

BUDGET REVISION NUMBER 1 TO SUDAN EMERGENCY OPERATION

Sudan 200151 - Food Assistance to Vulnerable Populations Affected by Conflict and Natural Disasters

	Cost (United States dollars)		
	Present budget	Change	Revised budget
Food cost (including vouchers)	230,135,653	(33,656,263)	196,479,389
External transport	59,632,286	(14,592,824)	45,039,462
Landside Transport Storage and Handling	177,191,921	(39,436,583)	137,755,338
Other Direct Operational Costs	23,999,625	(1,066,660)	22,932,965
Direct Support Costs	96,155,890	(11,750,356)	84,405,534
Indirect Support Costs (7 percent)	41,098,077	(7,035,188)	34,062,889
Total cost to WFP	628,213,452	(107,537,875)	520,675,577

NATURE OF THE REVISION

1. The Sudan emergency operation (EMOP) 200151 for 2011 was prepared in mid-2010 and this budget revision is proposed to reflect a number of programmatic adjustments since then, resulting from evolving needs and a shift from in-kind to voucher transfer modalities.
2. WFP has reviewed a series of assessments undertaken towards the end of 2010, which indicate a better-than-expected harvest and an overall improvement in food security for the three Darfur states, Southern Sudan, and the Central, Eastern and Three Areas (CETA) region. This is the basis for an overall reduction in food requirements in this 2011 EMOP. The overall number of beneficiaries for the EMOP will remain the same but: (i) the duration of assistance will be shortened for 1.6 million beneficiaries in Southern Sudan and Darfur and (ii) the size of the general food ration will be reduced for approximately 1.7 million internally displaced persons (IDPs) in camps in Darfur. In addition, this budget revision proposes to scale-up an ongoing voucher pilot project to assist approximately 730,000 beneficiaries who have previously been receiving in-kind food transfers.
3. Specific changes under this budget revision include:
 - i) reducing the food requirements by 133,595 mt valued at US\$57.9 million;
 - ii) increasing the voucher transfers requirements by US\$24.2 million;
 - iii) decreasing the associated costs by US\$66.8 million, consisting of external transport, land transport, storage and handling (LTSH), other direct operational costs (ODOC) and direct support costs (DSC); and
 - iv) decreasing the indirect support costs (ISC) by US\$7 million.
4. This revision will decrease the overall budget from US\$628 million to US\$521 million.

JUSTIFICATION FOR BUDGET REVISION

Summary of Existing Project Activities

5. The combination of conflict, large-scale population displacement and poverty makes Sudan one of the most complex environments in which WFP operates. In line with WFP Strategic Objective 1, the main goal of the EMOP is to save lives, reduce food insecurity and protect the livelihoods of conflict-affected and vulnerable populations in emergencies.
6. Most of WFP's assistance in the Sudan is provided through general food distributions (GFDs) to highly vulnerable groups, including displaced populations, returnees and refugees. Food-for-assets (FFA) activities support the development of community infrastructure and address food security at the household level. Targeted supplementary feeding, in-patient and blanket supplementary feeding programmes address the food needs of undernourished children. School feeding programmes target rural, food-insecure or conflict-affected areas where access to food impairs the ability for children to attend school.
7. As in previous years, the Sudan EMOP for 2011 was prepared in June 2010 to facilitate the confirmation of donor contributions and the pre-positioning of food before the rainy season. This was especially important in view of the January 2011 referendum and the potential for renewed hostilities.
8. The EMOP originally targeted a total of 6.7 million beneficiaries with 596,400 mt of food assistance. This included IDPs and vulnerable resident communities in Darfur, returning displaced persons and drought-affected communities in CETA, as well as returnees and conflict-affected groups in Southern Sudan. As in previous years, several food security assessments were conducted at the end of 2010 in order to identify changes in the food security situation and to allow for related programmatic adjustments.
9. In 2010, WFP conducted a pilot food voucher project targeting 240,000 beneficiaries who had previously been receiving in-kind food aid. The project was implemented across a range of activities, including (i) GFD in Kabkabiya (North Darfur); (ii) FFA for drought-affected people in Kordofan; (iii) support to HIV and tuberculosis (TB) patients in Kassala, Red Sea and Gedaref states; (iv) food for training (FFT) for women in eastern Sudan; and (v) disarmament, demobilisation and reintegration (DDR) programmes targeting former combatants.
10. WFP carried out an internal evaluation of the pilot programme¹ which highlighted the following positive results. In most areas, food vouchers allowed beneficiaries to diversify their diets by providing them with a wider choice of food items. Beneficiaries also preferred the vouchers over in-kind food rations due to ease of transport from distribution points. Vouchers reduced the risk of stigma usually associated with food assistance in out-patient clinics. While cost savings compared to in-kind food deliveries were not significant in areas close to port locations, an estimated 15 percent savings were achieved in areas with high transport costs, such as South Kordofan. Based on these findings, the internal evaluation recommended a further expansion of the voucher programme to the three Darfur states beginning in mid-2011.

