRC

In brief

Programme outcome

The 2011 plan of the Global Logistics Service (GLS) is designed to support strategic aim 1 of the IFRC's *Strategy 2020* to "Save lives, protect livelihoods, and prepare for and recover from disasters and crises". More specifically, it supports enabling action 1 of *Strategy 2020*, to "build strong National Red Cross Red Crescent Societies", and enabling action 3 to "function effectively as the IFRC".

Programme summary

During the first half of 2011, the Global Logistics Service embarked on the implementation of Logistics 2015, its five-year strategic plan that supports the delivery of the IFRC's *Strategy 2020*. Logistics 2015 focuses on three objectives, namely to:

1. support the development and measurement of National Society logistics capacity
2. increase the IFRC's logistics capacity to deliver logistics services for preparedness and operational activities
3. provide agreed logistics services to pre-selected humanitarian agencies

The IFRC's global logistics service benefits from a worldwide network that includes a headquarters-based logistics service in Geneva, three zonal logistics units (ZLUs) – located in Panama, Dubai and Kuala Lumpur – a global fleet base in Dubai and a warehouse base in Grand Canary. The development of the existing logistics capacity and services to deliver the set objectives is managed through the implementation of six discrete projects, namely:

1. Management and communication
2. Logistics HR development
3. Sustainable funding
4. Legal status
5. Operational information systems
6. Infrastructure, assets and resources

During the reporting period, the foundation and management framework of these six projects was firmly established. All projects were assigned project managers and allocated funding; deliverables were agreed upon and matched to timescales. A robust planning and tracking mechanism for each project, as well as a communication plan for each, have also been established. The strategy and its implementation projects are being carried out in five phases starting in January 2011 and ending by July 2012. The six projects are being implemented by teams comprising members of the IFRC's logistics teams or technical staff, National Society members and, where required, external experts.

With the implementation of Logistics 2015, the GLS will be able to ensure that the IFRC – as a global network of National Societies – has access and control of a competent, efficient and effective logistics service to carry out its humanitarian assistance activities and achieve the goals outlined in *Strategy 2020*.

Financial situation

The total budget for 2011 is 4,865,239 Swiss francs, of which (as per the financial report) 837,212 Swiss francs (or 17 per cent of the budget) has been covered during the reporting period (including the opening balance). The overall expenditure during the reporting period was 919,943 Swiss francs (19 per cent of the budget). This low level of coverage and expenditure for the reporting period is explained by the fact that negotiations with ECHO for funding of approximately 3.2 million Swiss francs resulted in funds materializing after the reporting period in July 2011. This new funding from ECHO increases the appeal coverage to 83 per cent of the budget. Spending is expected to increase during the second half of 2011.

[Click here to go directly to the financial report.](#)

No. of people we have reached

It is estimated that, on average, 150 million people are reached directly or indirectly every year through the programmes and services delivered by the Red Cross Red Crescent network of National Societies. Close to 9 million people benefited directly or indirectly from secretariat-supported or National Society-supported interventions during the reporting period (source: DMIS).

Our partners

The Global Logistics Service currently works with a number of partners on a range of projects as outlined below.

Humanitarian Procurement Centre

The procurement services that are provided by the IFRC's Global Logistics Service have been recognized by the European Commission's Humanitarian Aid Department (ECHO). ECHO has accredited the IFRC as a Humanitarian Procurement Centre (HPC), which means that the Global Logistics Service has an obligation to extend its logistics services beyond the traditional support provided to National Societies to pre-selected third parties in the humanitarian sector.

ICRC

The GLS has a continuous strategic cooperation with the ICRC's logistics service. Where appropriate, both organizations collaborate on operational programmes and implement joint projects in areas of common interest. Activities include revising the emergency items catalogue, jointly establishing supplier framework agreements and maintaining suppliers' social responsibility track records, among others. Regular meetings are held with ICRC to share information and agree on common approaches to current and future activities.

Logistics cluster

The GLS attends the global logistics cluster meetings and contributes to operational coordination mechanisms during emergency operations.

