



**WFP (Global)
SPECIAL OPERATION SO (200345)**

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| Country: | Global |
| Type of project: | Special Operation |
| Title: | Augmentation of WFP's Strategic Fleet |
| Total cost (US\$): | \$6,471,553 |
| Duration: | December 1, 2011 to November 30, 2013 |

Executive Summary

WFP Logistics' chief mode of transport is overland road transport. In several countries, required services may be performed by private contractors while in others WFP has come to rely on its own fleet. The current standard of WFP's fleet, however, is less than adequate. WFP considers that cost efficiency of assets can be improved. At the same time emergency experiences from the past years have shown that WFP does not have the capacity to respond quickly to requests for immediate deployment of trucks that are suited for the very difficult conditions often found at the onset of an emergency. In such circumstances, specialised all-terrain trucks are needed to reach vulnerable populations in isolated locations. Such trucks are usually not available with local transporters. In order to augment the emergency response capacity, while streamlining and improving the use of existing assets, this Special Operation proposes the establishment of regional emergency fleets in three strategic, disaster-ridden areas: East Africa, West Africa and Central America and the Caribbean. The operation provides for all required activities from demobilisation of current country-based fleets to establishment of centralised fleets and training of involved staff.

Project Background

1. In some emergency scenarios, insecurity, climate, and either poor or largely damaged infrastructure may prevent access to affected populations. In such circumstances the only way to access beneficiaries overland is by use of all terrain trucks which are adapted to very difficult road conditions and can access areas that normal trucks cannot.
2. Due to the specialised nature of the all-terrain trucks, they are usually not available in the commercial market in sufficient numbers because private operators tend to invest in

trucks with larger tonnage capacity to maximise profits. Furthermore, specialised all-terrain trucks have higher overhead costs, making them less attractive for commercial transporters to own.

3. As a last resort, therefore, WFP has to rely on its own fleet of small to medium sized all-terrain trucks. Often, this type of vehicle normally has to be brought from outside the country, either from WFP Country Offices with surplus capacity or purchased and shipped from abroad. The lead time for such deployment may be as much as three months and a reason for significant delays in the overall emergency response. In order to improve WFP's overall capacity to respond to emergencies, the lead time for the deployment of a trucking fleet has to be reduced significantly. To that end, a strategy to augment WFP's emergency fleet response capacity was developed, based on an assessment and analysis of the existing assets and overall trucking capacity within WFP Country Offices.
4. The current WFP global trucking capacity consists of approximately 750 trucks which are spread across 20 different WFP operations. Due to seasonal changes and frequent surges or decreases in requirements, the capacity of the current trucks is not fully utilised during certain periods of the year. In an attempt to make better use of available assets while also taking into consideration the need to be prepared for relatively frequent emergencies in East Africa, WFP Logistics established, as a pilot project, a stand-by fleet available for immediate deployment in Kampala, Uganda. This regional fleet was created through the consolidation and restructuring of excess trucking assets from different WFP country offices in East Africa.
5. Although the establishment of the regional fleet in Kampala is not yet completed, the project has already proved beneficial. The total fleet of 21 trucks can be deployed to any of the countries in the East African region within 5 days of a request for deployment. Furthermore, the overall maintenance, running and overhead costs for WFP's trucks fleet in East Africa has been significantly reduced, as the case of Burundi illustrates. By optimising the fleet in country and reducing it from 24 units to 16 units, calling upon additional capacity from the regional fleet only when required to cover a temporary gap, the Burundi Country Office has achieved substantial savings on transport costs.
6. WFP owns 169 trucks in West Africa and 100 trucks in Haiti. Following analysis of fleet usage in these regions, it has been established that 20 to 25 trucks from the Haiti fleet and 20 to 25 trucks from the West Africa countries fleets can be moved from COs to establish regional centralized fleets resulting in reduced costs for COs operations.
7. Building on the achievements from Kampala, this Special Operation plans to complete the East African fleet and establish two additional regional truck fleets of 20-25 assets each, available for immediate deployment in West Africa, and Central America and the Caribbean. The latter fleet will be based in Haiti (Port-au-Prince), which is the single most disaster-prone area in that region. The Fleet for West Africa will be based in Accra, Ghana.
8. Strategic fleets will not be created for other regions (Asia, Southern and North Africa, or the Middle East), as these regions have better infrastructure, a more developed commercial transport market and the ability to provide the specialised trucks WFP is