¹ WFP, Sudan Food Vouchers Project – Internal Evaluation Report, 2011

Conclusions and Recommendations from Recent Assessments

11. Results from a series of assessments undertaken toward the end of 2010 indicate a good harvest and overall improved food security in CETA and Southern Sudan. The assessments undertaken include: (i) the latest round of the Darfur food security and monitoring system (FSMS), conducted in November 2010; (ii) the crop and food supply assessment mission (CFSAM) released in January 2011 by the Food and Agriculture Organization of the United Nations (FAO) and WFP;² and (iii) the results of the Southern Sudan annual needs and livelihood analysis (ANLA) conducted in October/November 2010.³

Southern Sudan

12. Results from the ANLA and the FAO/WFP CFSAM indicate that the overall food security situation improved significantly in the last quarter of 2010 compared with the same period in the previous year. The general food security improvement in the region is reflected in the following indicators: improved food consumption scores; increased share of household production as the primary source of food, more sustainable income sources; a lower share of income spent on food; and a reduction in negative coping strategies. Despite these positive trends, nearly half of surveyed households have inadequate dietary diversity.
13. Food security prospects for the future are highly dependent on how the post-referendum period evolves. Recent gains could easily be reversed due to the following risks: increased food prices due to reduced trade flows and increased demands from returnees; a possible escalation of localized conflict in volatile border zones; and the potential for increased ethnic tensions and associated population movements.
14. The general elections conducted in April 2010 and the period immediately after the 9 January 2011 referendum did not result in any major security incidents with significant consequences for overall agricultural production. However, localized armed conflict and inter-ethnic disputes continue to affect farming and animal husbandry in parts of Southern Sudan.

Northern Sudan

15. The 2010/2011 agricultural season was one of the best in recent years.⁴ Northern Sudan doubled cereal production compared with the previous year, with a 35 percent increase on the five-year average. In Darfur, sorghum production doubled while millet production increased by 17 percent compared with the average for the previous five years. According to the most recent round of the Darfur FSMS, which coincided with the post-harvest season, food security has improved in many states as a result of an improved harvest in late-2010.⁵ While some locations were not surveyed due to insecurity, the FSMS findings indicated improved food consumption patterns for both food assistance beneficiaries and non-beneficiaries. The increased yields resulted in the stabilization of market prices for key staple commodities, thereby increasing household purchasing power and food access.
16. In other parts of northern Sudan, including CETA areas, food consumption scores are generally good, with a high percentage of households considered to be within the acceptable food

² FAO/WFP, Crop and Food Security Assessment Mission to Southern Sudan, January 2011.

³ Annual Needs and Livelihoods Analysis Technical Group, Southern Sudan: Annual Needs and Livelihoods Analysis 2010/2011, January 2011.

⁴ Government of Sudan/FAO/WFP internal assessments.

⁵ WFP Sudan, food security monitoring system (FSMS). Available at: <http://www.wfp.org/food-security/reports/FSMS>

consumption category. On average, households in northern Sudan dedicate more than 50 percent of their total expenditures to food items and are highly dependent on the market as their main source of food. Food security has improved in CETA, particularly in the three eastern states of Sennar, Gedaref and Kassala.

