

BUDGET REVISION NO. 2
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA PRRO 200114

Nutrition Support for Women and Children

	Cost (United States dollars)		
	Current budget	Decrease	Revised budget
Food cost	60,170,171	(29,696,467)	30,473,704
External transport	16,238,267	(7,620,765)	8,617,502
LTSH	1,570,470	(761,130)	809,340
ODOC	5,930,347	(3,306,656)	2,623,691
DSC	8,793,932	(4,261,074)	4,532,858
ISC (7.0 percent)	6,489,223	(3,195,226)	3,293,997
Total cost to WFP	99,192,410	(48,841,318)	50,351,092

NATURE OF THE DECREASE

1. A budget revision to the Democratic People's Republic of Korea (DPRK) protracted relief and recovery operation (PRRO) 200114 "Nutrition Support for Women and Children" is proposed to:
 - Suspend the PRRO from 1 April 2011 to 31 March 2012;
 - Reduce commodity requirements by 76,113 mt of food valued at US\$29.7 million;
 - Reduce associated costs by US\$15.9 million, consisting of external transport, landside transport, storage and handling (LTSH), other direct operational costs (ODOC) and direct support costs (DSC); and
 - Reduce indirect support costs (ISC) by US\$3.2 million.

2. The PRRO was approved by the Executive Board in June 2010 for a period of 24 months from 1 July 2010 to 30 June 2012. However, in response to a series of shocks causing large food shortages and a formal appeal for emergency food assistance from the Government, WFP launched a separate emergency operation (EMOP) 200266 "Emergency Food Assistance to Vulnerable Groups in the Democratic People's Republic of Korea". The EMOP was approved for a period of 12 months from 1 April 2011 to 31 March 2012 and incorporates PRRO 200114 activities and beneficiaries. To ensure there is no overlap between the two operations, this budget revision will suspend the PRRO for the duration of the EMOP and reduce the PRRO requirements for the suspended period. PRRO 200114 will resume activities after the closure of EMOP 200266.

JUSTIFICATION FOR BUDGET DECREASE

Summary of Existing Project Activities

3. PRRO 200114 aims to address the impact of undernutrition and enhance the livelihoods of targeted beneficiaries using three complementary approaches: nutritional support for women and children; food for community development; and local food production.

4. Nutritional Support for Women and Children: A monotonous diet, lacking sufficient protein and micronutrients, is a major barrier to proper physical and intellectual development. To improve health and nutrition status of the nutritionally vulnerable, WFP distributes locally-produced fortified foods to children in nurseries, kindergartens,



hospitals and orphanages, and fortified biscuits to primary schoolchildren. Pregnant and lactating women receive fortified blended foods. Cereals, pulses and oil are included in the food basket to meet energy and nutritional requirements.

5. Food for Community Development: This provides food commodities to support community development projects, including: land rehabilitation; tree planting; watercourse excavation; and construction/repair of irrigation canals and embankments. For emergency rehabilitation of infrastructure, WFP leverages the expertise of its partners, including: the Food and Agriculture Organization of the United Nations (FAO); the Ministry of Land and Environmental Protection; and the Ministry of Agriculture.
6. Local Food Production: Provision of locally-produced fortified foods for children and women has been an essential feature of WFP operations in DPRK for more than a decade. The main objective is to transform WFP food assistance into nutritionally balanced, micronutrient-fortified and easily digestible products, such as: corn-milk blend; corn-soya milk; rice-milk blend; and biscuits. Eleven factories are operating with WFP support: three corn-soya milk factories; two corn-milk blend factories; five biscuit factories; and one rice-milk blend factory. The activities are carried out in partnership with the DPRK Government, which covers the running costs of the factories including: labour, infrastructure, electric power, and sanitation. The Government is also responsible for quality control of the finished products. In addition to supplying the raw materials, WFP provides the micronutrient mix and packaging materials. WFP builds local capacity by training local counterparts in food fortification, organizing technical missions, providing assistance sourcing, purchasing and importing equipment and spare parts, and the transfer of technical knowledge.

Conclusion and Recommendations of the Re-Assessment

7. In response to a formal appeal for emergency food assistance from the DPRK Government, WFP organized a rapid food security assessment in February-March 2011, in collaboration with FAO and the United Nations Children's Fund. To assist the population groups identified as vulnerable by the assessment mission, WFP designed emergency operation 200266 supporting over 3.5 million vulnerable people, primarily women and children.
8. EMOP 200266 incorporates and expands food assistance activities begun under PRRO 200114. To avoid overlap, PRRO 200114 should be effectively suspended for the duration of the EMOP.
9. As part of the suspension of PRRO 200114, this budget revision is needed to reduce the project duration to three months in 2011 (January to March) and to three months in 2012 (April – June). Stock borrowed from the PRRO to be distributed under EMOP 200266 will be repaid to PRRO 200114 at the close of the EMOP on 31 March 2012.

Purpose of Budget Decrease

10. The purpose of the budget decrease is to avoid any overlap between PRRO 200114 and EMOP 200266 for the 12 month period from 1 April 2011 to 31 March 2012 and to allow the resumption of PRRO 200114 activities on 1 April 2012.



FOOD REQUIREMENTS

11. The food requirements decrease from 157,000 mt to 80,900 mt as a result of the revision. The total costs to WFP decrease from US\$99.1 million to US\$50.5 million.