Fleet Forum

The Fleet Forum brings together numerous humanitarian organizations –the International Red Cross Red Crescent Movement, UN agencies and NGOs – and provides a platform for humanitarian actors, donors and commercial companies to meet annually to review and discuss best practices in fleet management and how to tackle the associated environmental impact. The IFRC's Global Logistics Service is a founding member of the Fleet Forum and a member of the Fleet Forum Board. It has been regularly attending the Fleet Forum annual conference since it was established in 2003.

Cooperation with the logistics academic community

The GLS maintains links with a number of academic institutions that offer logistics within their curriculum and/or are actively involved in researching new practices and innovative approaches in the field of humanitarian logistics. A close relationship is maintained with the INSEAD Business School on the development of case studies, Fritz Institute, the BI Norwegian Business School and Lund University, among others.

Context

It is widely reported that the frequency, intensity and impact of disasters are increasing year on year and the number of people affected by disasters is growing. Humanitarian activities in risk reduction, disaster preparedness and the provision of assistance – at international, national and community level – need to be adapted if they are to remain effective.

Over the last 12 months, the GLS has sought information from external entities such as donors, commercial entities, military groups and other humanitarian agencies. The resulting information arising from numerous meetings, surveys and a number of research papers has now been collated and analysed. Around 20 billion US dollars is spent on delivering humanitarian aid each year, with logistics activities accounting for 60 to 80 per cent of this. The results of the research reflect the importance of this expenditure and suggest there will be three main external forces that will have a significant impact on humanitarian logistics activities in the near future.

- Donors will consolidate their funding of logistics to create efficiencies and inculcate coordination. It is anticipated that there will only be two or three main supply chains that all actors will have access to in the future, possibly operated by the donors themselves.
- Governments will use military and civil defence logistics assets for both operational reasons and as means of securing funding to keep and train such capabilities.
- Commercial companies will continue to enter the market, attracted by the public relations benefits, lucrative profit margins for customized services and commercial leverage of their own businesses.

There is also need for greater innovation and more inclusive ways of delivering assistance, with a strong focus on accountability, good partnership and enhanced coordination.

In response to this changing environment, the Global Logistics Service has designed Logistics 2015, its five-year strategic plan that outlines what the IFRC's logistics service will do to ensure that the Red Cross Red Crescent continues to have access to a competent, efficient and effective logistics capacity in order to meet its planned goals in the future, whilst being able to adhere to its fundamental principles.

Progress towards outcomes

The work of the GLS has been focusing on achieving the three strategic objectives of Logistics 2015. They are:

Objective 1: to support the development and measurement of National Society logistics capacity, to help strengthen National Societies and to articulate the global capacity and effectiveness of the IFRC's logistics.

Objective 2: to increase the IFRC's logistics capacity to deliver logistics services for preparedness and operational activities, connecting National Society assets where possible, and making this self-sustaining by promoting the effective functioning of the IFRC.

Objective 3: to provide agreed logistics services to pre-selected agencies to help ensure the sustainability and relevance of the supply chain, and therefore help protect the IFRC's ability to maintain its neutrality and voice in humanitarian diplomacy.

The six development projects and all associated activities of Logistics 2015 contribute to the achievement of these three strategic objectives. The information below lists each of the six projects with the objectives, achievements and constraints encountered during the reporting period.

Project A: Management and communication

Objective: Create a management platform to support the implementation of Logistics 2015 and to ensure business continuity. Design and implement a comprehensive communication plan ensuring that Logistics 2015 activities are effectively promoted and disseminated to key stakeholders.

Achievements

The foundations of an overall management structure have been established in order to implement Logistics 2015. A communication plan and a robust project monitoring and tracking mechanism have been put in place. The Logistics 2015 strategy document has been produced in five languages – English, French, Spanish, Arabic and Russian – and has been disseminated globally within the IFRC and in National Societies.

