

Sudan - EMOP 200027:
B/R No.: 4

PROJECT REVISION FOR THE APPROVAL OF:
➤ Deputy Executive Director and COO - Operations Department

	<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
Programme Officer, RMBP
Chief, RMBP
Chief, ODLT (change in LTSH and/or External Transport)
Director and Deputy CFO, RMB
Director, ODX
<u>APPROVAL</u>				
Deputy Executive Director and COO - OD

<u>PROJECT</u>	Previous Budget	Revision	New Budget
Food cost ¹	US\$ 285,302,053	US\$ 1,540,119	US\$ 286,842,172
External transport ²	US\$ 95,790,126	US\$ (589,818)	US\$ 95,200,308
LTSH ³	US\$ 263,214,799	US\$ (2,458,632)	US\$ 260,756,167
ODOC ⁴	US\$ 28,166,150	US\$ (2,596,500)	US\$ 25,569,650
DSC ⁵	US\$ 134,475,844	US\$ (8,959,375)	US\$ 125,516,469
ISC (7%) ⁶	US\$ 56,486,428	US\$ (914,494)	US\$ 55,571,934
Total WFP cost	US\$ 863,435,400	US\$ (13,978,700)	US\$ 849,456,700

TYPE OF REVISION

- ☒ Additional commodity
 ☒ Change in DSC
 ☒ Change in ODOC
 ☒ Change in LTSH
☒ Change in external transport
 ☒ Other
 ☐ Re-orientation
 ☐ Extension or Reduction in time

¹ Food cost can comprise both commodities and food voucher transfers.

² The first leg of transport for commodities: from the donor country to the recipient country port, or in cases of regional commodity purchases, from the place of purchase to the recipient country.

³ Landside, Transport, Storage and Handling - LTSH comprises the actions required to (a) care for and (b) physically deliver the commodities from the completion of external transport through to final distribution.

⁴ Other Direct Operational Costs - ODOC includes deliverable goods (non-food items), services and training to beneficiaries and/or to implementing partners.

⁵ Direct Support Costs - DSC are those costs which are incurred directly in support of projects by a WFP Country Office.

⁶ Indirect Support Costs - ISC is a fixed rate resourced from all donor contributions, which is used to cover (non-project) corporate overhead costs, i.e. PSA.

NATURE OF THE REVISION

1. This budget revision to the Sudan emergency operation (EMOP 200027) “Food Assistance to Populations Affected by Conflict” is undertaken to:
 - Extend until December 2010 the ongoing food voucher pilot project, targeting 23,410 beneficiaries, including people living with HIV/AIDS (PLHIV) under anti-retroviral therapy (ART), tuberculosis (TB) and Kala Azar (leishmaniasis) patients attending health centres for treatment, and other vulnerable groups supported through food for training (FFT) in four states, Kassalla, Gedaref, Kosti and Port Sudan; and
 - Scale up the existing food voucher pilot project to reach an additional 223,335 beneficiaries through food for work (FFW), general food distribution (GFD), outpatient, FFT and Disarmament, Demobilization and Reintegration (DDR) programmes in northern Sudan, including north Darfur, north Kordofan, Kadugli and Khartoum.
2. The beneficiaries under the expanded food voucher pilot project are part of the current emergency operation (EMOP) target population and will be moved from support through in-kind food to vouchers.
3. The budget revision also includes a reduction of other direct operational costs (ODOC) and direct support costs (DSC) as a continuation of the budget evaluation exercise undertaken by WFP Sudan since end-2009.

