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Local Regional Procurement and move towards strategic & social sourcing

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Learning Objectives

At the end hope you can answer better the following questions:

- What are LRP and market based interventions and why do we use them?
- Why markets are so integral?
- What are strategic and social sourcing?
- What are some practical steps to enable these approaches?
- What are some special considerations for food sourcing?



**So what is LRP and why
do we do it?**



What is LRP?

- Alternative to foreign food aid.
- Source from the local market or regional market.
- Europeans championed it in early 2000s.
- WFP has become a main actor for food.
- LRP has morphed into market based interventions (MBI).
- Big shift in emergencies from food primarily to NFIs, cash and multipurpose grants.

What are market based interventions (MBIs)?

Market Based Programming

Market Indifferent

Market Integrated Relief

Objective: meeting basic needs (food security, etc.)

Activities:

- In kind distributions
- Local and regional food purchase
- Cash and vouchers
- Seed fairs

Indirect Support through Markets

Objective: meet basic needs through temporary interventions that restore markets.

Activities:

- Targeted support to market actors (grants, loans, transport subsidies, temporary storage)
- Support to supply

Market Strengthening and Development

Objective: economic recovery, improvement in incomes and livelihoods

Activities:

- Support to productive and sustainable agriculture
- Employment creation
- Financial services
- Supply and value chains
- Productive assets
- Enterprise development



Some positive outcomes of LRP and MBIs

- Ensure timeliness in emergencies/agile supply chain
- Usually cheaper—less transportation, warehousing and handling costs.
- Option of preferred foods
- Strengthen local economies and supply chains
- Increase local acceptance
- Support local farmers— source from surplus to provide to deficit areas.
- Government restrictions – GMO bans



Markets have many forms

- Macro: international, regional and national.
- Micro: Provincial/State, Capital, Border, and local.
- Chains from producers to consumers.
- Trading systems: structures, rules and players.
- Seasonal markets.
- Specialized markets: finance, telecoms construction.



Markets are where everyone...

- Gets their food, essential goods and services;
- Finds their paid work, jobs, and workers.
- Obtains opportunity to trade or sell commodities and services.
- Is exposed to new technologies and innovations.
- Can share ideas, opinions and messages.

Market have the power to magnify...

- Strengthening markets can improve everyone's lives and livelihoods through increasing availability and access.
- While harming markets can have serious negative impacts, particularly on the poor.
- Markets are affected by shocks, and responses to shocks also affect the market.
- Responding via local market can achieve greater local impacts and multiplier effects.
- Markets can help spread ideas, techniques and messages faster.



**What is the difference
between transactional
sourcing and strategic
sourcing?**



Transactional sourcing

Competitive sourcing using open tenders or requests for quotations/bids from pre-selected suppliers.

Traditional sourcing mechanisms

- Request for quotations (RFQs)
- Request for proposals (RFPs)
- Bid committees
- Sealed bids
- Purchase Orders (POs)
- Definite quantity contracts



Strategic sourcing

Through good analysis of needs and markets, directing sourcing to proven suppliers that offer best value for money, and negotiating favorable price and terms.





Additional sourcing options

- Sole sourcing
- Tactical sourcing
- Internet pricing
- Market assessments: macro, micro, specialized, and rapid.
- Open contracts: Indefinite quantity contracts/framework agreements
- Market based interventions (MBIs):
 - Directed market use—vouchers, seed fairs
 - Open market use--cash transfers & multipurpose grants.
 - Electronic delivery--Prepaid bank cards, e-money, mobile money, e-vouchers etc



What is social sourcing?



Social sourcing

Sourcing locally from smaller suppliers with a purposeful developmental and/or acceptance objective.

What are some of the multiplier effects of social sourcing?



MORE LOCAL INVESTMENT



Group work:

Divide into 4 groups looking at:

- 1) transactional sourcing;
- 2) strategic sourcing;
- 3) social sourcing; and
- 4) market based interventions.

Each group should look at 5 pros/ benefits and 5 cons/ challenges when implementing their type of sourcing method.

Duration 20-30 minutes



**How can we move more
towards strategic and social
sourcing?**



Maximize use of market

- Know the market like private sector actors.
- Identify the best suppliers and develop strategic relationships with them.
- Yet remain agile to market changes and open to new partnerships if better options.
- Strategic relationships with suppliers not only about obtaining favorable terms but also about enabling innovation and value added collaborations.



Supplier diversity

- Distributors (1st hands)
- Wholesalers (2nd hands)
- Retailers (2nd & 3rd hands)
- Shell retailers (no stocks)
- Informal vendors (no docs)



Develop practical SCM plan

- Based on good needs and market awareness.
- Link needs to markets and which suppliers per market.
- See if any market based options or social sourcing possible, or mix.
- Consider full range of delivery mechanism per type of interventions
- Determine how many options needed to avoid assistance ruptures (A,B,C)

Go /No Go criteria for suppliers

- Goods meet national, other quality and hygiene standards
- Market share (small/ medium; i.e. intentionally targeting small vendors)
- Willingness to participate and deliver goods to approved points
- Sufficient supply chain to increase stocks to meet new demand

Additional eligibility criteria may include

- Vendor has a trading license (where applicable)
- Vendor has bank account (where applicable)
- Vendor is literate (or has literate helper) to record data
- Inclusion of men and women
- No “unwanted” links to particular groups (terrorist clause)

Other SCM factors to consider

The SCM plan should also consider other key operational issues affecting the flow of supplies such as:

- security
- access
- personnel
- transport
- storage
- handling
- distribution
- recording
- payment

Regular market monitoring

- Good market analysis requires regular market monitoring of prices, competition, and supply and demand trends.
- Need to know market trends well to determine which options are possible and for how long.

