

Country¹ & Project No.: Sri Lanka 105390
“Augmentation of Logistics Preparedness Capacity”
B/R No.: 906

➤ BUDGET REVISION FOR SOs FOR THE APPROVAL OF THE DED & COO

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office or Regional Bureau on behalf of Country Office
<u>CLEARANCE</u>				
Regional Director,
Project Budget & Programming Officer, RMBP
Chief, RMBP
Chief, ODLT
Director, ODL
Director and Deputy CFO, RMB
Director, ODI (<i>ICT operations only</i>)
<u>APPROVAL</u>				
Deputy Executive Director and COO, OD

PROJECT	Previous Budget	Revision	New Budget
ODOC	US\$ 5,094,021	US\$608,860	US\$5,702,881
DSC	US\$3,356,740	US\$113,190	US\$3,469,930
ISC	US\$ 591,553	US\$ 50,544	US\$ 642,097
Total WFP cost (US\$)	US\$9,042,314	US\$772,594	US\$9,814,908

TYPE OF REVISION

Additional DSC Additional ODOC Extension in time Other

NATURE OF REVISION:

The Budget Revision for Special Operation 105390 “Augmentation of Logistics Preparedness Capacity” is designed to enable an extension in time from 1 January to 31 December 2011 for a total budget increase of US\$772,594. Since the initial approval of this Special Operation in 2006, there have been five budget revisions and extensions, approved by ODB, HQ and the supporting donors. The Sri Lanka Country Office has held discussions with donors and agreed the deadlines for unspent funds, already made available, can be extended – to be used to fund this extension into 2011. This sixth budget revision would include a gradual downsizing and closure of activities and operations during the year, with closure at end of 2011.

BACKGROUND:

Special Operation (SO) 105390 was launched in 2006 to address operational logistics gaps in the post tsunami recovery period and the conflict situation in Sri Lanka. WFP augmented its existing logistics capacity and structure, due to the deterioration of security conditions and the increased need to support the humanitarian community with logistics

¹ If a regional project, please specify the countries concerned

services. The support included collaboration with the Government of Sri Lanka (GoSL) in establishing logistics hubs in Colombo, Vavuniya, Jaffna, and Tricomalee. The hubs allowed WFP to pre-position food and non-food items (NFI) in strategic locations and to use UN marked trucks in security restricted areas of the island, where population are most vulnerable.

A fleet of 32 trucks, with 10-20 metric tonnes (mt) capacity, were purchased by WFP as part of this SO, and have been an essential asset to WFP's operations in Sri Lanka. From 2008 until May 2009 when the peace agreement came into effect, WFP's trucking service was the only lifeline for those communities in the north and east, which are considered to be the worst affected areas by the conflict. From January to September 2010, some 20,940 mt of food and NFIs were transported by WFP's fleet of trucks as primary and secondary transport.

In addition to the truck operations, the WFP logistics hubs provided storage and transport augmentation at no cost to the Humanitarian Community. In the logistics hubs in Jaffna, Colombo, and Vavuniya, over 18,600 mt of storage capacity was created, for use by the Humanitarian Community. Sixteen UN agencies and NGOs made regular use of common logistics services including: the provision and management of common humanitarian logistics assets, working parameters at field level with security and government authorities, and lead-agency facilitation of humanitarian aid passage through field level security check points.

JUSTIFICATION OF THE REVISION:

The 26 year internal conflict heavily damaged the infrastructure in northern and eastern regions of the country. While the security situation is gradually improving, the threat of landmines and unexploded ordnances in the north of the country continue to restrict the movement of cargo.

Currently, there is insufficient commercial capacity available regarding transport and warehousing in the North of the country; moreover, many warehouses and storage facilities were damaged during the conflict and have not been repaired. It is still urgently required that WFP continues to offer Logistics Common services for the Humanitarian Community in order to ensure unimpeded delivery of life-saving relief items.

There continues to be marginal improvements related to access for commercial service providers and it is expected that private investment and larger transport companies will return to the north. There are already some small (1-2 trucks) companies and a cooperative established in the area. Commercial transport contracts are being concluded for 2011 and it is expected that there will be sufficient transport service providers at the end of 2011 to cater for the needs of WFP and the Humanitarian Community in general. However, in the transition period until the commercial service providers have reached the necessary capacity, the need for the WFP fleet and storage facilities still exists. This BR will cater for the transition period and will ensure the uninterrupted supply of humanitarian cargo, while the commercial service providers' capacities are being rebuilt.