JUSTIFICATION FOR BUDGET REVISION

Summary of existing project activities

4. Under the EMOP 200027, which runs from January to December 2010, WFP intends to reach approximately 11 million people in Darfur, Southern Sudan, and the Central, Eastern and the Three Areas (CETA). Its overarching goal is to save lives, reduce food insecurity and restore the livelihoods of conflict-affected and vulnerable populations. The immediate objectives are to i) reduce acute malnutrition and mortality and protect livelihoods amongst internally displaced persons (IDPs), refugees, other vulnerable groups and local communities (Strategic Objective 1); ii) support the return of IDPs and refugees and the re-establishment of livelihoods and food security of local communities (Strategic Objective 3); iii) stabilize school enrolment at pre-crisis levels (SO3); iv) increase access to education, particularly for girls (Strategic Objective 4); and v) improve the nutritional and health status of those affected by disease (PLHIV, TB and Kala Azar) (Strategic Objective 4).⁷
5. The food voucher pilot project will be implemented under the following activities:⁸ i) support to refugees; ii) institutional feeding for patients receiving treatment for their diseases; iii) food for training targeting vulnerable people; iv) FFW and GFD for drought-affected populations and v) DDR targeting former combatants. Beneficiaries are selected on the basis of vulnerability, assessment and mapping (VAM) exercises.
6. *Support to refugees:* Due to continued conflict in neighboring countries, the number of refugees in eastern Sudan has been increasing to over 80,000. Some of the refugee camps have been in place for years and have formed around working markets and towns. WFP provides

⁷ The follow on EMOP, scheduled to start on 1 January 2011, will realign objectives and activities in line with WFP's recently completed programme category review.

⁸ WFP's areas of operation in Sudan are 1) Darfur, 2) Southern Sudan, and 3) Central, Eastern and the Three Areas (CETA)

relief assistance to approximately 75,000 refugees through GFD to meet their immediate food needs and protect their fragile livelihoods. As part of a long-term strategy to phase out GFD and engage beneficiaries in self reliance activities, WFP supports an additional 25,000 refugees through FFW and recovery activities in collaboration with the Office of the United Nations High Commissioner for Refugees (UNHCR) and the Commissioner of Refugees of the Government.

7. *Institutional feeding*: People living with HIV/AIDS under ART treatment, TB patients following Directly Observed Treatment, Short-course (DOTS) and individuals with Kala Azar disease are targeted under the outpatient programme. Food support is linked to treatment adherence that requires monthly visits for regular check-ups and provision of medicine by health centres or town hospitals. Beneficiaries are IDPs and other vulnerable people who are too poor to afford the services of hospitals in capital cities. They live in Central, Eastern and Northern Sudan and come mostly from remote rural areas of districts presenting high levels of food insecurity and/or high numbers of IDPs. Since July 2010, approximately 19,000 outpatients have received food vouchers under the initial voucher pilot project.
8. *Food for training*: The FFT programme supports primarily vulnerable women in vocational training centres in large towns, with the view to improve their livelihoods and increase their role in society. Beneficiaries are carefully selected by government counterparts and non-governmental organisations (NGOs). Under the initial pilot phase, approximately 1,000 women have received food vouchers since July 2010.
9. *General food distribution / food for work*: Drought-affected people in North Darfur and North Kordofan receive food assistance through GFD and FFW to meet their immediate food needs prior to the harvest season, protect fragile livelihoods and contribute to long term solutions that mitigate the effects of drought. Examples of FFW activities include tree planting, terrace building etc.
10. *Disarmament, Demobilization and Reintegration programme*: The Government, in collaboration with the United Nations and the international community, launched a Disarmament, Demobilization and Reintegration (DDR) programme as part of the implementation of the Comprehensive Peace Agreement (CPA), which was signed in 2005 and ended the 21-year civil conflict. The ex-combatants are supported with a three-month food package to cover the critical gap in their transition and reintegration to civilian lives. Food is provided to ex-combatants to support efforts towards social stabilization and demilitarization across the country, especially in war-affected areas. In 2009, WFP piloted a food voucher intervention under the DDR package in areas with functioning food markets.