17. Data from the Darfur FSMS also informs WFP on how beneficiary populations utilise food assistance. Coupled with post-distribution monitoring (PDM) exercises, WFP has a good understanding of which commodities in the food basket are being consumed. Over the last two years, FSMS and PDM data indicate that IDPs have been selling or trading the vegetable oil provided through GFD to purchase other food items (e.g. meat, dried okra).⁶ In general, the sale of vegetable oil is much more prominent in Darfur than in CETA locations, where assessments indicate that most vegetable oil provided is consumed by beneficiaries.
18. Rapid market assessments were conducted to assess whether the local food markets could support the scale-up of the ongoing pilot voucher programme.⁷ Initial findings indicate that markets in Darfur are capable of meeting additional demand, while it is recognized that appropriate risk mitigation measures must be incorporated into the planning process in the event of potential negative impacts. The main findings of the market assessment are as follows:
 - WFP beneficiaries in urban IDP camps are well-connected to local markets.
 - Darfur markets can be considered competitive in terms of the total number of traders.
 - In most Darfur markets, the main sources of food commodities are from the Darfur region, primarily from West Darfur.
 - Pulses, rice, sugar and wheat flour are readily available from outside Darfur (mainly Khartoum, Gezira and Kordofan). The introduction of vouchers could lead to significant improvements in market integration between Darfur and central Sudan.
 - Self-finance and deferred payments are the main sources of finance in Darfur food markets.
 - The increased local demand in urban markets brought about by the introduction of food vouchers could stimulate food production and market integration in rural Darfur.

Purpose of the Budget revision

19. On the basis of the findings from the series of assessments undertaken towards the end of 2010, which show improved food security throughout the country, WFP plans to shorten the duration of assistance for some target groups and reduce the food ration size. This will result in an overall reduction of the food requirements for 2011 by 98,980 mt. This budget revision also reflects an expansion of the ongoing food voucher pilot, by replacing the equivalent of 34,615 mt of in-kind food with food vouchers at a cost of US\$24.2 million.
20. **Southern Sudan:** As a result of improved food security and a reduced hunger gap, assistance through GFD will be reduced from five months to four months for approximately 634,000 severely food-insecure residents in rural areas of Southern Sudan. WFP will continue to assist severely food-insecure rural households, vulnerable children, IDPs, refugees and returnees, as required. Decreasing the duration of assistance by a month results in an overall reduction of 8,850 mt of food requirements for the region. In order to help prevent undernutrition in newborn babies, WFP will pilot a blanket supplementary feeding project for 50,000 pregnant and lactating women in areas with high rates of global acute malnutrition and high levels of food insecurity. Targeted beneficiaries will receive a premix of corn-soya blend (CSB),

⁶ The most recent FSMS data indicates that some 70 percent of the vegetable oil provided to IDPs in Darfur through GFD was sold or traded for other food items.

⁷ WFP, Feasibility Assessment Report for the Provision of Assistance through Vouchers in the Darfur States, 2011.

vegetable oil and sugar through primary health care units from the recognition of pregnancy up to 6 months after the delivery.

21. **Northern Sudan:** In northern Sudan, WFP will continue to meet emergency food needs while simultaneously attempting to introduce more targeted programmes. Efforts to refine targeting in Darfur continue, with seasonal support to resident communities based on the rigorous application of the FSMS findings. Based on FSMS results, WFP will decrease the duration of GFD for approximately 1 million beneficiaries in Darfur from twelve months to five months, covering the hunger gap period from May to September. These beneficiaries are mostly living in rural areas, have access to land and will be able to meet part of their food needs through their own agricultural production. In CETA areas, WFP will shift from GFD to conditional and self-targeting assistance modalities, such as FFA and FFT. This transition from relief to early recovery in many areas will likely result in lower food assistance requirements for the region.
22. In light of the FSMS findings, the removal of vegetable oil from the GFD ration for approximately 1.7 million IDPs in Darfur is considered to be appropriate. The cereal ration will be increased to compensate for the removal of vegetable oil and to maintain the energy (kilocalorie) value of the ration. The remaining vegetable oil currently in stock will be prioritized for targeted supplementary feeding, blanket supplementary feeding and school meals programmes. Decreasing the number of feeding months for IDP beneficiaries and removing the vegetable oil from the GFD ration in northern Sudan will result in a reduction of 90,127 mt.
23. **Food Vouchers:** As a result of a positive evaluation of the food voucher programme piloted in 2010,⁸ WFP will scale-up from 240,000 beneficiaries targeted under the initial pilot phase in CETA and North Darfur to reach 730,000 beneficiaries. The expansion will take place across the three Darfur states and in CETA. This corresponds to a reduction of in-kind food requirements by 34,615 mt and an increase in the value of voucher transfers by US\$24.2 million.
24. The markets selected for the food vouchers programme were chosen using a ranking system.⁹ However, some low-ranking markets such as Kebkabiya and El Fasher were also included as they were considered to provide good grounds for the food vouchers programme because of a successful pilot, the high capacity of staff and the likelihood that food supplies were underestimated during the feasibility assessment.

