

**Lesotho Development Project No. 200199**  
**B/R No.:04**

**BUDGET REVISION FOR THE APPROVAL OF REGIONAL DIRECTOR**

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<b><u>ORIGINATOR</u></b>				
Country Office or Regional Bureau on behalf of Country Office	.....	.....	.....	.....
<b><u>CLEARANCE</u></b>				
Project Budget & Programming Officer, RMBP	.....	.....	.....	.....
Chief, RMBP	.....	.....	.....	.....
Chief, OSLT (change in LTSH and/or External Transport)	.....	.....	.....	.....
<b><u>APPROVAL</u></b>				
<input type="checkbox"/> Regional Director	.....	.....	.....	.....

**PROJECT**

**Start date:** 01 Jan. 2011    **End date:** 31 Dec. 2014

	Previous Budget	Revision	New Budget
Food cost <sup>1</sup>	US\$ 8 013 155	US\$ 1 182 207	US\$ 9 195 362
External transport <sup>2</sup>	US\$ 231 858	US\$ -	US\$ 231 858
LTSH <sup>3</sup>	US\$ 2 254 473	US\$ (101 360)	US\$ 2 153 114
ODOC <sup>4</sup>	US\$ 416 082	US\$ 360 957	US\$ 777 039
DSC <sup>5</sup>	US\$ 1 226 312	US\$ 537 823	US\$ 1 764 135
ISC (7%) <sup>6</sup>	US\$ 849 932	US\$ 138 574	US\$ 988 506
<b>Total WFP cost (US\$)</b>	<b>US\$ 12 991 812</b>	<b>US\$ 2 118 201</b>	<b>US\$ 15 110 013</b>

**TYPE OF REVISION**

- |  |  |   |  |
|--|--|---|--|
| <input checked="" type="checkbox"/> Additional commodity | <input checked="" type="checkbox"/> Additional DSC | <input checked="" type="checkbox"/> Additional ODOC | <input checked="" type="checkbox"/> Reduction LTSH |
| <input type="checkbox"/> Additional external transport   | <input type="checkbox"/> Extension in time         |   | <input checked="" type="checkbox"/> Other          |

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

<sup>2</sup> 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.

<sup>3</sup> 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.

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

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

<sup>6</sup> 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 INCREASE**

1. This fourth budget revision to Lesotho Development project 200199 is required to:
  - Increase food commodity prices considering the conditionality of the South African donation of buying food commodities in South Africa of South Africa origin (including raw material for processed food);
  - Adjust the rates for Land, Transport, Storage and Handling (LTSH), Other Direct Operation Costs (ODOC) and Direct Support Costs (DSC) so as to take into consideration the revised procurement plan and its new purchase modality, a change in the shipping terms and the need to improve monitoring project implementation due to increased coverage as of August 2013.
2. Thus, this budget revision will adjust the commodities` costs and the associated costs in the budget plan as follows:
  - Increase the overall commodity costs by US\$ 1,182,207;
  - Substitute 1,600 mt of maize meal by 2,000 mt of maize grain procured from small holder farmers in South Africa and to be milled in RSA before delivery to Lesotho;
  - Decrease LTSH by US\$ 101,360 following a revision of the procurement plan modalities and shipping terms;
  - Increase ODOC by US\$ 360,957 in order to mainly include milling, bagging, superintendent and inspection costs;
  - Increase DSC by US\$ 537,823 to cater for revised needs for implementation;
  - Increase Indirect Support Costs (ISC) by US\$ 138,574.
3. The overall budget will increase by US\$ 2,118,201 from US\$ 12,991,812 to US\$ 15,110,013.

