



## WFP Food Assistance under Grain from Ukraine Initiative Concept Note to the Government of Belgium

Executing Agency	World Food Programme
Project Title:	Relief Food Assistance under Grain from Ukraine Initiative
Total Budget of Proposal:	EUR 10,000,000
Project sites:	TBD (Any of the 11 WFP country <sup>1</sup> operations prioritized for assistance)
Project Duration:	12 months

### I. Background

The combined effects of conflict, economic and political crisis, climate shocks and poor harvests are significantly affecting people's access to food and compromising their food and nutrition security. Needs are widespread across the world, from conflict affected areas to impoverished areas that are bearing the brunt of the economic downturn. As many as 333 million people will be acutely food insecure in 2023 in 78 countries where WFP operates and where data is available. An unprecedented funding decline for WFP amidst a persistent global food crisis means acute food insecurity is expected to increase significantly in severity in 2024 and beyond, with consequences weighing heavier on women and girls. Almost half of WFP country operations have already reduced, or plan to soon reduce, the size and scope of food, cash, and nutrition assistance programmes.

The Ukraine conflict is driving up food and fuel prices. Countries which are dependent on wheat imports from the Black Sea region have been disproportionately impacted due to disruptions in wheat production and cereal export flows resulting from blockades in the Black Sea region which are limiting global wheat supplies and leading to higher global wheat prices. Moreover, disruptions in fertilizer production and export will further increase agricultural production costs and contribute to higher food prices.

In November 2022, the Government of Ukraine (GoU) launched the Grain from Ukraine Initiative (GFUI) to assist populations facing food insecurity while also enabling Ukraine to support its local agricultural production through the export of a large quantity of grain stock in its reserve. At the launch of the Initiative, Ukraine informed a wide range of international partners, including WFP, of its intention to donate 125,000 MT of grain earmarked for Yemen, Sudan, Nigeria, and Kenya. WFP was invited to participate in this new initiative and support the resource mobilization to cover associated costs for the grain following a similar successful contribution of 50,000 MT from the Government of Ukraine to WFP operations in Somalia and Ethiopia in August/December 2022.

Under the GFUI, contributions from the Government of Ukraine were proposed on a twinning basis where the government would provide in-kind commodity (grain) and WFP would mobilize resources to meet the associated costs including transportation, handling and distribution of the food to the final beneficiaries. The twinning option was possible given Ukraine's status as a Lower Middle-Income Country.

The GFUI operated under the umbrella of the Black Sea Grain Initiative (BSGI), which allowed Ukraine to export grain and other food commodities for both humanitarian and commercial arrangements through the

<sup>1</sup> All are DAC ODA recipients

black sea. A total of 105,000 MT of grain have so far been delivered to 4 countries under Phase I of the GFUI and another 55,000 MT will be delivered over the coming weeks to Nigeria and Sudan.

Several challenges impacted the initial phase of this initiative, including the delayed delivery of grain to WFP by the GoU resulting in WFP requesting donors to use their funds to procure commodities from Ukraine and full cost recovery as opposed to the twinning arrangement. Also, the suspension of the BSGI further complicated this initiative.

## **2. Description of the Project**

At the *Second International Summit on Food Security* in Kyiv on 25 November 2023, the Government of Ukraine expressed its commitment to continue with the initiative by further expanding geographic coverage and types of commodities. With continued support from partners, WFP also reaffirmed its commitment to the Initiative. Based on lessons learnt from the first phase of this initiative, for the next round of shipments, the Government of Ukraine may ask WFP to conduct procurement of commodities in Ukraine on its behalf, which will expedite the overall supply chain process. Flexible contributions from donors will allow WFP to prioritize operations most in need as well as determine the most feasible modality to acquire the relevant commodities from Ukraine, including twinning or full cost recovery, to maximize the efficiency and impact of contributions received. This will require a greater level of flexibility in the allocation and utilization of funds.

## **3. Proposed Interventions with a Euro 10 million contribution from Belgium:**

Based on food commodity shortfalls for the next six months, WFP has identified 11 countries to benefit from the 2<sup>nd</sup> phase of the GFUI. Discussions are ongoing with various stakeholders, including the GoU to finalise this list as soon as possible. Once the required funds have been secured from donors, WFP will initiate the allocation, procurement and shipment of commodities from Ukraine

This proposed contribution from Belgium will be combined with the available funds from other donors to procure, transport, and distribute grain from Ukraine on a Full Cost Recovery basis. The beneficiary countries will be selected based on WFP's emergency food assistance pipeline requirements and shortfalls. WFP will inform Belgium when a decision is taken on this.

