

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
Project Budget and Programming 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

PROJECT	Previous Budget	Revision	New Budget
Food cost	US\$ 474,738,684.56	US\$ 0	US\$ 474,738,684.56
External transport	US\$ 60,182,614.49	US\$ 0	US\$ 60,182,614.49
LTSH	US\$ 135,380,392.02	US\$ 18,284,070.40	US\$ 153,664,462.42
ODOC	US\$ 137,017,632.14	US\$ 0	US\$ 137,017,632.14
DSC	US\$ 318,013,115.01	US\$ 0	US\$ 318,013,115.01
ISC (7%)	US\$ 78,773,270.67	US\$ 1,279,884.93	US\$ 80,053,155.60
Total WFP cost (US\$)	US\$ 1,204,105,708.89	US\$ 19,563,955.33	US\$1,223,669,664.22

TYPE OF REVISION

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

DISTRIBUTION:

Chief, ODLT
 Country Director
 OD Registry
 ERD

DED & COO
 Chief, ODXP & RMBP & ODXR
 Programme Officer, RMBP
 Programming Assistant, RMBP
 RMB

Regional Director
 RB Programme Advisor
 RB Programme Assistant
 RB Chrono
 Liaison Officer, OD @

NATURE OF THE INCREASE / DECREASE

1. This budget revision to the Afghanistan protracted relief and recovery operation (PRRO 200063) is prepared to reflect an increase in the landside, transport, storage and handling (LTSH) costs by US\$18,284,070. As a result, the LTSH rate will increase from \$165.73 per mt to US\$193.98 per mt. The budget revision will also result in an increase of the indirect support costs (ISC) of US\$1,279,885.
2. This increase in LTSH costs is the result of an overall increase in logistics expenses caused by a number of factors, including i) the recent flooding in Pakistan and operational exigencies which impacted on overland transport market prices; ii) a deterioration of the security situation in Afghanistan, which increased the cost of internal transport; iii) a change of commodity types; as well as iv) a significant resource transfer from the previous PRRO to the ongoing project.

JUSTIFICATION FOR BUDGET INCREASE

3. This increase in the LTSH rate is mainly due to the following reasons:

- The LTSH overland transport costs from Karachi, Peshawar and Quetta to Afghanistan have increased by approximately US\$10 per mt, mainly due to the floods which devastated Pakistan in August 2010. The use of the Pakistan corridor represents up to 80 percent of food assistance procured internationally and regionally. WFP Afghanistan has been particularly affected by fluctuations in the Pakistan transport market.
- The flood damage incurred at the commodity transshipment points in Peshawar, and the significant losses of cargo at two of these sites, have triggered a plan to expand the storage facilities at the existing Kabul warehouse and to augment transshipment capacity in other area offices through the provision of additional tents and tarpaulins. These unforeseen expenditures, along with the fact that recurring fixed costs have had to be spread over a lower tonnage due to resource constraints in 2010, led to an increase of over US\$7 per mt of costs incurred at extended delivery points (EDPs).
- The LTSH internal transport costs increased due to a deterioration of the security environment in Afghanistan. This situation led to a low utilization of the WFP trucking fleet, while fixed costs were still incurred, and a correlated increase in the use of commercial transporters at a time when internal transport rates were on the rise. WFP internal transport rates were also affected by the introduction of high-energy biscuits (HEB) procured in Indonesia which had a greater volumetric rate than HEB purchased in Indian or Pakistan. The above factors contributed to an increase in the overall transportation costs beyond the EDPs by over US\$9 per mt.
- Approximately 100,000 mt of food and related associated costs were transferred from PRRO 10427 to PRRO 200063. However, the LTSH rate under the previous PRRO was lower and the subsequent requirement to make up for a deficit in the LTSH triggered an increase of over US\$2 per mt. This increase will cover the planned replacement of aging assets, such as trucks over 20 years in service, and other costs apportioned over the tonnage still to be resourced.

¹ Food cost can comprise both commodities and cash/voucher transfers.

¹ 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.

¹ 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.

¹ Other Direct Operational Costs - ODOC include deliverable goods (non-food items), services and training to beneficiaries and/or to implementing partners.

¹ Direct Support Costs - DSC are those costs which are incurred directly in support of projects by a WFP Country Office.

¹ 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.