


BUDGET REVISION OF SO FOR APPROVAL BY THE REGIONAL DIRECTOR

5) To:	Initials	In Date	Out Date	Reason for Delay
Regional Director				
4) Through:	Initials	In Date	Out Date	Reason for Delay
Programme Adviser, RB				
3) Through:	Initials	In Date	Out Date	Reason for Delay
Logistic Officer, RB (change in LTSH and/or External Transport)				
2) Through:	Initials	In Date	Out Date	Reason for Delay
Resource Management Analyst, RB				
1) From:	Initials	In Date	Out Date	Reason for Delay
Country Office or Regional Bureau on behalf of Country Office				

**Country¹ & Project No. Ethiopia SO 200358
BR No. 4**

PROJECT	Previous Budget	Revision	New Budget
Total WFP cost (US\$)	US\$ 26,398,676	US\$ 2,984,626	US\$ 29,383,303

TYPE OF REVISION

- Additional DSC
 Additional CD&A
 Extension in time
 Change in project orientation
 Other

NATURE OF REVISION:

This revision aims to realign the project's budget and time frame with changes in the project implementation schedule

Budget Revision No 3 is for an increase of USD 2.9 million taking the total budget to USD 29.4 million. In addition the project will be extended in time until 30 June 2016.

As reflected in the project business case (attached), the new planned investments in Djibouti, notably the construction of a new multipurpose port and the construction a new railway line between Djibouti and Ethiopia, may raise concerns over the continued relevance of the benefits the Djibouti Hub Project is set to generate.

¹ If a regional project, please specify the countries concerned



The CO is convinced that the project will still maintain its relevance for the below reasons. First and foremost, the rapidly expanding economy environment in Ethiopia, coupled with the increasing humanitarian needs in South Sudan will place a constant and progressively increasing pressure over the corridor. In this scenario the Djibouti Hub project needs to be seen complementary to the new planned investments as opposed to a competitor.

Secondly, the projected timelines for the completion of these new planned investments, in particular the new multimodal port, are such that the Djibouti Hub will likely be the sole silo facility operational in Djibouti for a minimum of 3 years. Based on the throughput assumptions and the projected cost savings the case for investment remains a solid one.

The project rationale will undergo regular review.

JUSTIFICATION FOR THE REVISION:

The reasons for this budget revision are:

1. A need to extend the timeframe due to delays in implementing the original project plan budget and to reflect increased staffing costs (due to the extended project timeframe)
2. A need to adjust the project's budget in line with actual construction expenditures
3. A need to reflect the additional costs required to carry out Phase II of the capacity development component following the request of the Government of Djibouti

Each of the above points is explained in more depth below:

1. Extension in timeframe and consequent additional staffing costs (end date extended to June 2016 and budget increased by US\$ 360,000)

Special Operation 200358 was launched in January 2011 for the Construction and Management of the Djibouti Logistics Hub. The original budget was estimated at US\$19.4 million, with 19 months for construction to be completed.

Late confirmation of contributions meant that implementation of the project plan was delayed for approximately 14 months. This delay, plus the timeline provided by the winning contractor for the execution of the civil works, has created a need to further extend the end date of the project until June 2015 (Budget Revision 2)

Additional delays in resourcing the required funds to purchase the silo structures have caused a further delay of 12 months. This additional time is based on the results of the tender for the purchase of the silos – which was concluded in January 2015 – where the winning bidder has indicated a timeframe of 10 to 12 months for the supply and erection of the structures.

In view of the extended time for completion the costs for staff supervision have also increased.

2. Actual construction costs (budget increased by US\$ 1.61 mil):

The construction of the new Humanitarian Logistics Hub in Djibouti started in June 2013. In the last 18 months a number of variations in the works have been initiated to resolve technical issues, improve quality, and meet third parties' requests such as: telecom/electricity/water connections (to adhere to local standards and requirements of the utility suppliers), adjustments in the civil works for the silos complex (as a consequence of the re-balancing of requirements for the silos design), and improvements in the design for the civil infrastructures (wider receiving pits have been contemplated to bring flexibility to the bulk offloading



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operations). In line with good project management practice, and to reflect current risks, the contingency amount has been increased. The budget revision is capturing the financial implication of such variations and issues.

3. Phase II of the Capacity Development endeavor – US\$ 700,000

In the absence of national public/private training institutions that could be utilized to address some of the basic bottlenecks in the sector, WFP capacity development initiative focused on a specific set of vocational trainings to be conducted in Djibouti with a plan to move to institutional capacity building

Accordingly a Training of Trainers (10 individuals) and specific vocational trainings in the area of truck driving, forklift driving and warehouse management (156 individuals) were conducted in 2013.

In 2014, discussions between WFP and the Government of Djibouti led to the formulation of a Phase II and III of WFP's capacity development intervention in Djibouti. While phase III will require a different Special Operation, Phase II is a continuation of Phase I with a direct focus on the job profiles that will be required in Djibouti in the Medium Short Term. Accordingly, during Phase II WFP will train over 400 Djibouti nationals in the field of truck driving and port equipment during a one year time frame.

The required funding to implement Phase II of the project will cost approximately US\$ 700,000.

In addition, the budget revision is accounting for the need of a full time staff to manage the implementation of Phase II.