Conclusion and recommendation of the re-assessment

11. Preliminary analysis of the voucher pilot under the DDR programme showed satisfaction among ex-combatants as the vouchers enabled them to access diverse commodities, including locally-produced food. Food purchased included a wide variety of commodities, particularly animal proteins (milk, meat, eggs) that would be difficult to provide through WFP food basket. Traders could meet the increased demand and augment their sales. WFP was also able to reach 10 to 15 percent more ex-combatants with the same budget owing to savings in transportation costs.
12. Preliminary results from an evaluation⁹ of the first phase of the food voucher pilot conducted in September 2010 showed that in areas where food is available through markets, food vouchers are preferred by some beneficiaries over in-kind food for the following reasons:

⁹ *Cash Vouchers Programme CETA. Preliminary Report on Lessons Learned*. WFP, September 2010.

- Vouchers are easier to handle, especially for beneficiaries affected by disease who are unable to carry heavy loads;
 - Vouchers offer greater freedom of choice to beneficiaries and enhance their diet diversity; and
 - Vouchers reduce the risk of stigma usually associated with food assistance in the outpatient clinic environment (where patients who are not WFP beneficiaries also receive treatment).
13. While cost savings compared to in-kind food were not significant in areas close to port locations, approximately 15 percent savings were achieved in remote areas such as Kadugli; savings could be much greater after harvest (November/December) when market prices are lower. The report also highlighted a number of lessons learned from the first phase of the pilot, including the need for:
- Transparent and competitive selection of traders to obtain “fair” market prices;
 - Tighter selection of beneficiaries;
 - Review of field-level agreement (FLA) with cooperating partners;
 - Review of voucher value;
 - Creation of specific monitoring and evaluation (M&E) tools adapted to the uniqueness of voucher programming.
14. Considering the above, the evaluation found food vouchers to be an appropriate transfer modality and recommended an expansion of the pilot to further test the modality under different programmes in areas with functioning local food markets where many of the traders can supply a wide variety of food items at competitive prices.
15. Market assessments conducted in August 2010 in North Kordofan and North Darfur showed that sufficient commodities were available in local markets to meet increased demand, except for cereals in North Darfur, where availability was low. In North Darfur, an increased demand of cereals before the harvest period could provoke inflation and in-kind cereal distributions should thus continue. Market assessments also demonstrated that the pulses and oil distributed to beneficiaries in Darfur were being sold on the market at very low prices in order to buy locally produced and preferred items (such as groundnut oil and dried vegetables).

Purpose of Revision

16. As part of WFP shift from a food aid agency to a food assistance agency, this budget revision proposes to: i) extend and expand geographically the ongoing food voucher pilot reaching about 25,000 beneficiaries through the outpatient and FFT programmes in North Darfur and CETA; and ii) initiate food vouchers benefiting 225,000 beneficiaries through DDR, GFD and FFW activities in North Darfur, Central and Eastern Sudan. Those beneficiaries were already targeted under the current EMOP but will now receive food vouchers instead of in-kind food.
- 20,145 PLHIV under anti-retroviral therapy (ART), and TB and Kala Azar (leishmaniasis) patients attending health centres for treatment;
 - 3,653 participants (mainly women) in training programmes;
 - 129,075 drought-affected beneficiaries in North Darfur and North Kordofan that were previously targeted for GFD and FFW activities;
 - 68,585 former combatants under the DDR programme in South Kordofan and Khartoum; and
 - 24,400 refugees participating in a self-reliance work programmes.
17. The initial food voucher pilot has confirmed the potential of local markets to supply food against WFP vouchers at competitive prices in areas with functioning markets. The first phase of the voucher pilot focused mainly on implementation issues and enabled WFP and partners to learn from market assessments, trader selection, M&E mechanisms and administration of the

programme. The experience gained will be used to expand the voucher activities on a larger scale and inform outstanding issues such as cost efficiency and changes in beneficiaries' diets.

