



**WFP Somalia**  
**SPECIAL OPERATION SO 10681.0**

Country:	Somalia
Type of project:	Special Operation 10681.0
Title:	Humanitarian Air Service in support of Relief Operations in Somalia
Total cost (US\$):	<b>US\$ 23,204,824.00 (including cost-recovery funds)</b>
Funding requirement	<b>US\$ 10,388,824</b>
Duration:	2 years – 1 <sup>st</sup> August 2007 – 31 July 2009

## **1. Project background**

- 1.1 Somalia is a least developed, low-income, food-deficit country. The situation in the south is aggravated by civil strife, insecurity and drought, while areas along the Juba River suffer from floods.
- 1.2 The country has been without an effective central government since President Siad Barre was overthrown in 1991. Years of fighting between rival warlords and an inability to deal with famine and disease have led to the deaths of up to one million.
- 1.3 The unstable political situation in Somalia has resulted in a high level of insecurity, which continues to make the availability of a humanitarian air service crucial to:
  1. Support relief programs and deliver humanitarian assistance in Somalia
  2. Ensure aircraft capacity remains continuously available in Somalia and in Kenya for medical and security evacuations.
- 1.4 In 1996, UNCAS (United Nations Common Services for Somalia), a common air service was established by three UN Agencies, namely UNDP, UNICEF and WFP, and later joined by UNHCR. UNCAS has been managed jointly by the said agencies with WFP being in charge of the chartering and operational arrangements. A Board of Directors has since then exercised the overall management.
- 1.5 From the start, UNCAS has functioned on a full-cost recovery basis with users and notably the founding agencies covering the totality of the cost under

established sharing modalities. Rates established on a seat-per-mile basis established in 1999 have remained equal with founding agencies either covering deficits or carrying forward surpluses at end of each year.

- 1.6 In 2005 and 2006, UNCAS transported an average of 864 passengers and 9 metric tons of urgently needed cargo per month.
- 1.7 Currently, UNCAS is carrying a monthly average of 1,000 Passengers and 14 metric tons of cargo by operating four aircrafts (2 Beechcraft 200, 1 Dash 8 and 1 Caravan). This fleet is operating from Hargeisa (1 Beech 200), Wajid (Caravan), and Nairobi (Dash8 and Beech 200) to 16 destinations (UNCAS Flight Plan in Annex) with an average aircraft utilization of 39% due to program needs from the client agencies to operate in remote areas with few staff and cargo.
- 1.8 The necessity to operate regular services to remote locations, with inherent low load factors to ensure continuity of the delivery of humanitarian assistance, has always made the service highly expensive in spite of continuous operational adjustments with the aim of optimizing the cost-efficiency ratio.
- 1.9 The recent events in Somalia, including the resurgence of hostilities, destruction of aircraft and piracy on the high seas, further compounded by increasing aviation costs and unfavorable exchange rates, have highlighted the restrictions of the existing cost-sharing mechanism. WFP has estimated that a 35% increase of already prohibitive ticket prices would be immediately needed to ensure financial sustainability of the operation. Such an increase would prevent access to the service by most of the users thus putting UNCAS at risk of financial collapse, due to the resulting and continuously deteriorating load factors. To cater for this situation, the United Nations Central Emergency Response Fund (CERF) and Australian funds have recently been allocated to UNCAS to subsidize transport rates and ensure continued access to the service by all agencies.
- 1.10 The purpose of this Special Operation is to allow WFP to accept contributions from donors to cover the expected shortage of funding to pursue the much needed operations during the next two years at a similar level and at a limited cost for the users, at no more than US\$ 600 per ticket. Contributions are also sought to support the conversion of UNCAS into a standard WFP/UNHAS – Humanitarian Air Service in line with ICAO and the internal WFP auditors’ recommendations.

