


BUDGET REVISION OF SO FOR APPROVAL BY THE REGIONAL DIRECTOR

5) To:	Initials	In Date	Out Date	Reason for Delay
Mr. Muhannad Hadi Regional Director, Cairo				
4) Through:	Initials	In Date	Out Date	Reason for Delay
Mr. Carl Paulsson, Senior Programme Policy Officer, RB				
3) Through:	Initials	In Date	Out Date	Reason for Delay
Mr. Carlos Melendez, Logistics Officer, RBC				
2) Through:	Initials	In Date	Out Date	Reason for Delay
Ms. Lindita Bare, Budget & Programming Officer, RBC				
1) From:	Initials	In Date	Out Date	Reason for Delay
Mr. Giancarlo Stopponi, Country Director, Ukraine CO				

Ukraine SO 200821
“Logistics Cluster Support to the Humanitarian Response in Ukraine”
BR No. 03

PROJECT	Previous Budget		Revision		New Budget	
CD&A	US\$	2,109,956	US\$	746,811	US\$	2,856,767
DSC	US\$	825,124	US\$	35,000	US\$	860,124
ISC	US\$	205,456	US\$	54,727	US\$	260,182
Total WFP cost (US\$)	US\$	3,140,536	US\$	836,538	US\$	3,977,074

TYPE OF REVISION

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



NATURE OF REVISION:

In accordance with the increased logistics operational needs identified in the 2016 Ukraine Humanitarian Response Plan (HRP) and as indicated by the humanitarian community, this Budget Revision (BR) adjusts the budget plan to incorporate a six month extension, from 1 July to 31 December 2016.

IMPLEMENTATION TO DATE

1. Since SO 200821 was launched in 2015, WFP as the lead agency of the Logistics Cluster has provided free-to-use warehousing services and transport between the Dnipropetrovsk staging area and the cities of Donetsk and Luhansk in the Non-Government Controlled Areas (NGCAs).
2. On behalf of humanitarian organisations, the Logistics Cluster is undertaking administrative procedures to obtain permissions for convoys, providing a UN umbrella to facilitate access for NGO relief items and promoting recognition of WFP/Logistics Cluster convoys at checkpoints. Furthermore, in collaboration with OCHA the Logistics Cluster actively participated to establish dedicated checkpoints for humanitarian convoys into the NGCA.
3. The Logistics Cluster has a dedicated operations page for disseminating operational information on Ukraine to the humanitarian community. In addition, a Skype group was established to increase both dynamic information sharing and overall operational effectiveness.

JUSTIFICATION FOR THE REVISION:

4. These budgetary adjustments align the operational needs projected until 31 December 2016 with the additional requirements defined in SO 200821, including the expanded services and additional staffing outlined below.
5. Sporadic shelling, small arms fire and other ceasefire violations continue to inhibit the return of 200,000 of Eastern Ukraine's 1.5 million internally displaced citizens and to impede humanitarian access, compelling the Logistics Cluster operation to be extended until the end of 2016. Humanitarian partners in Ukraine are expanding their focus beyond immediate recovery and lifesaving assistance to enhancing logistical efficiency and effectiveness by alleviating logistical bottlenecks and filling gaps.
6. This challenge is exacerbated by the deteriorating humanitarian situation in Eastern Ukraine which has rendered 1.5 million people food insecure. Furthermore, government funding for public services, such as schools, hospitals, pensions and other social security has stopped in some NCGAs. This is rapidly increasing demand for humanitarian assistance which is in turn increasing demand in the services provided by the Logistics Cluster.
7. The Lessons Learned Exercise commissioned by the Logistics Cluster in December 2015 found that most stakeholders and participating partners consulted considered the Logistics Cluster operation in Ukraine appropriate, effective and efficient in identifying and addressing logistics gaps and bottlenecks.
8. The operating environment in the NGCA districts of Donetsk and Luhansk remains volatile. Shelling, firefights, mine contamination/unexploded ordinance (UXO's) inhibits overland humanitarian access to conflict affected people. Furthermore, access to Donetsk and Luhansk is



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crucial in order to ensure that relief reaches particularly vulnerable beneficiaries on the NGCA side of the contact line west of the city centres.

