

Country & Project No.: SO-LKA-10539.0
B/R No.: 904

BUDGET REVISION OF SO FOR THE APPROVAL OF REGIONAL DIRECTOR

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office
<u>CLEARANCE</u>				
Programme Officer, OMXP
Chief, OMXP
Director, FLB
Director, OML
<u>APPROVAL</u>				
<input type="checkbox"/> Regional Director

PROJECT: <i>SO-LKA-10539.0 "Augmentation of logistics preparedness capacity"</i>			
	Previous Budget	Revision	New Budget
Total WFP cost (US\$)	US\$ 5,841,315	US\$ 1,831,399	US\$ 7,672,714

<u>TYPE OF REVISION</u>			
<input checked="" type="checkbox"/> Additional DSC	<input checked="" type="checkbox"/> Additional ODOC	<input checked="" type="checkbox"/> Extension in time	<input type="checkbox"/> Change in project orientation
<input type="checkbox"/> Other			

<u>NATURE OF REVISION:</u> This budget revision includes a budget increase and an extension in time from 31 Dec 2008 to 31 Dec 2010 to ensure the continued operation of WFP's fleet, hubs and storage facilities. The budget increase amounts to US\$ 1,831,399, with the following breakdown: ODOC increased by US\$ 620,000; DSC increased by US\$ 1,091,588; with ISC US\$ 119,811).
<u>JUSTIFICATION FOR THE REVISION:</u> This budget revision and extension in time until December 2010 is essential to manage and maintain the acquired logistics assets, transport resources and established hubs, and ensure a timely and safe dispatch of emergency commodities. In addition to the managerial and maintenance role to ensure fast deployment and set up of supporting humanitarian emergency assets, the budget revision will provide more transparency in the allocation of donor funding within the framework of the current PRRO 10067.1 (& future PRRO 10756.0) and provide a wider range of logistics services to the humanitarian users. Furthermore the budget revision will correct a surplus in the planning figure for 2008

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calculated in previous budget revisions. The purpose of having the SO extended to year 2010 is to synchronize the SO with the new PRRO, which is going to the board around 27 October 2008.

This SO was approved 24 August 2006; its implementation was delayed due to lack of funding, staff and the raining season (monsoon) until the end of the year. The constraints experienced made it difficult to; purchase and set up a WFP truck fleet, transport and acquire building material for the construction of logistics Hubs, both activities paramount in the framework of the SO. An extension in time until June 2007 was then authorized to allow the completion of proposed works and initiation of planned activities. However, the intensification of insecurity and war activities endorsed the authorization for a budget revision and a third extension in time, until the end of 2008, intended to upgrade the logistics Hubs, augment the UNWFP truck fleet and strengthen inter-agency logistics coordination.

Following military gains in the East in mid 2007 and Government withdrawal from the 2002 Ceasefire Agreement on 16 January 2008 the conflict focus has shifted towards the North. Jaffna Peninsula remains isolated since the closure of the north-south A9 road and can only be accessed by sea or air. The established SO Hub in Jaffna is currently supervising transport operations from Jaffna port together with providing storage for all WFP commodities whilst being expanded to accommodate emergency non-food items of humanitarian partners.

Security restrictions are imposed for the passage of trucks and goods into LTTE controlled areas. The UNWFP truck fleet continues to benefit from a unique relationship with the Government and security forces awarding WFP the privilege of a non-stop passage through security check points after military inspection and seal of containers at the point of loading. Currently all WFP commodities consigned to all 4 northern districts are transported by the UNWFP owned fleet and/or augmented with private owned fleet hired by WFP. Additionally the SO Hubs in Vavuniya, Colombo and Trincomalee are playing an essential role of providing storage augmentation for humanitarian food and non-food as well as in the organization of UNWFP flagged convoys.

The unpredictable nature of the conflict, resulting in shifting of confrontation lines, security check points, change of regulations on ad-hoc basis for the passage of humanitarian aid, equipment, staff etc. requires the SO to continue dedicated efforts in strengthening the inter-agency logistics coordination aiming to advocate common logistics bottlenecks at government logistics related agencies and local security authorities.

The LTSH budgets for the current WFP PRRO 10067.1 (and future PRRO 10756.0) allocate support funds for transport and storage of WFP commodities distributed under GFD operations. Therefore, the actual SO budget for running or outsourced contracted services costs excludes the costs incurred by WFP which are payable directly through the LTSH account. This reduction in cost for the SO transport component is being adjusted through this budget revision.

Additionally always when the SO Logistics owned assets are not sufficient this SO intends to augment the capacity of transport or storage by hiring or leasing from the private sector aiming to improve efficiencies to deliver humanitarian assistance.

Furthermore the SO aims to improve the capacity building of logistics staff of WFP, Government implementing partners and humanitarian organizations through training during the project implementation.

Overall the expected outcome of the SO will continue to focus on providing adequate transport and storage of humanitarian aid consigned to conflict affected areas in the northern region of Sri Lanka in coordination with the humanitarian partners and within the framework of the WFP PRRO 10067.1 (and to be approved PRRO 10756.0).

This Budget Revision for extension of the project in time until 31 December 2010 with a total cost increase of US\$ 1,831,399, is recommended for approval by the Regional Director.

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