## **2. Project Justification**

- 2.1 The cost of providing air transport services to and within Somalia has increased drastically during recent months due to several concurrent factors, notably:
- The general insecurity and a succession of attacks against aircraft, most notably the recent destruction of two Ilyushin 76 aircraft in Mogadishu, have caused a dramatic increase in insurance costs for the coverage against war risk. Many insurance brokers have even refused to cover the risk.
  - High incentives have to be paid by aircraft operators to their pilots for them to accept to fly under the prevailing dangerous conditions. Incentives come on top of inflated salaries due to a dire global shortage of experienced pilots, caused by the intensive hiring by more attractive airlines.
  - Requirements for additional safety equipment to be installed on board aircraft, like collision avoidance and enhanced ground proximity warning systems, have been set by ICAO, thereby further increasing the aircraft lease rates. WFP is also requesting that all aircraft are equipped with a GPS tracking system for added security and closer monitoring of flight hours.
  - Fuel costs have continued to increase during the recent months. This is further compounded by the piracy acts affecting the ships calling in Somali ports, which has resulted in a substantial increase of cost of delivery of aircraft fuel in drums to several locations in Somalia as required by the operation.
  - WFP must reinforce the management structure of UNHAS by recruiting qualified aviation professionals as recommended by several audit or quality control missions. This will ensure that air safety and security levels progress and remain at the highest level.
  - Development and installation of a Flight Management Application needs to be completed to ensure optimization of the aircraft tasking, quality of service, accountability and reporting.
- 2.2 The full-cost recovery and cost-sharing mechanisms established at the start of UNCAS reached their limits when the cost of tickets became prohibitive for most users. A CERF grant and a substantial Australian donation have recently allowed the continuation of travel of humanitarian personnel by subsidizing the price of tickets. It is anticipated that donor interest will continue allowing for the Special Operation to establish a double source of funding – on one part continuing the cost-recovery system in place, without the increase of ticket prices, and on the other part accepting donor contributions to cover the difference between actual costs and the revenue from ticket sales as defined above.

2.3 The attached table indicates, for the main destinations, the amount required by UNHAS to continue operating while limiting the actual cost to users to no more than US\$ 600 per ticket.

### **3. Objectives**

3.1 The objectives of this Special Operation are:

- Provision of vital humanitarian air services, including medical and security evacuations, to and within Somalia to the humanitarian community;

3.2 To comply with ICAO recommendations regarding the management structure and business process of WFP Air Transport Services by converting UNCAS into a standard WFP/UNHAS operation to further enhance the safety and security levels.

### **4. Project Implementation**

4.1 WFP shall set-up the UNHAS management structure as of 1 August 2007 with the creation of an internationally-recruited Chief Air Transport Officer position to take overall responsibility for the operation.

4.2 Existing UNCAS staff, already holding WFP contracts, will be transferred to UNHAS.

4.3 Ongoing aircraft charter agreements shall remain valid unless changes in fleet composition are deemed necessary.

4.4 UNHAS-Somalia will contribute to the funding of a Regional Air Transport Officer position, which is being established in Nairobi. The Regional Air Transport Officer will, among other tasks, identify possible synergies between regional operations to optimize efficiency as well as perform quality control missions.

4.5 UNCAS accounts up to 31 July 2007 will be reconciled; UNCAS partners will cover a deficit if any while any surpluses will be transferred to UNHAS-Somalia.

4.6 Existing UNCAS physical assets will be evaluated and transferred to UNHAS-Somalia after settlement of respective due monies to UNCAS partners.

4.7 A User Group will be established and meet periodically to define requirements and priorities in terms of air transport, and monitor the quality

of service in order to provide guidance to the Chief Air Transport Officer.

- 4.8 UNHAS-Somalia accounts will be managed as per existing WFP procedures and all accounts recorded in WFP's corporate systems.
- 4.9 The Flight Management Application, which is under the final stages of development, will be made fully operational during the last quarter of 2007. Flight planning, aircraft tasking, evaluation of travel costs, invoicing and reporting are among the tasks already performed through the Flight Management Application.
- 4.10 The FMA already allows the monitoring of operational costs on a monthly basis, thus facilitating the fast identification of the required fleet or network adjustments and for the purpose of this SO, the respective shares of expenditures between users and voluntary contributions.
- 4.11 The Country Director will be Funds Manager for the SO and the Finance Officer will be the Allotment Administrator for the SO. The Aviation Unit will provide operational and administrative support and will be responsible for oversight of the operational activities.

## **5. Project Cost & Benefits**

- 5.1 The total project cost for this Special Operation is estimated at US\$ 23,204,824.00 - as detailed in the budget.
- 5.2 The transition from UNCAS to UNHAS will also address the method of ticket costing by pursuing the cost-recovery system, where the ticket price is based on project costs and operational factors such as distance and average aircraft utilization.
- 5.3 The Air Services in Somalia are expected to generate about US\$534,000 per month as revenue of ticket sales, covering 55%, or \$12,816,000 of the funding requirements. The balance of 45%, or \$10,388,824, is envisaged to be funded through donor contributions.

## **6. Monitoring and Evaluation**

- 6.1 Key performance indicators will be reported at the end of the project and will include the following:
  - The number of passengers actually transported against the requested (or

planned) number.