TABLE 1: FOOD REQUIREMENTS BY ACTIVITY			
Activity	Food requirements (mt)		
	Current	Decrease	Revised total
Nutritional Support for Women and Children	137 000	(66 500)	70 500
Food for Community Development	20 000	(9 600)	10 400
TOTAL	157 000	(76 100)	80 900

APPROVAL

Approved by:

Am Abdulla

for
 Josette Sheeran
 Executive Director
 United Nations World Food Programme

21 Dec 2011

Date



ANNEX I - A

WFP PROJECT COST BREAKDOWN

	Quantity (mt)	Average cost (US\$) per mt	Value (US \$)
COSTS			
A. Direct operational costs			
Cereals ¹	(59,831)		(13,529,047)
Pulses	(5,154)		(3,350,100)
Oil	(5,025)		(4,612,950)
Mixed and Blended Food			
Others	(6,103)		(8,204,370)
Cash / Cash Vouchers			
Food Vouchers			
Total commodities & Cash and Vouchers	(76,113)		(29,696,467)
External transport			(7,620,765)
LTSH			(761,130)
Other direct operational costs			(3,306,656)
Total direct operational costs			(41,147,258)
B. Direct support costs (see table below for details)			(4,261,074)
C. Indirect support costs (7 percent of total direct costs)			(3,195,226)
TOTAL WFP COSTS			(48,841,318)

¹ This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.



ANNEX I - B

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff and staff related costs	
International professional staff	(2,410,652)
International general service staff	(12,586)
National professional officers	(59,070)
National general service staff	(181,486)
Temporary assistance	(38,266)
Overtime	(1,000)
Hazard pay and hardship allowance	(179,550)
International consultants	(43,734)
Local consultants	
UNV	
Commercial consultancy services	
Staff duty travel	(403,790)
Subtotal	(3,330,134)
Recurring expenses	
Rental of facility	(218,880)
Utilities (general)	(85,800)
Office supplies and other consumables	(59,400)
Communication and IT services	(131,200)
Equipment repair and maintenance	(46,200)
Vehicle maintenance and running cost	(227,300)
Office set-up and repairs	(30,360)
Subtotal	(799,140)
Equipment and other fixed costs	
Vehicle leasing	(91,800)
TC/IT equipment	(30,000)
Local security costs	(10,000)
Subtotal	(131,800)
TOTAL DIRECT SUPPORT COSTS	(4,261,074)



ANNEX II - Summary of Logical Framework DPRK PRRO 200114

Results Hierarchy	Performance Indicators	Risks and Assumptions
STRATEGIC OBJECTIVE 3: Restore and rebuild livelihoods and communities affected by shocks.		
Outcome 3.1 Improved food consumption among households, women and children.	Food consumption score: % of households participating with acceptable food consumption score. Baseline: 48% of households have acceptable score of 42 Target: 70%	Restrictions on collecting accurate field data. Availability and timely distribution of fortified foods.
Output 3.1.1 Food distributed in sufficient quantity and quality to targeted beneficiaries.	Number of timely food distributions as per planned distribution schedule.	Lack of transport. Availability and timely distribution of food. Low production of LFP products due to lack of inputs.
Output 3.1.2 Days of food rations distributed to targeted beneficiaries.	Number of days on which rations were provided.	Lack of resources from Government creates untimely food distribution. Availability and timely distribution of food. Low local production resulting from lack of inputs.

<p>Outcome 3.2 Targeted communities have increased access to assets through food for work to restore livelihoods.</p>	<p>Community asset score Baseline: to be collected</p> <p>Coping strategy index Baseline: 4.7% - 70% of households at risk of using negative coping strategies. Target: stabilize or reduce coping strategy index and reliance on negative coping mechanisms.</p>	<p>Strong maintenance programme to ensure durability and sustainability of created assets.</p> <p>Lack of non-food items.</p> <p>Limited availability of participants during planting and harvest seasons.</p> <p>Bad weather prevents adequate implementation of food for work.</p>
<p>Output 3.2.1 Developed, built and restored assets in targeted communities.</p>	<p>Number of assisted communities with improved physical infrastructure created or restored in the project.</p> <p>Kilometres of dykes constructed.</p> <p>Hectares protected or developed.</p>	<p>Strong maintenance programme to ensure durability and sustainability of created assets.</p> <p>Lack of non-food items.</p> <p>Limited availability of participants during planting and harvest seasons.</p> <p>Bad weather prevents full implementation of food for work.</p>
<p>Output 3.2.2 Provision of maize in sufficient quantity to targeted beneficiaries.</p>	<p>Number of timely distributions as per planned schedule. Number of people assisted.</p>	<p>Availability and timely distribution of food.</p> <p>Lack of transport and funding.</p>
<p>STRATEGIC OBJECTIVE 5: Strengthen the capacities of countries to reduce hunger including through hand-over strategies and local purchase.</p>		
<p>Outcome 5.1 Sustain local production capacity for fortified food.</p>	<p>5.1.1 Maintain current production capacity of fortified food, including complementary food and special nutritional products in line with increase during EMOP 10750.</p> <p>Baseline: 3,100 mt locally produced food. Target: 3,100 mt</p>	<p>Timely distribution of raw materials.</p> <p>Lack of inputs such as technical assistance, raw materials.</p>
<p>Output 5.1.1 Fortified food produced.</p>	<p>Number of current factories supported (12).</p>	<p>Lack of inputs (raw material and spare parts).</p> <p>Lack of technical assistance.</p>



Output 5.1.2 People reached through WFP local food production.	Number of people reached through WFP local food production. Number of schools assisted. Number of kindergartens assisted.	Availability and timely distribution of food. Limited access to institutions.
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ANNEX III - LIST OF ACRONYMS USED IN THE DOCUMENT

DPRK	Democratic People's Republic of Korea
DSC	direct support costs
EMOP	emergency operation
FAO	United Nations Food and Agriculture Organization
LTSH	landside transport, storage and handling
mt	metric tons
ODOC	other direct operational costs
PRRO	protracted relief and recovery operation
UNV	United Nations volunteer