Planning meetings have been held in all five zones and work is ongoing to finalize a technical discussion platform. Logistics 2015 has been presented to a range of key stakeholders, including the IFRC's global senior management team, the disaster management working group, the finance commission, ICRC, National Societies, the Global Fund, WFP, ECHO, DFID and UNICEF. National Societies have been invited to actively engage in three of the Logistics 2015 implementation projects. In order to augment the global logistics capacity and reinforce the current infrastructure, new logistics functions have been established in zone offices in Africa and the Middle East and North Africa (MENA).

Project B: Logistics HR development

Objective: Develop a logistics human resource strategy that meets the needs of the GLS in delivering Logistics 2015. The project will cover recruitment, retention, development and monitoring of logistics human resources.

Achievements

The GLS has developed a plan of action to implement a logistics human resources strategy that will support delivery of the Logistics 2015 objectives. This logistics human resources strategy will reflect the specificities of the GLS in terms of its operational and management objectives, full self-sustainability and external customer business development objectives. The approach to managing the logistics human resources has taken into consideration the issues identified in the institutional business process improvement initiatives (BPITs). The strategy will identify and define new technical and managerial skills that are required as the organization moves towards 2015, as well as how best to recruit, retain and develop logistics personnel. Based on the defined competency framework, a structured training package and learning platform will be developed for international and national logisticians.

Project C: Sustainable funding

Objective: Develop the optimal and most automated financial management system for managing budgets, income and expenditures, invoices and reports relating to global logistics service operations and its provision to internal and external service requesters.

Achievements

During the reporting period, the project has analysed the organization's income and expenditure over the past ten years with a focus on spending related to logistics and supply chain activities at global, regional and country level. The project has also developed an overview of income and expenditure relating to annual, emergency and bilateral activities. This research data will increase understanding of how the IFRC's overall volumes and trends can create better logistics cost-recovery mechanisms, which is particularly important given the non-profit nature of GLS activities.

The outcome of the project will be an optimized financial system that will align all logistics services, including cost-recovery mechanisms, logistics budget management, invoicing and reporting for global logistics service operations, and services to internal and external customers. The goal is real-time access to financial information related to logistics services. This will enable managers to react more quickly, operate more efficiently, improve functionality and reduce risks by

fully integrating with existing systems. It will also result in a more robust audit trail and greater control over logistics financial transactions.

Project D: Legal status

Objective: Evaluate and recommend legal risk management and legal status issues relating to new or enhanced logistics services, to be delivered under Logistics 2015.

Achievements

During the reporting period, the project has conducted an initial scoping of relevant legal issues and a thorough review of interlinkages between the six project components of Logistics 2015. Issues such as the scope and scale of future logistics services, prospective countries for logistics activities, engagement with third parties, among others, have been looked into and clarified. Based on this input, two sub-components of the project have been shaped, namely:

1. Internal legal review project
2. Legal status project

Based on the internal review project, the outcomes will be a mapping of existing services and related documentation, an analysis of gaps, and the revision or creation of new risk management tools. As outlined by the legal status project, the outcomes will be the study of the IFRC legal status needs, an IFRC legal status strengthening strategy, information-gathering on legal status, as well as implementation tasks depending on the findings of the initial studies. The process of hiring two specialized consultants for the legal sub-projects has been completed.

Project E: Operational information systems

Objective: Develop information systems to manage the delivery and measure the impact of logistics services in support of Logistics 2015. Assess current capacities and then design, plan and implement logistics systems that fill the identified gaps.

Achievements

In support of the aims of Logistics 2015, a thorough review of the existing IFRC supply chain management systems was undertaken during the period May–August 2011. This assessment examined in detail the various supply chain operational functions, including procurement, transport, warehousing and mobilization, taking into account the business functionality, ease of use and the technical efficiency of the current applications in use.

The review highlighted that several applications are becoming obsolete in terms of IT maturity and that there are various data interchanges that are working sub-optimally. Additionally, in order to further optimize the global supply chain function there is clear evidence that by incorporating end-to-end architecture in the future, the supply chain management system would improve demand planning, operational response times, reporting and supply chain agility. The future design of the IFRC's supply chain management system will seek to leverage commercial and technological best practice and provide improved systems functionality at field level.

