

**Kenya & Project No.: 200294
B/R No.: 04**

**PROJECT REVISION FOR THE APPROVAL OF:
The Deputy Executive Director and Chief Operating Officer (COO)**

	<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, OSLT (change in LTSH and/or External Transport)
Director, RMB
Director, OSZ
<u>APPROVAL</u>				
Deputy Executive Director and COO

PROJECT			
Start date: 1 st May 2012	End date: 30 th April 2015	Extension/Reduction period:	New end date:
<u>Cost (United States dollars)</u>			
	Current Budget	Increase	Revised Budget
Food and Related Costs	388,745,671.55	5,150,133.23	393,895,804.78
Cash and Vouchers and Related Costs	-	-	-
Capacity Development & Augmentation	-	-	-
DSC	41,338,961.00	-	41,338,961.00
ISC	30,105,924.00	360,509.33	30,466,433.33
Total cost to WFP	460,190,556.55	5,510,642.56	465,701,199.11
<u>TYPE OF REVISION</u>			
<input type="checkbox"/> Additional commodity	<input type="checkbox"/> Additional DSC	<input 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

DISTRIBUTION:

DED and COO	Regional Director	
Chief, OSLT	Chief, OSZP, RMBP, OSZR, OSZC	RB Programme Advisor
Country Director	Programme Officer, RMBP	RB Programme Assistant
OD Registry	Programming Assistant, RMBP	RB Chrono
PGG	RMB	Liaison Officer, OM @

NATURE OF THE INCREASE

The BR proposes to increase the landside transport, storage and handling (LTSH) rate for protracted relief and recovery operation (PRRO) Kenya 200294 'Protecting and Rebuilding Livelihoods in Arid and Semi-Arid Areas.' The previous approved average LTSH rate was US\$ 279.87/mt, while the revised and approved LTSH rate is US\$ 331.80/mt.

JUSTIFICATION FOR BUDGET INCREASE

1. Logistics Setup/Supply Chain - Current Delivery Arrangements

Distribution modalities under PRRO 200294 include general food distribution (GFD), food-for-assets (FFA), cash-for-assets, unconditional cash transfers and supplementary feeding. In the case of the three modalities that impact upon LTSH rates (GFD, FFA and supplementary feeding), food is delivered by road from the port of discharge to 17 extended delivery points. Subsequently, food is delivered by cooperating partners to over 1,100 final delivery points.

2. Historical Trend of PRRO 200294 LTSH rate

PRRO 200294 is a three year project that started on 1 May 2012 and is planned to end on 30 April 2015. The first matrix was approved in November 2011 at a rate of US\$195.15 per mt. Subsequent LTSH revisions were approved in March 2012 at the rate of US\$277.66 per mt, and then in December 2012 at the rate of US\$279.87 per mt. The latest revision approved by the Logistics Division in early September 2013 is at the rate of US\$331.80 per mt.

3. Reasons for latest change in LTSH rate

The main reasons for the 18.56 percent increase in LTSH over the preceding rate are outlined below:

3.1. Reduced Beneficiary Caseload: In line with the Kenya Short Rains Assessment Report released in March 2013, the caseload for PRRO 200294 was reduced from 2.2 million to 1.1 million beneficiaries. The reduction in caseload and related tonnage led to a 48 percent reduction in the project's outstanding balance of commitment (OBC). While the tonnage was reduced, geographical coverage of the PRRO remained largely unchanged, especially in the remote northern parts of Kenya where the highest logistics costs are incurred. Further, due to fixed costs under LTSH budgets, large reductions in OBC normally result in higher LTSH rates.

3.2. Seasonality Approach: Assistance was previously provided on a monthly basis, while under a new approach, the PRRO delivers food assistance only during lean seasons in the various livelihood zones. This implies that there will always be some fixed costs without associated food tonnage, leading to a higher rate per metric ton. This aspect is reflected in the increased field-level agreement (FLA) rates from May 2012 onwards.

3.3. Move to Cash: The PRRO has been successful in assisting beneficiaries through Cash Transfers. This modality focuses on beneficiaries in areas with relatively developed markets that are closer to WFP's main storage hubs, with good roads and few access restrictions. The other distribution modalities that involve food delivery have remained concentrated on those higher cost locations that are more difficult to access.

4. Current and Future Plans to Rationalize the Operation

Efforts are already underway to contain the increase in LTSH rate. These include a review to rationalize the operations of cooperating partners and FLA rates. For example, in view of the Government of Kenya's new devolved structure, the Country Office is reviewing if operations in smaller sub-counties (formerly districts) can be merged and handled by one cooperating partner, thus containing FLA costs. Some of the operations at WFP transshipment hubs have been outsourced and a further review of LTSH rates will be carried out before the end of March 2014.