⁸ WFP, Sudan Food Vouchers Project – Internal Evaluation Report, 2011.

⁹ WFP, Feasibility Assessment Report for the Provision of Assistance through Vouchers in the Darfur States, 2011.

25. Table 1 provides the total number of beneficiaries by activity type that WFP intends to support in 2011:

TABLE 1. BENEFICIARY NUMBERS PER ACTIVITY TYPE AND AREA							
Activity		Number of beneficiaries (in-kind food)				Number of beneficiaries (food vouchers)	TOTAL
		Southern Sudan	CETA	Darfur	Total		
General food distribution	IDPs	322,000	50,000	1,070,422	1,442,422	529,578	1,972,000
	Residents	634,208	234,830	2,134,683	3,003,721		3,003,721
	Refugees	26,283	56,500	10,000	92,783		92,783
	Returnees	24,000	10,300	25,000	59,300		59,300
Food for assets		67,500	30,652	654,194	752,346	200,000	952,346
School meals		430,000	545,104	735,883	1,710,987		1,710,987
Blanket supplementary feeding		210,000	-	549,799	759,799		759,799
Targeted supplementary feeding		22,500	17,825	57,145	97,470		97,470
Total		1,736,491	945,211	5,237,126	7,918,828	729,578	8,648,406
Adjusted Total*		1,542,166	887,950	3,591,915	6,022,031	729,578	6,751,609

*The total number of beneficiaries has been adjusted to avoid double-counting beneficiaries assisted under more than one activity.

26. **Implementation modalities:** For the vouchers component, beneficiaries will be given the opportunity to use the vouchers to buy a diversified food basket from a list of over 10 items, including millet, sorghum, wheat, groundnut oil, vegetables, sugar, rice and meat, eggs and fruits. The lessons learned from the first phase of the pilot have been taken into consideration to strengthen the project implementation. In particular, WFP will ensure that:

- The traders' selection process is more transparent and competitive, and combined with price negotiations to obtain "fair" market prices.
- A large number of traders per location is included to promote competitiveness and prevent any price collusion.
- Payment to traders accepting paper vouchers is made in a timely manner to ensure project continuity and fair market prices for beneficiaries.
- The voucher value is re-assessed on a regular basis to reflect market prices.

27. The scaling-up of the vouchers programme will be implemented following a staggered approach, beginning in North Darfur, where staff and partners have experience in food vouchers, followed by an expansion to West and South Darfur. Beneficiary sensitization, selection of traders and cooperating partners, training and amendments to existing field-level agreements will be completed before the start of the expanded voucher programme. In CETA, the voucher programme will continue as per the current implementation modalities.

28. The voucher programme is expected to evolve to an electronic voucher system in the coming months. Though WFP is currently prepared to meet the paper voucher requirements, electronic vouchers will be assessed and tested. If it proves to be feasible, administratively less challenging and make monitoring and tracking of the programme simpler and more efficient, the electronic voucher system could be introduced in West and South Darfur.

29. **Risk assessment:** Voucher interventions involve potential risks, especially in a challenging environment such as Darfur and CETA. To minimize and/or address such risks, WFP has taken a number of risk-mitigation measures in collaboration with cooperating partners. In particular, WFP will conduct regular verification exercises to ensure that voucher beneficiaries are among the most vulnerable and reduce the risk of targeting errors or fraud. Vouchers will have a validity period of one month to prevent the risk of vouchers becoming a parallel currency. WFP and partners will carry out regular sensitization exercises among beneficiaries and traders on

the impacts of voucher misuse.

30. WFP will conduct regular market surveys, including traders and beneficiary interviews, to ensure that there is adequate food supply in the market and no significant price increase. In case of sudden reductions in supply of commodities or extreme price increase in local markets, WFP will shift to distributing in-kind food aid. Additional measures will be taken to ensure that markets function properly.
31. **Monitoring and Evaluation:** In order to ensure a smooth implementation of the voucher programme, WFP has put thorough monitoring and control systems in place. WFP will undertake distribution and post-distribution monitoring visits on a regular basis. In terms of establishing an evidence base for monitoring the impact of the voucher project, baseline surveys for market development and nutritional status will be carried out at the start of implementation. Data from traders on sources of commodities, number of retailers in selected markets, increased local production, and commodity cost will be used to analyze improved market functionality, while food consumption scores will be regularly updated to determine whether vouchers lead to improved dietary diversity at the household level.