Project F: Infrastructure, assets and resources

Objective: Define and establish the required infrastructure – including locations, organization and assets in five zones – to provide adequate logistics services to internal and external partners.

Achievements

During the first half of 2011, the initial project team was appointed. The team examined the options and recommendations for stocking and assets across the five regional zones. The final solution was agreed upon and then specified in a full project delivery plan. A forecast of the services and items that the global logistics service will be required to supply to IFRC and National Society operations in an average year has been calculated for each zone using research-based modelling. This was checked and adjusted with technical experts and management teams in Geneva and each zone office.

Detailed infrastructure and resources have been specified and the optimum model for delivery has been designed. Two-year work plans for each location have been finalized and roll-out priorities have been defined. By July 2011, roll-out will have commenced in two locations. Following the implementation of the four-year long-term forecasting by the PMER (planning, monitoring,

evaluation and reporting) department, four-year forecasts for each zone and supporting logistics units have been finalized. These are based on the average year plan and an incremental roll-out in each location. These plans are currently being implemented in six-month phases with a supporting reporting and monitoring framework to allow pro-active adjustments to be made.

Ongoing activities

Combined with development projects, the global logistics service supported the delivery of Logistics 2015 strategic objectives through ongoing work and regular logistics support to operations. During the first half of 2011, the following were accomplished:

- The global logistics network continued to provide capacity-building support to National Societies through basic and tailor-made logistics workshops and individual staff mentoring. Development of regional capacity was enhanced with a total of six workshops targeting 121 participants, including Regional Disaster Response Team, Emergency Response Unit, general logistics and warehousing, as well as tailor-made workshops designed to address National Societies' specific needs.
- The emergency items catalogue 2011 project implemented information updates and improved the online features of this important tool. New cold chain items, household kits and various shelter kits were introduced and published online. Quality control documents were designed for four major items: blankets, plastic sheeting, kitchen sets and family tents. A project plan for improving quality control was developed with the aim of reinforcing quality assurance systems with appropriate quality control procedures.
- The GLS established global framework agreements for mosquito nets, inter-agency health kits and cholera kits and regional framework agreements for sea freight, hygiene kits, lightweight blankets, buckets, vehicle pre-delivery inspection services, conversion of cars and tyres allowing to accelerate the service delivery and meet the global and regional demand of supplies.
- Several National Societies have significantly increased the volume of stock that they hold in regional logistics units as a result of their increased ability to respond quickly to disasters by using global logistics services.
- The global logistics service continued to provide logistics services to the Red Cross Red Crescent network and to external humanitarian agencies. A special project funded by ECHO, through the German Red Cross, was undertaken by the GLS to supply and deliver 2,000 shelter solutions to Haiti. In addition, a long-term service agreement was signed with Merlin to use the IFRC's logistics services. Similar interest in longer-term cooperation was expressed by UNICEF and Oxfam; agreements are being developed to formalize these relationships.

Constraints or challenges

The constraints and challenges encountered during the reporting period are summarized below.

- The timely recruitment of logistics staff with the experience and skills required has been a challenge. It has meant that some key posts have remained vacant for a long period of time. The situation has been monitored and regularly followed up by the Logistics 2015 project sponsor, the head of the Global Logistics Service, and interim arrangements have been put in place to ensure business continuity, but some gaps still remain in the structure. The Logistics human resources project under Logistics 2015 is expected to address this issue.
- Logistics 2015 still needs to be widely promoted among key stakeholders to achieve a better understanding of how logistics will be developing and delivering global services in the future, for the benefit of all service users. This includes a better understanding of logistics cost-recovery mechanisms, how they apply and the benefits of this non-profit scheme. The promotion of the strategy should be underpinned by a directive on compliance when using the logistics services during all secretariat-led operations. This will allow the service costs to be assessed and adjusted, and will further expose services to National Societies, much in the same way that the vehicle rental programme was established.