## **JUSTIFICATION FOR BUDGET INCREASE**

### **Summary of existing project activities**

4. The current school meals project provides food assistance to primary school children living in remote and economically disadvantaged regions of Lesotho. The project supports the Government priorities as defined in its long-term "Vision 2020" and more specifically the "Education Sector Strategic Plan for 2005–2015". The Government provides school meals to two-thirds of the schools in the country, while WFP covers the remaining one-third, exclusively located in the remote mountainous regions.
5. School children are provided with a mid-morning snack and a midday meal. The intended outcomes include: (i) increased enrolment, (ii) stabilised attendance, (iii) reduced drop-out rates (WFP Strategic Objective 4 - reduce chronic hunger and undernutrition), and (iv) improve government capacity to manage the School Meals Programme (WFP Strategic Objective 5 - strengthen the capacities of countries to reduce hunger including through handover strategies and local purchase).

## Purpose of the budget revision

6. The first purpose of this budget revision is to revise the budget plan in order to abide by the South African donation conditionality to procure all food commodities in South Africa of South African origin (including raw material for processed food). Another requirement of this donation is to procure a certain percentage of food commodities from small holder farmers in South Africa. This means that maize grain will be procured and transformed into maize meal by WFP instead of buying maize mill directly from the millers.
7. More specifically, this revision will result in:
  - Procurement of 2,000 mt of South African white maize grain from small holder farmers to be subsequently milled by WFP;
  - Procurement of 871 mt of South African pulses at a revised price of US\$ 1,500 per mt instead of an initial planned price of US\$ 587 per mt (on international markets);
  - Procurement of 191 mt of vegetable oil of South African origin at a revised price of US\$ 2,200 per mt instead of an initial planned price of US\$ 1,529 per mt (on international markets).
  - Procurement of 404 mt of canned fish of South African origin at a revised price of US\$ 3,000 per mt instead of an initial planned price of US\$ 2,000 per mt (on international markets).
  - Procurement of 47 mt of salt, of South African origin at a revised price of US\$ 134 per mt instead of an initial planned price of US\$ 67 per mt (on international markets).
  - Procurement of 340 mt of sugar of South African origin at a revised price of US\$ 871 per mt instead of an initial planned price of US\$ 960 per mt (on international markets).
8. The second purpose of this budget revision is to adjust the rates of the associated costs - LTSH, ODOC and DSC in order to reflect changes in project implementation:
  - Reduction in LTSH budget line, since all commodities are to be bought from South Africa as per donor's preference. The budget line has therefore been revised following a matrix review taking into account updated transport cost and the revised apportionment of the type of purchase and shipping terms (Incoterms) as per the historical procurement trends where 60% of the food basket has been purchased on Delivery At Place (DAP incoterms) terms thereby reducing the requirements for regional overland transportation cost.
  - Increase in ODOC budget line in order to accommodate maize grain transformation process. This increase includes the cost of milling, bagging, superintendent and inspection. A total of 2,000 mt of white maize grain will be bought from small scale farmers in South Africa and thereafter transformed into maize meal amounting to 1,600 mt thus taking into account the transformation (milling extraction) losses.
  - Increase in DSC budget line in order to improve project implementation especially monitoring capacity especially in the mountainous areas as of August 2013.

<b>TABLE 1. BENEFICIARIES BY ACTIVITY TYPE</b>
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	<b>Beneficiaries</b>		
<b>Activity</b>	<b>Present</b>	<b>Increase</b>	<b>Revised</b>
School meals	150 000	0	150 000
<b>Total</b>	<b>150 000</b>	<b>0</b>	<b>150 000</b>

## FOOD REQUIREMENTS

9. The total food commodities required will increase by 400 mt from 16427 mt to 16827 mt. There will be no change in project implementation modalities.

<b>TABLE 2. FOOD REQUIREMENTS BY ACTIVITY TYPE</b>			
	<b>Food requirement (<i>mt</i>)</b>		
<b>Activity</b>	<b>Present</b>	<b>Increase</b>	<b>Revised</b>
School meals	16 427	400	16 827
<b>Total</b>	<b>16 427</b>	<b>400</b>	<b>16 827</b>

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