For the second phase of the GFUI, the GoU Ukraine has so far not made any commitments to providing in-kind contributions, thus, WFP expects to use donor contributions on an FCR basis. In addition to wheat grain, which was the only commodity involved in Phase I of the GFUI, there is an agreement with the GoU to include other commodities in the second phase i.e., maize, yellow split peas and sunflower oil. WFP will purchase the commodities in Ukraine and deliver them to prioritized country operations. WFP has not shipped food commodities from Ukraine since the suspension of the Black Sea Initiative in July 2023 and is currently assessing alternative options including the use of insured vessels along the Black Sea as well as shipments along the Danube River to load from Constanta port in Romania. Flexible contributions from donors will allow WFP to decide on the most feasible modality of procurement, shipment, and delivery.

## **4. GFUI Implementation and Coordination**

Implementation of contributions received under Grain from Ukraine Initiative follows WFP's regular programming, procurement, shipment, and delivery procedures. Once a recipient country is identified, the Country Office manages the contribution in the same way as they manage regular donor contributions.

WFP will work with the Government of Ukraine, contributing donors and WFP's recipient countries to implement the delivery of commodities under Grain from Ukraine. The current (first phase) of GFUI has been implemented using two modalities:

- I) **Twinning**-Twinning refers to matching an in-kind contribution with cash contributions to cover the costs involved in managing the in-kind contribution. For Ethiopia, Somalia, Nigeria and Sudan(partial), WFP mobilized twinning funds to cover associated costs.
- II) **Full Cost Recovery (FCR)**-When in-kind contribution from Ukraine is not available to meet immediate needs, WFP will apply the Full Cost Recovery (FCR) principle to procure from Ukraine and deliver the required commodities to beneficiaries. This has been previously applied in Phase I of the GFUI to the Yemen and Kenya shipments as well as partial shipments for Sudan.

## 5. Reporting and visibility

**Reporting:** WFP publishes an Annual Country Report (ACR) in the first quarter of every year. As such, this contribution will be officially reported in the 2023 ACR, expected to be published in March 2024, but since the budget is programmed late in the year, full expenditures will be reflected in the March 2025 ACR. The ACR is the principal means of reporting to donors through which WFP informs donors how resources for given projects were obtained, utilized, and accounted for during the preceding year. The report will be available at: <http://www.wfp.org/government-donors>. WFP also disseminates monthly country briefs and situation reports that showcase achievements, improvements, challenges and needs related to its work. WFP also plans to prepare a brief report on the implementation of the first phase of Grain from Ukraine Initiative which will be shared with all donors that contributed to the project.

**Visibility:** WFP will strive to ensure that the Belgian Government receives due recognition and visibility for its timely and generous contribution to the Initiative. While the use of a donor logo on items (including bag marking) is dependent on the context in the recipient countries, visibility will also be pursued through multiple channels, including press releases, handover ceremonies, social media, and other methods as appropriate and feasible, in line with communication and visibility guidelines. The contribution from the Belgian Government will be referenced in media interviews and relevant communication material while taking into consideration the political realities on the ground inside the country. WFP continues to recommend that any visibility activities associated with the Grain from Ukraine Initiative be undertaken at destination countries and encourages partners to coordinate with relevant WFP offices.

## 6. Budget

The breakdown of the budget along WFP's cost categories will be done once the recipient country is determined. Below is a tentative budget (FCR) based on costs for one of the prioritized countries, and is subject to change depending on the specific country operation prioritized for this contribution.

Activity Costs Summary	EUR
Transfer	8,140,327
Implementation Costs	572,368
Direct Operating Costs (DOC)	8,712,894
Direct Support Costs (DSC)	676,976
<b>Total Direct Costs</b>	<b>9,389,670</b>
Indirect Support Cost (ISC)	610,329
<b>Grant Total Activity Costs</b>	<b>10,000,000</b>

**Transfer Costs:** This category relates to the monetary value of the item, cash, or service provided, as well as related delivery costs including landside, transportation, storage and handling, covering cooperating partners' implementation costs

**Implementation Costs:** This category covers costs directly attributable to implementing activities associated with a transfer. These are the costs related to the execution of the intended programme (training, mission, monitoring and evaluation, Field office cost and programme staff).

**Direct Support Costs (DSC):** This category covers costs that are managed at the country level and directly support activities related to the transfer of assistance and implementation of programmes. These costs are relevant to WFP's presence in a country (staff salaries, CO-office costs, support functions) and are influenced by the scale of activities in the country.

**Indirect Support Costs (ISC):** ISC includes costs that support the execution of Country Strategic Plans and associated activities however cannot be directly linked with their implementation. The ISC recovery rate (6.5%) is determined by the Executive Board (EB) and approved annually in WFP's Management Plan

**Full Cost Recovery (FCR)-** FCR refers to the recovery of all of the costs of the activities financed by a contribution or service provision payment.