9. Lengthy administrative processes are further complicating aid delivery. The Government of Ukraine has restricted commercial traffic to the NGCA, and has installed dedicated checkpoints for 'humanitarian convoys'. NGO and UN relief items that were previously transported by commercial transporters are now required to be part of humanitarian convoys. Frequent shelling and exchanges of gun fire has led to sporadic checkpoint closure and damaged infrastructure, increasing the risk of congestion. In response, the Logistics Cluster is filling an essential coordination role among the multiple organisations managing humanitarian convoys (WFP, ICRC and a few private foundations) in order to alleviate congestion and to ensure prioritisation of humanitarian relief.
10. Conflict and legislative impediments, as well as, the reluctance of local contractors to cross the contact line without UN guaranteed exit from the NGCAs, have discouraged local commercial participation. As a result, humanitarian organisations increasingly rely upon the WFP as the lead agency of the Logistics Cluster to provide transport and storage coordination, as well as, information management services. An absence of these services would not only impede efficient humanitarian access but also the risk competition between humanitarian actors increasing market prices.

Increased operational requirements

11. While security and accessibility to NGCAs remains volatile and humanitarian cargo volume and convoy numbers increase, WFP as the lead of the Logistic Cluster, has been requested to continue providing support for humanitarian convoys.
12. Staging areas and warehousing services in Dnipropetrovsk will therefore continue. Warehousing services in Donetsk and Luhansk are currently on hold pending further needs.
13. Authorization to operate in the NGCA's that some humanitarian agencies received from *de facto* authorities in Luhansk could result in additional requirements for transport and warehouse services. An Inter-Agency warehouse may be required to avert lease inflation caused both by limited commercial storage services in the NGCAs and increased competition amongst different humanitarian actors. Potential rail access to Luhansk remains uncertain and inflexible, especially with small cargo.
14. Successful Logistics Cluster efforts to increase access across the demarcation line has increased both the staff mobility and related safety requirements. In accordance with UNDSS requirements, an additional armoured vehicle was purchased. No further acquisitions are planned.

Logistics Cluster Coordination, Convoy and Information Management Staff

15. As lead agency, WFP established coordination cells in Kiev and Donetsk, initially with dedicated international staff which are progressively being replaced with national staff. The remaining international staff are the Logistics Cluster Coordinator in Kiev and the Logistics Officer in Donetsk, with administrative and IM support being provided by the national staff in both locations. To meet projected needs, additional staff will be recruited locally for sharing operational information and coordinating logistics services. Additionally, if a logistics hub is needed in Luhansk, additional staff will be recruited to manage the hub on behalf of the humanitarian community.

Logistics Cluster Exit Strategy

16. If commercial cargo restrictions are removed, some cluster activities and assets may be transitioned to partner agencies maintaining a continuing humanitarian presence in Ukraine. As soon as the access situation improves sufficiently, the Logistics Cluster will share a list of logistics service providers with the Ukrainian humanitarian actors providing assistance, and arrange training to enable the domestic management of humanitarian aid. When humanitarian actors begin transporting cargo from the Government Controlled Areas (GCAs) to the NGCAs independent of the Logistics Cluster, support will continue to be provided with the convoy arrangements by accompanying initial convoys until they have sufficient experience to deliver services independently.
17. The Logistics Cluster will arrange meetings with the Ministry of Social Policy and/or Fiscal Service representatives in the event that a direct link (where possible) between humanitarian actors and the authorities is needed.
18. The Logistics Cluster is intended to be a temporary coordination mechanism that is to be phased out as the emergency phase ends. Therefore, WFP will facilitate the scaling-down and exit strategy of the Logistics Cluster as soon as the operational situation normalizes to the point where extraordinary Inter-Agency structures and services are no longer required. If required, WFP could provide logistics services on either a partial or full cost-recovery basis.
19. As the security situation stabilizes and more commercial transport and storage options become viable, it is expected that organizations currently utilizing the Logistics Cluster-coordinated services will be able to establish their own warehousing and transport options, with WFP continuing to support with transitional administrative procedures.
20. This is only feasible if de-facto authorities in NGCA will issue permissions to additional organisations. Once procedures have been clarified and the access related issues to the NGCAs addressed, the transportation on a free-to-use basis will be phased out.

RECOMMENDATION

21. In light of the above, this budget revision for a six months extension until 31 December 2016 and a budget increase of **US\$ 836,538** is recommended for approval by Regional Director, with the attached budget.