- The number of metric tons (food or non-food items) transported against the requested (or planned) quantities.
- The average cost per passenger and metric tons transported against the planned cost.
- The utilization of available aircraft capacity.
- The number of UN agencies and other humanitarian organizations utilizing the service.
- The number of prioritization meetings with stakeholders.
- The number of incidents.
- The number of medical and security evacuations performed with an indication on quality and timeliness of response.
- Implementation issues and solutions.

6.2 The Chief Air Transport Officer will provide operational reports to the Aviation Unit and the Funds Manager.

## **7. RECOMMENDATION**

This Special Operation, covering the period from 01st August 2007 to 31st July 2009 at a total cost to WFP of US\$ 23,204,824, is recommended for approval by the Executive Director with the budget provided.

### **APPROVAL**

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Josette Sheeran  
Executive Director

## LIST OF ACRONYMS

CERF	The United Nations Central Emergency Response Fund
FMA	The Flight Management Application
GPS	Global Positioning System
ICAO	The International Civil Aviation Organization
SO	Special Operation
UNCAS	The United Nations Common Air Services for Somalia
UNDP	The United Nations Development Programme
UNICEF	The United Nations Children's Fund
UNHCR	The United Nations High Commissioner for Refugees
UNHAS	The United Nations Humanitarian Air Services
WFP	The World Food Programme

<b>Project Type:</b>	SO
<b>Recipient Countries:</b>	SOMALIA
<b>Project Number:</b>	10681.0
<b>Duration (months):</b>	24.0
<b>Start Date:</b>	01-Aug-2007
<b>End Date:</b>	31-Jul-2009

*Total US\$*

<b>DIRECT OPERATIONAL COSTS (DOC)</b>	\$ 20,089,760
<b>DIRECT SUPPORT COSTS (DSC)</b>	\$ 1,596,991
<b>TOTAL WFP DIRECT COSTS</b>	\$ 21,686,751
<b>INDIRECT SUPPORT COSTS (ISC) 7%</b>	\$ 1,518,073
<b>TOTAL WFP COSTS</b>	\$ 23,204,824

1/ This format should also be used for Project Budget Plan Revisions.

2/ Please adapt your planning according to the Project Document (duration of the project).

3/ This worksheet includes total amounts for all years.

4/ The ISC is indicated here to provide a picture of the overall WFP costs even though they are not Project Costs per se.

The ISC rate may be amended by the Executive Board during the Project's life.



## I. Plan Overview

Explain the project budget plan within the context of the country and regional situations in general and in relation to the budgets of other WFP projects in the country and region.

Joint United Nations Common Air Services (UNCAS) was established by WFP, UNDP, UNICEF and UNHCR in 1996 with intension of implementing common air services for Somalia. UNCAS transactions have been recorded in excel, and have never been incorporated in WFP books or any other corporate accounting packages of other partner agencies. The purpose of this Special Operation is to comply with ICAO recommendations regarding the management of WFP Air Transport Services by converting UNCAS into a standard WFP/UNHAS operation to further enhance the safety and security levels.

## II. Direct Operational Costs

1. Explain commodity requirements in terms of rations multiplied by the number of beneficiaries multiplied by project duration.

N/A

2. Make a table (example below) to present gross and net commodity requirements if relevant to demonstrate where you have any resource balance of commodities.

<u>Commodity</u>	<u>Gross Requirements in mt</u>	<u>Resource Balance in mt</u>	<u>Net Requirements in mt</u>
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N/A

3. List gross and net funding requirements if relevant for any cost categories within DOC where you have any resource balance of funds.

N/A

4. State where you planned your budget using standard costs. If you used other costs, state where and explain the reasons and the origin of the planned costs.

5. Explain any government contribution and/or IP cost sharing and how and where the budget totals were thus decreased within DOC.

N/A

6. Justify specific quantities and costs as required, particularly the number and cost of staff, vehicles and computer equipment. Where appropriate, justify costs by explaining expected output. State total number of vehicles currently in CO resourced as ODOC.

**Aircraft operational components were budgeted under \*Contracted services\* line. Please see attached spreadsheet for further details.**

7. Travel expenditures should be clearly explained and justified: the number, purpose and destinations of all missions should be detailed.

N/A

8. Highlight areas of DOC where you have kept costs low by planning to use resources already on hand in the country or region.

**Air Operation shares cost of rental, utilities and office supplies with WFP Somalia Office, the budgeting is done on pro-rated basis.**

9. If your ODOC are not equally distributed over the life of the project (for example, if your worksheets show that you require your NFIs or funds all at once at the beginning of the project), explain why.

