

**Country & Project No.: Sudan EMOP 200312
B/R N`o.: 1**

**PROJECT REVISION FOR THE APPROVAL OF:
➤ Deputy Executive Director, Operations Department**

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
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Mr. Eric Kenefick, Sr. RPA
<u>CLEARANCE</u>				
Mr. Amer Daoudi, RD
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Mr. Wolfgang Herbinge, Chief, ODLT
Mr. Sean O'Brien, Director and Deputy CFO
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<u>APPROVAL</u>				
Mr. Ramiro Lopez Da Silva, DED, OD

**Sudan 200312: Food Assistance to Vulnerable Populations Affected by Conflict and Natural Disasters;
January 1 to December 31, 2012**

	Previous Budget	Revision	New Budget
Food cost	US\$164,896,789		US\$164,896,789
External transport	US\$30,633,233		US\$30,633,233
LTSH	US\$114,235,166	US\$3,569,261	US\$117,804,427
ODOC	US\$14,948,651	US\$2,306,769	US\$17,255,420
DSC	US\$54,901,733		US\$54,901,733
ISC (7%)	US\$26,573,090	US\$411,322	US\$26,984,412
Total WFP cost (US\$)	US\$406,188,662	US\$6,287,351	US\$412,476,013

TYPE OF REVISION

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

NATURE OF THE INCREASE

1. This budget revision is proposed to (i) reflect increased transport costs and related services due to rapid inflation; (ii) include other direct operational costs (ODOC) for the completion of a camp verification exercise that began in 2010; and (iii) accommodate the increased costs for field-level agreements with implementing partners. No changes to the emergency operation's objectives, planned beneficiary figures or targeted locations are envisaged.
2. More specifically, this budget revision will:
 - increase the landside transport, storage and handling (LTSH) budget by US\$3.6 million;
 - increase the ODOC budget by US\$2.3 million; and
 - increase the indirect support costs (ISC) by US\$0.4 million.
3. The overall budget for EMOP 200312 will increase by US\$6.3 million, from US\$406.2 million to US\$412.5 million.

JUSTIFICATION FOR BUDGET INCREASE

Summary of existing project activities

4. The emergency operation (EMOP) for the Republic of the Sudan 200312 "Food assistance to vulnerable populations affected by conflict and natural disasters" was prepared in late 2011 for the period January to December 2012. The objectives of this operation are to save lives, reduce seasonal food insecurity, stabilize malnutrition rates, and help restore the livelihoods of vulnerable and conflict-affected populations.

Conclusion and recommendation of the re-assessment

5. The prevailing political and economic situation in the Sudan has resulted in increasing inflation and a subsequent rise in the cost of living, with significant devaluation of the Sudanese pound against the United States dollar on the unofficial market. There is considerable uncertainty on the stability of fuel prices due to the continuing oil dispute between the Sudan and the Republic of South Sudan. This has resulted in an increase in transport rates and other related items, services and the overall running costs of WFP fleet trucks. The increasing inflation has had a significant impact on the prices of spare parts and lubricants, which are usually imported.
6. The transport rates market assessment undertaken in February 2012 – mainly for secondary and tertiary legs – noted WFP's current rates are 20 percent lower than the current market rates. The results of a recent tender for secondary transport indicate that rates have increased by over 30 percent. The WFP Logistics Unit is assessing options for implementing direct delivery from Port Sudan to extended delivery points in Darfur, in order to save on transportation costs.
7. Inflation is also affecting the costs of field-level agreements with implementing partners, which have increased by up to 15 percent due to the poor economic situation in the Sudan, as well as increased transport costs.

8. The WFP country office has also revised its staffing structure to align support services to reduced needs taking into account the separation of the Republic of South Sudan. Some of the warehouses in Kosti have been closed and WFP is expecting to phase-out facilities in Kosti completely in the near future.
9. Ongoing efforts to verify the number of internally displaced in camps have already resulted in reduced beneficiary numbers in Darfur under this EMOP. During 2012, WFP will extend the verification process to smaller camps in Darfur to complete the process and will issue new ration cards to all targeted IDPs.

Purpose of the budget increase

10. This budget revision will revise the LTSH budget to reflect increased transport costs, reduced Kosti costs, and other related items, services and fleet operating costs, thus addressing the LTSH shortfall. Port Sudan will remain as a main entry point and El Obeid an intermediate hub.
11. ODOC will be adjusted to meet the additional costs associated with the increased rates for field level agreement costs.
12. The budget revision also includes additional ODOC in order to complete the camp verification exercise, which is expected to result in a smaller number of IDP beneficiaries, ultimately reducing costs.

DISTRIBUTION:

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