MARKET MONITORING FORM

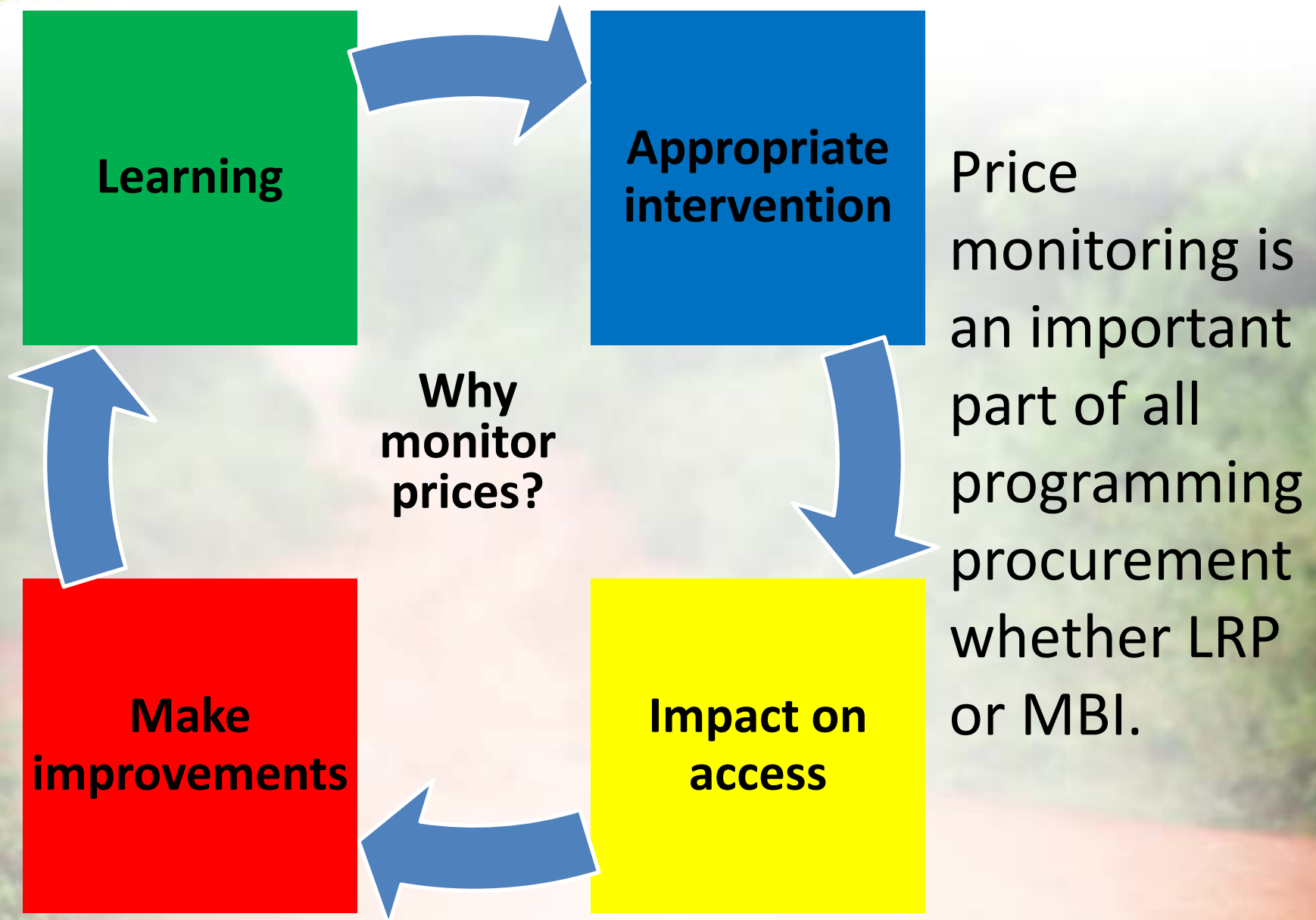
Name of Enumerator _____
Date of survey _____

Instructions for Enumerator : For each product in the table below, please give the selling price from three different vendors. The prices should be for the same "reference" item (brand, unit of measurement). Indicate the prices in Syrian Pounds (SYP).

Item	Unit (& brand)	Price 1	Price 2	Price 3	Comments
Rice	KG				
Bread	Bag of 10 pieces				
Olive oil	liter				
Tomato paste	xx ml can, specify brand				
Zataar	100 grams				
Jam	xx ml jar, specify brand				
Labneh	xx grams				
White cheese	xx grams				
Onions	KG				

Beneficiary Monitoring VOUCHERS Vendor Monitoring Form Market Monitoring Form

- Have to have good market triggers to adjust engagement if needed.





**What else do we have to
consider if we want to
source food?**

Food safety

- Regular food aid all testing and certification is already done prior to receipt (for USG).
- With LRP and MBI also need to ensure food safety and quality control.
- Need to follow local standards use national capacity for testing be it government or private lab.
- Testing and sampling more complicated with more vendors with varying standards.
- Testing is not cheap and takes time so may slow down response.



Storage

- Lack of mechanical drying and handling equipment at local level may affect product uniformity.
- Lack of product uniformity such as varying moisture content may spoil other bags if stored together.
- Difficulties in assuring proper storage and variable climatic conditions.
- Stacking – size and shape of bags may not be uniform.
- Fumigation may be affected by variable packaging permeability.



Thank you