18. As such, the main objectives of the second phase of the voucher pilot including the expansion are to:
 - Diversify the household food consumption and improve access to preferred food items through the inclusion of additional items in the food basket;
 - Enhance the effectiveness of WFP assistance using a transfer mechanism that avoids the sale of food to obtain other commodities at unfavourable terms;
 - Ensure that the impact of food vouchers is captured and measured with clear documentation of lessons learned; and
 - Assess the cost-efficiency and cost-effectiveness of food voucher transfers compared to in-kind food aid.
19. The EMOP 200027 plans to assist a total of 4.5 million people in North Darfur and CETA. Of these, approximately 250,000 beneficiaries enrolled in GFD, FFW, FFT, DDR and outpatient programmes will be targeted under the expanded food voucher pilot. WFP, the Government and NGO partners will jointly select the areas and beneficiaries to be targeted under the voucher pilot project, focussing on locations where there is sufficient WFP and partner capacity and where markets are functioning.
20. WFP will continue to closely monitor food market prices to ensure beneficiaries can redeem their food vouchers at fair market prices and to ensure that the scaled-up project does not lead to a rise in market prices. An increase in market prices as a result of the expansion is not expected as the amounts of food to be bought through vouchers will represent a very small percentage (approximately 2 percent) of the total demand. Between 3,000 and 8,000 beneficiaries will receive vouchers in each location, hence their food needs will form a very small proportion of total food traded in the market (market catchment population is about 150,000 to 200,000 in each of the locations). Furthermore, the markets where the voucher activities will be carried out are well connected to major production and marketing centres (such as El Obeid, Gezira, Gedaref) and can therefore easily provide additional commodities if demand is higher, without increasing market prices.
21. The vouchers will have the same monetary value as the WFP food basket which varies between SDG 60 to 140 based on local market prices in each state.¹⁰ The value of one voucher will range between SDG 7 and SDG 70, depending on the activity. The vouchers will list the specific food items that can be purchased in the selected local markets and traders, with validity for the specific month. The 14 items on the list have been selected based on beneficiary preferences and include cereals, pulses, vegetable oil, meat, fish, fruits and vegetables among others.
23. In light of lessons learned, several adjustments have been made. A minimum of three items per voucher was set to allow for greater dietary diversity and pave the way towards moving to higher added nutritional value to the beneficiaries. Additionally, a restriction has been set for the amount of sugar beneficiaries can buy to prevent them from using a large percentage of the voucher to purchase sugar. WFP and partners will intensify sensitization trainings to explain the purpose of these adjustments and the importance of a diversified food diet. This will help beneficiaries to make informed choices that diversify the food basket and increase nutritional intake as much as possible. Purchase of food items with high nutritional values such as meat, fish and vegetables will be encouraged.

¹⁰ Sudanese Pounds (SDG) exchange rate August 2010: SDG 2.50 = US\$1

TABLE 1. BENEFICIARY NUMBERS PER ACTIVITY TYPE¹¹

Activity	Voucher beneficiaries			Number of beneficiaries receiving in-kind food	Total number of beneficiaries
	Current	Increase	Revised		
IF - TB patients	9,440	640	10,080	71,420	81,500
IF - ART patients	7,545	510	8,055	57,145	65,200
IF – Kala azar patients	1,885	125	2,010	14,290	16,300
FFT - Vulnerable women	4,540	(887)	3,653	76,347	80,000
FFW/GFD - Refugees	0	24,400	24,400	51,100	75,500
FFW - Drought-affected people	0	59,350	59,350	640,650	700,000
GFD - Drought-affected people	0	69,725	69,725	180,275	250,000
Support to DDR	0	68,585	68,585	39,415	108,000
Total	23,410	222,448	245,858*	1,130,642	1,376,500

* This is the number of beneficiaries receiving food vouchers – they are the dependents of the ART, TB and Kala Azar patients, DDR, FFW, GFD or FFT participants (family size is estimated to be 5).

¹¹ WFP assistance is provided for up to 3 months under most activities, except for the support to TB patients (8 months) and support to refugees (12 months). ART patients are discharged from the programme based on medical criteria.

FOOD AND VOUCHER REQUIREMENTS

24. The food requirements under the EMOP were revised downwards to reflect the substitution of commodity by vouchers for the beneficiaries targeted under the voucher pilot activities.