- Differing organizational priorities and limited (vs. planned) support from the secretariat's departments has slowed the implementation of some project activities, requiring adjustments to be made in some project plans.
- Whilst the objective is to provide services as close to cost-neutral as possible, it may take some time for GLS to generate the volumes required. This has two implications. Firstly, the initiative must be given time to succeed and should be seen as a three- to five-year project. The development will, of course, be tracked, but its success should only be judged over the long-term. Secondly, the GLS should have access to funds that underwrite the operation in case demand suffers troughs of low volume.

Working in partnership

- Internally within the Movement, partnership development and coordination is realized through the inclusion of National Societies in Logistics 2015 projects wherever possible. This is achieved through (i) the use of National Society experts in the project planning and implementation, and (ii) by connecting National Society assets and resources to extend the global network.
- Externally, a mechanism has been put in place to ensure that relevant humanitarian agencies have access to use pre-determined logistics services through a GLS-operated Humanitarian Procurement Centre.
- Following the decision made in December 2010 by the Consultative Group on the use of Military and Civil Defence Assets (MCDA), a dedicated working group focusing on the specifics of logistics MCDA was formed under a joint chair of the IFRC and the World Food Programme (WFP). The objective of this logistics working group is to convene logistics specialists and planners within militaries, states, humanitarian actors and multilateral entities who can together determine how best logistics MCDA assets should be configured, deployed and coordinated – based on a common understanding that the use of logistics MCDA should be needs driven and used as an enabling capability for the humanitarian community. The working group focuses only on internationally deployed logistics MCDA and, specifically, for large-scale natural disasters. This recognizes the primacy of the Oslo Guidelines. Two meetings of the working group were convened in the first half of the year with the third session planned for end October 2011.
- The GLS is in final discussion with Airbus through the IFRC's resource mobilization department. It is hoped that the discussions may conclude in a mutually beneficial partnership between the IFRC and Airbus, with the IFRC utilizing free freights offered by Airbus for transporting humanitarian aid and both parties exploring the potential for knowledge- and experience-sharing initiatives.
- In partnership with Contribute research group within the Norwegian Business School, a project was undertaken to establish annual global demand and response for disaster relief goods and logistics services in international humanitarian assistance. Based on a selection of 63 disasters that occurred between 2005 and 2010, more than 30,000 data inputs were collected, registered and modelled in accordance with scientific requirements. The resulting annual index gives an average estimate of the global demand for items and services required in international humanitarian response. It also provides the corresponding response provided by donors, humanitarian organizations, military forces and commercial actors, as well as gaps between demand and response. The index can be used for forecasting and it provides a basis for decision-making on support tools to be used by major stakeholders in disaster preparedness and response. Using the tool, it is possible to deploy the appropriate quantities and types of pre-positioned goods to meet the immediate needs in the aftermath of a disaster, while also allowing time for needs assessment to be carried out and a local plan of action to be prepared.
- The assessment of logistics systems – as part of Logistics 2015 – was conducted in collaboration with supply chain experts in the commercial sector, who have extensive experience in supply chain optimization and an in-depth knowledge of the various applications and innovations currently being used in the commercial environment. In addition, the review looked at best practices and lessons learnt both from the humanitarian, military and commercial supply chain operators. As part of the review and analysis process, a project steering

committee was established with a group of interested National Societies, who were directly involved in the detailed analytical and future architectural definition. As the future supply chain management architecture becomes defined, business partnerships and collaborations will also be explored in terms of funding and specialist technical support.