**The costs budgeted are proportionally distributed between 2007/2008/2009**

10. Explain if you are expecting any income from cost recovery (such air passenger services within a SO).

**The operation is expected to be partly funded by donors, and, at the same time it will apply cost recovery mechanism.**

**Fixed transport rates will be applied for regular routes. Donor contributions subsidize the rates and ensure continued access to the service by all agencies. The transport rates will be revised regularly**

**Full cost recovery will be applicable for special flights**

### III. Direct Support Costs

1. List gross and net funding requirements if relevant in DSC where you have any resource balance of funds.

**N/A**

2. Explain any cost sharing or Trust Funds Projects (like JPO posts) that lowered budget totals for DSC.

**N/A**

3. Justify specific quantities and costs as required, particularly the number and cost of staff, vehicles and computer equipment.

Where appropriate, justify costs by explaining expected output. State total number of vehicles currently at CO resourced as DSC.

**Standard staff rates have been used for budgeting for international staff component: current rates for year 2007; increased rates for years 2008-2009**

4. Explain the need for any security related costs.

**N/A**

5. Travel expenditures should be clearly explained and justified: the number, purpose, destinations and costs of all missions

should be detailed (how much money has been planned for how many rep-led missions, for what purpose, etc.)

**Travel expenditures have been budgeted in order to allow the AIROPS staff to conduct any operational surveys in the interest of flight safety from time to time and attend User group meetings as required.**

6. Highlight areas of DSC where you have kept costs low by planning to use resources already on hand in the country or region.

7. Explain project activities related to advocacy and their estimated costs.

**Among others, the Air Transport service (HAS) managed by WFP is a strong advocacy case for WFP's strong lead role in the provision of common logistics services & support to the Humanitarian community at large.**

### IV. Overall Budget Justification

Justify the overall budget totals and the relative cost category totals; explain why your budget is appropriate.

**The budget provides for capacity, qualified staff and attendant contracted services necessary to meet the user community's needs.**

**AIRCRAFT - FIXED OPERATING COST**

AIRCRAFT	UNITS	MTHS	COST/HR MGH	MGH/MTH	COST/HR AOH	AOH/MTH	TOTAL, Monthly	2 years
DASH 8	1	1	1,725	100	1,100	60	238,500	<b>5,724,000</b>
BE 200	1	1	855	60	650	35	74,050	<b>1,777,200</b>
C 208	1	1	680	80	530	40	75,600	<b>1,814,400</b>
BE 200	1	1	920	60	895	20	73,100	<b>1,754,400</b>
<b>TOTAL</b>							461,250	<b>11,070,000</b>

**Total**
**455**
**Hours**
**AIRCRAFT - VARIABLE OPERATING COST**

AIRCRAFT	UNITS	TOTAL HOURS	FUEL			2 years
			LTRS/HR	\$/LITRE	TOTAL	
DASH 8	1	160	600	1.52	145,920	<b>3,502,080</b>
BE 200	1	80	400	1.52	48,640	<b>1,167,360</b>
C 208	1	110	200	1.52	33,440	<b>802,560</b>
BE 200	1	80	400	1.52	48,640	<b>1,167,360</b>
<b>TOTAL</b>					<b>276,640</b>	<b>6,639,360</b>

Contracted Services					Aircraft Budget, Monthly	year 2007	year 2008	year 2009	2 years
Contract					461,250	2,306,250	5,535,000	3,228,750	<b>11,070,000</b>
WRI									<b>0</b>
Painting					833		10,000	10,000	<b>20,000</b>
Aircraft Positioning&Depositioning									<b>0</b>
Navigation					9,000	45,000	108,000	63,000	<b>216,000</b>
Landing					9,000	45,000	108,000	63,000	<b>216,000</b>
Handling					14,400	72,000	172,800	100,800	<b>345,600</b>
Parking					500	2,500	6,000	3,500	<b>12,000</b>
Aviation Safety Charges					22,750	113,750	273,000	159,250	<b>546,000</b>
Operational Support					2,000	10,000	24,000	14,000	<b>48,000</b>
Crew AMT					3,000	15,000	36,000	21,000	<b>72,000</b>
Fuel					276,640	1,383,200	3,319,680	1,936,480	<b>6,639,360</b>
					<b>799,373</b>	<b>3,992,700</b>	<b>9,592,480</b>	<b>5,599,780</b>	<b>19,184,960</b>

 Security  
only for diversion flights