Special Operation (SO) 10522.0 "The Establishment of the United Nations Humanitarian Response Depot (UNHRD) Network"

B/R No.: 5   26 May 2009

BUDGET REVISION OF SO FOR THE APPROVAL OF THE DED & COO

	Initials	In Date	Out Date	Reason For Delay
ORIGINATOR				
UNHRD Coordinator	....	....	…………..	………….
CLEARANCE				
Programme Officer, OMXP	....	....	………….	…………
Chief, OMXP	....	....	…………….	…………..
Chief, OMLT	....	....	…………….	…………..
Director, OMX	....	....	…………….	…………..
Director, FLB	....	....	……………	…………..
Director, OML	....	....	……..……	..……..…..
APPROVAL				
☐ Deputy Executive Director & COO	....	....	……………	……………

PROJECT	Previous Budget	Revision	New Budget
Total WFP cost (US$)	US$ **30,568,997**	US$ 4,602,551	**US$ 35,171,548**

TYPE OF REVISION

☒ **Additional DSC**   ☒ **Additional ODOC**   ☒ **Extension in time**   ☐ **Change in project orientation**
☐ **Other**

NATURE OF REVISION:

Additional other direct operational costs (ODOC): US$2,356,000 (excluding ISC)
Additional direct costs (DSC): US$1,945,449 (excluding ISC
Additional indirect support costs (ISC): US$301,101

Extension-in-time: 12 Months – from 1 June 2009 until 31 May 2010

JUSTIFICATION FOR THE REVISION:

1. This revision's objective is threefold:
a) A twelve-month extension-in-time which will allow WFP to complete the activities linked to portal development, warehouse management bar coding, and systems integration, as well as b) and c) below;
b) An augmentation of the budget allocated to the Panama and Ghana Humanitarian Response Depot (HRD) construction; and
c) An additional budget for the running cost of the HRDs in Panama, Ghana, Dubai and Malaysia (currently operating out of Cambodia).

Background:

2. The decision to establish a network of United Nations Humanitarian Response Depots (UNHRD) was founded on the HRD Brindisi's success in responding to sudden-onset emergencies. The creation of the UNHRD network aims at avoiding duplication of efforts and establishing effective coordination by providing the following advantages:
   a) Coordination - by co-locating emergency relief items of various humanitarian organizations and by encouraging synergies through the consolidation of outgoing shipments.
   b) Timeliness - by being located strategically around the globe, the depots ensure that emergency relief items reach the emergency theatre within the first 24/48 hours.
   c) Cost Efficiency - the UNHRD ensures a cost-saving element by virtue of being in the vicinity of potential crisis areas.

3. This Special Operation (SO) 10522.0 "The Establishment of the United Nations Humanitarian Response Depot (UNHRD) Network" was launched in June 2006 and was specifically designed to support the expansion of the HRD into a network of storage facilities located in key strategic locations around the world. The main objectives of this network are to:
   - support WFP's ability to respond to four large-scale emergencies at any given time anywhere in the world; and
   - enhance the humanitarian community's emergency response efforts in line with WFP's role as the lead of the Logistics Cluster.
   The initial SO created the framework for the establishment of depots in Ghana and Dubai, as well as the integration into the network of existing structures in Panama and Cambodia, managed by the Latin America and Caribbean (LACERN) project and the Asia Regional Bureau (OMB) respectively.

   In the subsequent Budget Revision number 1 (BR 1), the strategic intent of the SO was revised to incorporate all the running and structural costs of the HRDs additional to Brindisi for the duration of the network set-up phase, i.e. until end-2008. While BR 2 was a simple cost realignment within the timeframe of the first revision, BR 3 undertook a major investment in the field of systems development in support of the UNHRD activities. Following a substantial increase of the number of users - from nine to twenty-seven in less than two years - and based on indications from other organizations regarding their willingness to join, BR 3 introduced a series of strategic enhancements to the systems utilized by UNHRD. This entailed the development of business systems and integration platforms to adequately support the new business process. This included the creation of a web-based portal for the users to access the UNHRD system, the development of dedicated customer service module, and the establishment of a bar coding system for stock management. BR 4 allowed the extension-in-time with no additional cost of the SO to ensure business continuity until the overall strategy was approved and this revision was proposed.

4. The main delays for the completion of the set-up phase of this SO are linked to the challenges encountered in the:
   - signature of the Memorandum Of Understanding with the Government of Malaysia – now expected to be signed second half of July 2009;
   - extended timeframe required for the completion of the web portal and systems development;
   - tendering process and repeated interruptions of the construction works in Ghana (volatile costs and lack of contractors' commitments, combined with further technical challenges and delays, have resulted in the suspension of works and excess of the budget ceiling); and
   - re-definition of the bid for the construction of the Panama premises, based on the experience acquired in Ghana.

5. This SO is planned to phase-out in May 2010 when the UNHRD set up will be completed and fully operational. It is expected that contributions from host governments, and in some instances donor governments, along with cost-recovery income generated by the HRDs will then sustain the running costs of the network.

6. It is important to acknowledge that, although the UNHRD project has not reached full completion, all the HRDs – with the exception of Subang being operated out of Phnom Pen – are fully operational and have continued to support WFP and other users' emergency response efforts.

7. In the last 16 months, UNHRD has responded to a total of 162 emergencies around the world, despatching over 1,800 mt of emergency relief items valued at US$13 million. Some 48 percent of the operations that UNHRD responded to were emergencies in Africa, and 58 percent of the despatches were carried out by air.

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<u>Components of this revision</u>:

8. **Extension-in-Time:** A twelve-month extension will facilitate:
   i) Completion of activities linked to portal development, warehouse management bar coding, and systems integration. The process of transferring the UNHRD products catalogue to the web portal, the creation of a customer service interface and enabling the Warehouse Management System functionality in all HRDs have been successfully finalized; however, the interface with WFP Information Network and Global System (WINGS) 2 and related software development still require additional time for completion and roll out. As these activities have already been budgeted, no additional resources are required for them in this BR.
   ii) Construction of the Panama and Ghana HRDs (see paragraph 9).
   iii) Running HRDs in Panama, Ghana, Dubai and Malaysia, currently operating from Cambodia (see paragraph 10).

9. **Panama and Ghana HRD construction costs:** Market analyses in preparation of the tender for Panama have resulted in a substantial increase compared with the initial budget. Such an increase can be explained both by the rise in construction costs in Panama, as well as by the partial redefinition of the bid for the premises based on the experience acquired in Ghana. In order to mitigate risks, WFP is reviewing and renegotiating the overall requirements for the completion of the warehouse and office infrastructure which will translate into an estimated additional cost of US$1.5 million. To complete the construction works currently ongoing in Ghana, an additional US$500,000 is urgently required.

10. **UNHRD running costs:** In order to finalise the set-up of all the HRDs and to ensure their self-sustainability financially as well as operationally, it is necessary to include staffing requirements and running costs of UNHRD until May 2010. Once the set-up phase will be completed, UNHRD yearly requirements will be transitioned to the UNHRD special account, which already provides a financial platform for the Brindisi HRD. It is expected that contributions from host/donor governments and cost-recovery income generated by the HRDs will then sustain the running costs of the entire network.

In light of the above, this budget revision for additional costs and extension-in-time of the project until 31 May 2010 at a total cost of US$ 4,602,551 is recommended for approval by the Deputy Executive Director and Chief Operations Officer.

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