likely to need in emergency situations. Furthermore, the existing WFP fleet is concentrated East Africa, West Africa, and Central America and the Caribbean.

Project Justification

9. The regions of East Africa, West Africa, and the Caribbean and Central/South America are prone to natural and man-made disasters. Furthermore, these regions have a shortage of readily available all-terrain trucks, thereby imposing a serious limitation to WFP's regional emergency response capacity. In emergency operations such as Haiti (cyclone 2008 and 2010 earthquake), D.R.C (conflict in Eastern Congo 2008), Niger (drought 2010), and Liberia (Refugee influx due to Cote d'Ivoire crisis, 2011), all-terrain trucks played an essential role in helping to deliver lifesaving food aid to the affected population. However, in all of these cases it took between two to three months to deploy the fleet because the trucks had to be located, rehabilitated and prepared for shipment in addition to the lead time of the actual shipment.
10. The current WFP truck fleet is relatively old, assets have an average age of 22 years, and 65% of them were purchased second hand. Furthermore, the global fleet is comprised of around twenty different makes or models. A large portion of this fleet is currently not suitable for rough conditions and is difficult and expensive to maintain, as the units frequently breakdown and spare parts are difficult to secure – if at all available. Finally, there is a proven surplus capacity of trucks in many COs. Consolidation of these surplus assets and refurbishment of the fleet would ensure that trucks with adequate standard are available for immediate deployment at regional level.
11. The Kampala pilot project has proven that centralizing the financial burden of stand by costs, is in effect a cost saving measure to CO limited resources. As shown below, Burundi's Overhead and Local insurance costs have decreased significantly after some of their trucks were deployed to Kampala (Data extracted from Fleet Management System):

| Costs | BEFORE | AFTER | Savings per month USD | Estimated savings per year USD |
|---------------------------|-----------|-----------|-----------------------|--------------------------------|
| Overhead (Monthly) | 41,877.36 | 29,160.17 | 12,717.19 | 152,606.28 |
| Local Insurance (Monthly) | 3,795.00 | 2,530.00 | 1,265.00 | 15,180.00 |
| Total | | | 13,982.19 | 167,786.28 |

12. The de-mobilisation of centralised assets may also include selling vehicles that are still suitable for use by local operators, thereby augmenting their capacity to provide other non-specialised transport services required by WFP. In that respect, this project may contribute to strengthen private sector transport capacity in countries with WFP operations.
13. In order to complete the regional fleet this Special Operation makes provision for the direct purchase of new trucks (12 units) at an estimated price of US \$200,000 per unit for 6x6 trucks and US \$130,000 for 4x4 trucks.

14. The regional fleets will also strengthen WFP's capacity as logistics provider of last resort within its mandate as the Logistics Cluster lead, in that the fleets, if required, can be used to support humanitarian partners.

Project Objective(s)

15. The overall objective of this Special Operation is to augment WFP Logistics emergency response capacity in critical situations by ensuring that adequate transport assets and support equipment, including staff, are immediately available. A secondary objective is to rationalise the use of truck assets in the relevant regions. By ensuring the efficient use of trucks in each country, costs of non-productive or down time can be minimized.