The fleet has provided transport services to 27 UN agencies and NGO users. Delivery is made into the security affected northern areas, primarily to Kilinochchi, Jaffna, Mullaitivu, and Vavuniya areas and the Manik Farm Internally Displaced Persons camp. The trucks are based at and operated out of the WFP Vavuniya Hub. Under the transport and warehouse provision, WFP established and maintains storage facilities under the Special Operation in three locations Colombo, Jaffna, and Vavuniya for use by the Humanitarian Community:

- Thakkawatta/Vavuniya Logistics Cluster warehouse – 6,500 mt capacity
- Irrataperiyakulam/Vavuniya Logistics Cluster warehouse – 3,000 mt capacity
- Vavuniya Logistics Hub site – 2,600 mt capacity – Government owned
- Colombo Logistics Hub – 57,200 sqft size
- Kopay/Jaffna Logistics Hub – 4,500mt capacity

All sites are staffed by WFP, who also provides security services and warehouse labour. In addition, some forty "Twenty Foot Equivalent Units (TEUs)" were positioned in north Sri Lanka to provide additional storage facilities in the FDPs. The common storage capacity is designed to handle humanitarian relief items from approximately 25 aid agencies. Given the gradual phase out of the Special Operation, it is planned to close warehouses in two phases – by end of the first quarter 2011, to close Thakkawatta/Vavuniya warehouse. By the end of the 3rd quarter, Irrataperiyakulam/Vavuniya facilities will be closed and finally by the end of 2011, the remaining three sites are to be closed in Jaffna, Colombo, and Vavuniya.

As part of the phase out strategy WFP will be offering the logistics services on a full-cost recovery basis from 2011 and gradually reduce staff and initiate the disposal of the WFP truck fleet (30 vehicles).

A strong need exists for private and governmental capacity building, which are in support of the PRRO activities. These include pre-and post-harvest training, storage management training, and local transport market capacity building. As all

projects planned for in 2010 were not completed, an extension in time for the Special Operation is needed in order to continue to support the PRRO. This Budget Revision will allow WFP to support the GoSL in their attempt to expand the agricultural capabilities in the area of storage and transport. Donors have approved a pre- and post-harvest training plan as part of the Special Operation. These activities are to be transferred to the PRRO in the coming year.

- procurement of equipment and materials, such as 155 containers, weight scales, tarpaulin and pallets
- temporary storage facilities, for seeds, tools and fertilizers, to government managed sites in 4 districts in northern Sri Lanka
- purchase of small community storage facilities, equipment for food processing, and capacity training
- capacity building for milling operations for wheat grain.

For the duration of this budget revision, the Special Operation will have the following overall objectives:

- To ensure the operational continuity of the Humanitarian Community through the provision of transport and storage common services in order to access the vulnerable population in the north of the country.
- To support the Government of Sri Lanka in the augmentation of their local logistics capacity, in order to improve the general food security in the country. This will include training for pre- and post- harvesting techniques.
- To ultimately complete the handover of services to the government as outlined in the exit strategy and to phase out the SO.

EXIT STRATEGY

An exit strategy has been developed, whereby the transport and warehousing services will gradually be downsized during early 2011, and most of the Fleet disposed of by sale. The funds will be used by the Special Operation, to pay for staff costs, storage facility rent & maintenance, and operational costs of a much-reduced Fleet of trucks. By end-2011, the remaining 7 trucks are to be sold by tender. Storage facilities are not to be sold, but to be retained by WFP for future operations, or handed-over to the GoSL.

The WFP-owned NFIs procured for this SO will be, by end-2011, disposed of through hand over to the GoSL or to be integrated into other WFP operations in Sri Lanka. The WFP offices in Ampare and Trincomalee are to be closed by end-2011.

In light of the above, this budget revision for extension in time until 31 December 2011 with a budget increase of US\$772,594, is recommended for approval by the Deputy Executive Director and COO.

DISTRIBUTION:

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Chief, ODLT	Director, ODX	Director and Dep. CFO, RMB
Chief, RMBP, ODXP, ODXR	Regional Director	Director, ERD
Country Director	Bgt/Programming Officer, RMBP	RB Programme Advisor
OD Registry	Programming Assistant, RMBP	RB Programme Assistant
Liaison Officer, OD @	<i>Director, ODI (ICT operations <u>only</u>)</i>	