TABLE 2. FOOD AND VOUCHERS REQUIREMENTS BY ACTIVITY TYPE

Activity	Food (mt)			Vouchers (US\$)
	Present	Decrease	Revised	
IF (ART patients, TB patients and families, Kala azar patients)	17,183	1,124	16,059	676,872
FFT - Vulnerable women	8,877	187	8,690	105,192
FFW/GFD - Refugees	14,484	1,186	13,298	702,720
FFW - Drought-affected people	24,370	1,923	22,447	997,080
GFD - Drought-affected people	8,100	502	7,598	535,488
Support to DDR	9,180	3,333	5,847	2,210,856
Total	82,194	8,255	73,939	5,228,208

25. WFP has continued its efforts to maximize the utilization of donor contributions, by undertaking another cost revision and reduction exercise and decreasing further the requirements for associated costs under the EMOP. Logistics cost savings are expected in areas such as North Darfur where landside, transport, storage and handling (LTSH) costs are higher. LTSH rates will be calculated for each area to allow for a comparison between in-kind food assistance and food voucher costs. WFP's efforts to reduce the implementation costs through continuous negotiations with the cooperating partners resulted in a decrease of the ODOC budget by nearly 10 percent. WFP has reduced further its DSC requirements by decreasing the vehicle leasing, information technology (IT) equipment and construction costs. Only costs related to security-related projects and measures aiming at Minimum Operating Security Standards (MOSS) compliance were budgeted for.

Implementation Modalities

26. Voucher activities that started in July 2010 will continue to be implemented in four states, Kassalla, Gedaref, Kosti and Port Sudan, and will be expanded in North Darfur, North Kordofan, Kadugli and Khartoum. The new voucher pilots under the DDR programme will be implemented in Kadugli and Khartoum, while the pilot for drought-affected populations receiving GFD and FFW will be implemented in North Kordofan and North Darfur.
27. Prior to implementation in the new operational areas, sensitization exercises on the new approach will be implemented with the different groups involved. The sensitization will be conducted through meetings and focus group discussions involving beneficiaries, officials and traders. Sensitization messages will be delivered jointly by WFP and partners.
28. WFP and cooperating partners will distribute the vouchers at final distribution points and at health and training centers. Beneficiaries will redeem the vouchers at shops situated close to these locations. Traders will be pre-selected through a competitive procurement process and contracts will be signed with WFP. They will submit the vouchers to WFP at the end of every month with invoices and signed cover letters for reimbursement. WFP will verify the vouchers,

ensuring authenticity and presence of relevant signatures and will proceed with payment within two weeks through bank transfers to the traders' accounts (in order to avoid cash movements).

29. Operational procedures will be revised to accelerate traders' payment and thus enhance their cooperation and motivation. An extensive Standard Operational Procedures document has been prepared to outline all administrative aspects and guide staff involved in the implementation. In addition, the following provisions will be put in place:
- New contracts will be signed between WFP and traders/retailers identified in the new project locations;
 - The voucher dissemination will be clarified to the beneficiaries and voucher collection dates clarified to the traders;
 - WFP will ensure that traders receive their money through bank transfers;
 - Food collection at the market will be monitored to ensure trader-beneficiary value transfer and understand the variety of food items purchased (dietary diversity).
30. Beneficiary monitoring will be implemented during and after voucher distributions on a monthly basis, with particular attention given to the variety of food purchased and potential nutritional impact, as well as the amount of food actually obtained by beneficiaries against the set voucher value. Traders' activities and market prices will also be monitored regularly and through random checks. Greater attention will be put on cost-effectiveness and dietary diversity (and possible links to nutrition). WFP has refined a detailed monitoring checklist that was developed during the first pilot phase for the outpatient and FFT programmes in order to accommodate for the additional activities to be supported through vouchers and to facilitate analysis. WFP will work with the Government and NGO partners to periodically review the progress of the food voucher pilot project.

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