Project Implementation

16. The establishment of the regional fleets includes the following steps:
 - Firstly, depending on context, identified surplus assets will be demobilised and refurbished as a part of the regional fleet, or; handed over to government or local transport providers in order to strengthen the local transport capacity.
 - Secondly, new assets and equipment will be procured. This step includes the potential purchase of 12 new trucks to insure that each regional fleet has on average 25 quality assets (The Kampala fleet will have some 30 assets, the Accra fleet around 25, while the fleet in Haiti will have 20-25 assets).
 - Thirdly, administrative arrangements, including establishment of a driver roster, registration of trucks, obtaining of insurance and completion of Standard Operating Procedures will be finalized.
 - Lastly, software (including the Fleet Management and bar coding systems) and tracking systems will be developed at the global level to improve cost efficiency in WFP fleet management.
17. The actual deployment of assets is estimated to happen within 5 days of receiving the request from a participating Country Office. Each deployment will include support equipment and drivers and will have to be approved by the Fleet Management Cell in WFP HQ. During deployment, the Regional Bureau is expected to monitor the performance of the fleet.
18. All trucks in the regional trucking fleets will be equipped with GPS tracking, automatic data capture equipment and a bar coding system for spare parts, enabling Fleet Managers to supervise and monitor the deployment of the trucks to optimise utilisation and cost efficiency.
19. Fleet deployment will come with a full 'fleet package' which includes staff, and support equipment. To ensure that all three regional fleets will have adequate support equipment, the Fleet Management Cell in WFP HQ will be responsible for developing and standardising an emergency fleet deployment support package which will include equipped and staffed mobile workshops, equipment and a fuel management system.

20. Successful fleet usage will also require training of fleet personnel and drivers in fleet systems and tools. This training, also to be developed by the Global Fleet Management Cell in HQ, will ensure that the regional fleet initiative integrates the idea of the 'Green Driving Project' as part of WFP's Climate Neutral Programme.
21. Finally, SOPs for the deployment, demobilisation, maintenance and financing will be developed by the Global Fleet Management Cell.

Project Cost and Benefits

22. The Special Operation has a total value of US\$ 6,471,553
23. The expected outcome of this Special Operation is an augmented fleet capacity in three key regions – East Africa, West Africa, and the Caribbean and Central/South America, allowing WFP to respond to emergencies with the deployment of appropriate all-terrain vehicles within 5 days.

Monitoring & Evaluation

24. Key Performance Indicators for this project include:
 - Augmented logistics capacity measured in the number of days it takes to deploy a truck fleet to an emergency operation
 - Augmented capacity in terms of durability and less technical problems of deployed assets. This will be measured qualitatively through feedback and lessons learned exercises from and with operational fleet managers.
 - A more cost efficient use of WFP fleet assets, measured in US\$/mt/km
25. The Project manager for this SO will be the WFP Global Fleet Manager. The Fleet Management Cell will produce monthly progress reports on activities carried out. The funds manager will be the Chief ODLT.

Exit Strategy

26. Once the full establishment of the three regional fleets has been concluded, this Special Operation will terminate. At that stage, two categories of costs will have to be covered—recurring maintenance and stand-by costs as well as costs of deployments
27. During the first six months of the project, using the new Fleet Management System tool, FleetWave, accurate data will be extracted to carry out cost analyses. This exercise was conducted in several countries and analyses of relevant costs shows that stand by cost of trucks are more cost-efficient when trucks are centrally managed. These data will support the strategy and business model to move from the Special Operation to full cost recovery under a logistics Special Account at the end of the project.
28. Deployment of fleets, running costs and standby costs will be managed through a Special Account, managed at either local or regional level.

29. In the case of Kampala, such an account has already been set up and is managed by the Uganda Country Office. In short, the Special Operation will cater to the implementation phase of the project, whereas Special Accounts will be established to manage the running and deployment costs of the fleet.

RECOMMENDATION

This Special Operation Augmentation of WFP's Strategic Fleet No. 200345 covering the period from 1st December 2011 to 30 November 2013 at a total cost to WFP of US\$ 6,471,553 is recommended for approval by the Executive Director with the budget provided.

APPROVAL

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Josette Sheeran
Executive Director