Contributing to longer-term impact

- The secretariat is committed to complying with the Federation-wide performance and accountability framework to deliver its accountability principles, which include explicit standard-setting, open monitoring and reporting, transparent information-sharing, meaningful beneficiary participation, effective and efficient use of resources, and systems for learning and responding to concerns and complaints. These will all be used to improve programme quality, performance and learning. The IFRC will use various tools – such as systematic evaluation, peer review and objective lesson-learning exercises – to ensure the quality of secretariat services according to globally accepted disaster management standards and to assess the impact of those activities on the lives of disaster-affected populations.
- The global logistics network is producing logistics tools and systems and is continually developing its standards and performance indicators. This allows the IFRC to further professionalize its logistics capacity and skills and remain a leader in humanitarian logistics, promoting best practices with other actors.
- As part of our aim to continually improve the assistance we provide to people affected by disasters, the IFRC is working hard to mainstream cash-transfer instruments into its operations. Our focus is on making it easier for National Societies to provide cash grants or cash-for-work programmes where appropriate, alongside the more traditional provision of relief items. The Global Logistics Service has been working as part of a cross-functional team to design and implement the necessary processes and tools, with the GLS taking the lead on the design of cash-delivery management and mechanisms. To date, a full assessment of the main requirements and types of delivery mechanism has been carried out. Over the course of the next six months, the IFRC cash transfer process will be approved by stakeholders and a range of tools will be built and implemented. Initially, the focus will be on mechanisms that can be made available quickly using existing systems. The next step will be to develop tools that are more flexible, ensuring they are incorporated into the new supply chain systems that are currently being developed. The result will be a range of cash-transfer methodologies that make it as easy for programme managers to access and deploy cash to help people in need, just as they provide other relief items. The greatest improvement will come in the ability to use a sophisticated mix of both traditional relief and cash-transfer mechanisms to better meet people's needs.
- It is anticipated that further optimization of supply chain operational systems will lead to significant improvements in operational response, donor and management reporting. Optimized systems will enable more dynamic and reactive stock management and planning, which should result in cost savings.
- In an effort to minimize the environmental impact of its supply chain activities, the IFRC global fleet base developed the Clean Fleet Strategy 2011-2016. The strategy establishes the challenges, goals and activities that are needed to render the IFRC fleet more eco-friendly, thereby reducing the IFRC's carbon footprint.
- The GLS cooperates with academic institutions in logistics research and the development of case studies. Three case studies have been developed in partnership with INSEAD Business School. The first focuses on the IFRC's logistics response to the Yogyakarta earthquake in 2006, and the other two analyse the IFRC's fleet management practices. The Yogyakarta case study has been announced as the winner of the European Foundation for Management Development's (EDMD) annual awards in the supply chain management category.

Looking ahead

The GLS will continue to implement the strategic approach outlined in Logistics 2015. By developing its global logistics capacity, the IFRC will be in position to ensure that National Societies have access to professional and cost-effective logistics services to support their activities when needs exceed their own standing capacities. The cost of logistics services will be fully recovered through cost-recovery mechanisms from its users. In addition, Federation-wide logistics reporting will show targeted logistics capacity, actual capacity, the volume of operations, as well as the effectiveness and impact of activities.

A strong global logistics platform allows controlled interaction with external agencies. Services will continue to be offered to external agencies to ensure that more beneficiaries benefit from an efficient supply chain. In this way, the IFRC will be able to maintain its neutrality and fundamental principles, strengthening its ability to deliver humanitarian assistance without relying on others.

Finally, the GLS will help ensure that the IFRC can meet the overall objective of *Strategy 2020* – to **do more, do better and reach further**.

How we work

All IFRC assistance seeks to adhere to the [Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organizations \(NGOs\) in Disaster Relief](#) and is committed to the [Humanitarian Charter and Minimum Standards in Disaster Response \(Sphere\)](#) in delivering assistance to the most vulnerable.

The IFRC's vision is to:

Inspire, encourage, facilitate and promote at all times all forms of humanitarian activities by National Societies, with a view to preventing and alleviating human suffering, and thereby contributing to the maintenance and promotion of human dignity and peace in the world.

The IFRC's work is guided by *Strategy 2020* which puts forward three strategic aims:

1. Save lives, protect livelihoods, and strengthen recovery from disaster and crises
2. Enable healthy and safe living
3. Promote social inclusion and a culture of non-violence and peace

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