FOOD REQUIREMENTS

32. While the beneficiary figures remain unchanged at 6.7 million people, the overall food requirements will be reduced by a total 133,595 mt. This net decrease takes into account the pilot blanket supplementary feeding programme for pregnant and lactating women in Southern Sudan which will result in an increase of 1,446 mt of blended food requirements. The value of the food requirements has been adjusted to reflect the fluctuation of the wheat prices in the markets.
33. The reduced food tonnage results in a reduction in the total external transport and LTSH costs. However, exchange rate fluctuations, higher fuel and transport prices in Sudan have increased LTSH rates per ton. WFP has made significant efforts and put in place cost-saving measures to minimize the increase of the LTSH rate to only US\$3 per mt.
34. The DSC budget has been significantly decreased. This was mainly due to a reduction of international staff positions. The fall in the exchange rate (ie the Sudanese Pound becoming stronger against the United States dollar in the past few months) caused some increase, considering that the salaries for the national staff are paid in local currency. Also, the effect of the sudden increase in the fuel prices has also been factored into the budget.

35. The reduced food tonnage and expansion of the voucher pilot programme are reflected in the table below:

TABLE 2. FOOD AND VOUCHER REQUIREMENTS BY ACTIVITY (mt/US\$)				
Activity		Current	Decrease	Revised
General food distribution	IDPs	201,150	(102,857)	98,292
	Residents	212,038	(15,586)	196,452
	Refugees	25,280	(5,162)	20,118
	Returnees	4,512		4,512
Food for assets		77,603	(9,990)	67,613
School meals		52,892		52,892
Blanket supplementary feeding		14,868		14,868
Targeted supplementary feeding		8,057		8,057
Total food requirements (mt)		596,400	(133,595)	462,805
Total voucher requirements (US\$)			24,203,010	24,203,010



RECOMMENDATION

This budget revision to Sudan EMOP 200151 “Food Assistance to Vulnerable Populations Affected by Conflict and Natural Disasters” for a decrease of US\$107.5 million is recommended for approval by the Executive Director.

Approved by:

 Josette Sheeran
 Executive Director
 United Nations World Food Programme

Date:

ANNEX I A

BUDGET CHANGE COST BREAKDOWN		
	Quantity (mt)	Value (US\$ dollars)
WFP COSTS		
Food¹⁰		
Cereals	(107,318)	(25,654,144)
Pulses	(8,378)	(7,274,927)
Oil and Fats	(13,283)	(21,770,818)
Mixed and Blended Food	1,446	867,561
Other	(6,062)	(4,026,946)
Total food	(133,595)	(57,859,273)
Voucher transfers		24,203,010
Subtotal food and transfers		(33,656,263)
External transport		(14,592,824)
Landside transport		(39,436,583)
Other direct operational costs		(1,066,660)
Direct support costs (see Annex IB for details)		(11,750,356)
Total WFP direct costs		(100,502,686)
Indirect support costs (7 percent of total direct costs)		(7,035,188)
TOTAL WFP COSTS		(107,537,875)

¹⁰ This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.

ANNEX IB

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff	
International Professional Staff (P1 to D2)	(6,412,347)
International GS Staff	
Local Staff - National Officer	(1,187,856)
Local Staff- General Service	(6,094,407)
Local Staff - Temporary Assist. (SSC, SSA, Other)	(286,663)
Local Staff - Overtime	(170,686)
Hazard Pay & Hardship Allowance	(1,847,338)
International Consultants Honoraria - Payroll	(246,633)
Local Consultants	
United Nations volunteers	(237,811)
Commercial Consultancy Services	
Staff Duty Travel - actual costs	(3,105,591)
Subtotal	(19,589,332)
Office expenses and other recurrent costs	
Rental of facility	186,580
Utilities (general)	
Office supplies	
Communication and IT services	
Equipment Repair and Maintenance	
Vehicle Running Cost and Maintenance	301,350
Office Set-up and Repairs	6,901,046
United Nations Organizations Services	
Subtotal	7,388,976
Equipment and other fixed costs	
Vehicle Leasing	
Vehicle Acquisition Planning	
TC/IT Equipment,	
Local Security Costs planning	450,000
Subtotal	450,000
TOTAL DIRECT SUPPORT COSTS	(11,750,356)