

## BUDGET INCREASE TO EMERGENCY OPERATION KYRGYZSTAN 108040

### Winter Emergency Food Aid Response

	Cost (United States dollars)		
	Current budget	Increase	Revised budget
Food cost	11,151,311	3,647,385	14,798,697
External transport	515,968	154,869	670,837
LTSH	2,243,593	763,634	3,007,227
ODOC	436,829	200,577	637,406
DSC	1,475,463	490,341	1,965,804
ISC (7%)	1,107,622	367,976	1,475,598
<b>Total cost to WFP</b>	<b>16,930,786</b>	<b>5,624,783</b>	<b>22,555,569</b>

#### NATURE OF THE INCREASE

1. This budget revision covers an extension-in-time by six months, from January until 30 June 2011.
2. It includes additional:
  - Food requirements for 2011.
  - Direct support costs (DSC), other direct operational costs (ODOC), external transport, and landside, transport, storage and handling (LTSH) budget related to the increased food tonnage.

#### JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

##### Summary of existing project activities

3. WFP re-opened an office in Kyrgyzstan in December 2008 in response to a combination of shocks: extremely cold winter weather, followed by high food prices, and a socioeconomic crisis in 2008 and 2009, leading to high food insecurity. Following an emergency food security assessment (EFSA) in 2008, WFP launched emergency operation (EMOP) 108040 “Winter Emergency Food Aid Response”, providing emergency assistance to the most food-insecure population groups during the winter months. The EMOP was later revised to include food-for-work (FFW) activities with the aim of upgrading agricultural and other community infrastructure.
4. Political turmoil in 2010 with ethnic clashes in the capital city Bishkek and in the south (Osh and Jalalabad provinces) have had significant implications for WFP-supported interventions. There were shortages of seeds, fertilizer, fuel, agricultural machinery and credit for agricultural inputs during the planting season in April 2010. The major displacement of people, destruction of houses and infrastructure, and loss of assets in June compounded

existing problems for chronically food-insecure households. In addition, these events led to the impoverishment of previously food-secure households. In response to these events, WFP launched EMOP 200161 “Food assistance to conflict-affected populations in the Kyrgyz Republic”.

5. While transition from the EMOP to a protracted relief and recovery operation (PRRO) was originally foreseen by mid-2010, the continued instability and absence of an elected government has made it more appropriate to continue existing activities in the context of EMOPs and shift to a different WFP programme category once a stable government is formed and fully functioning.
6. EMOP 108040 consists of two food assistance components: vulnerable group feeding (VGF) and FFW activities. Recipients of the VGF ration, consisting of basic food (wheat flour and vegetable oil), are the severely food-insecure persons residing in rural communities with the highest poverty rates in Osh, Jalalabad, Batken, Talas, Issyk-Kul and Naryn provinces (*oblasts*). These VGF distributions are scheduled for two periods: November-December to help beneficiaries prepare their winter food pre-stocking, and March-May which is the peak of the lean season when the most vulnerable households experience major food shortages.<sup>1</sup>
7. FFW activities were introduced under a budget revision to EMOP 108040 in July 2010. They contribute to WFP Strategic Objective 2 (“Prevent acute hunger and invest in disaster preparedness and mitigation measures) by addressing severe food insecurity while improving community assets and helping beneficiaries to become more self-reliant. FFW disaster mitigation projects and infrastructure rehabilitation activities are implemented in partnership with a number of United Nations agencies, non-governmental organizations, local authorities and the Ministry of Emergencies. Through consultation with the Kyrgyz Government, a total of US\$951,000 has been allocated to WFP for the implementation of these activities as part of the United Nations Delivering as One (DAO) programme. By October 2010, WFP had fulfilled 85 percent of planned activities under the DAO programme and should complete them all by the end of 2010.

### **Conclusion and recommendation of the re-assessment**

8. WFP conducted an EFSA in July/August 2010 to evaluate the effects of the April and June civil unrest on food security. The assessment concluded that there was chronic and deteriorating food insecurity in most areas of the country, with more than a quarter of households nation-wide food-insecure (27 percent), mostly moderately food insecure (23 percent).<sup>2</sup>
9. Food insecurity is more likely to affect rural than urban households. The highest prevalence of food insecurity was in Osh *oblast* (55 percent), followed by Yssyk-Kul, Talas, Batken, Jalalabad and Naryn *oblasts*. Food security is better in Bishkek city and Chuy *oblast*. WFP’s planning for the autumn VGF cycle was based on the food insecurity rates per province derived from the EFSA.

<sup>1</sup> WFP’s Post-distribution monitoring Report, February 2010.

<sup>2</sup> The overall prevalence of food insecurity was found to be close to the prevalence estimated from a re-analysis of the Government Kyrgyz Integrated Household Survey (KIHS) results (33 percent food-insecure) but severe food insecurity was lower (20 percent in KIHS). The difference is explained by the use of distinct indicators to assess food consumption and economic access to food. The EFSA is believed to have underestimated the prevalence of severe food insecurity due to good dietary diversity rendered possible by the large seasonal availability of food from own production at the time of the assessment. Conversely, the KIHS would tend to overestimate the severity of food insecurity.

10. The assessment confirmed the need for continued food assistance, especially during the winter and pre-harvest spring months due to the expected increase of food insecurity in rural areas. The main factors contributing to food security deterioration are:
  - a) Pessimistic macro-economic prospects, with a negative growth of 3.5 percent in the gross domestic product (GDP) in 2010.
  - b) Many farmers are likely to face hardship due to decreased agricultural output as a result of the April and June 2010 civil unrest and an increase in petrol and diesel prices; the latter translate into higher fertilizer and other agricultural production costs.
  - c) Unemployment rates will also rise due to physical damage to businesses and business closure in the southern Osh and Jalalabad *oblasts*, and damage to tourism in Yssyk-Kul *oblast*, although reconstruction activities in the south may somewhat alleviate the situation.
  - d) Wheat and bread prices are expected to rise sharply as a result of higher wheat prices on the international market, the suspension of wheat exports by Russia, and increased export prices in Kazakhstan. This may lead to both shortages and rocketing prices which will seriously hurt Kyrgyz households since bread is the main staple food. Poor and food-insecure farmers are net buyers of wheat and will not benefit from a price increase.
11. In addition, Kyrgyzstan remains highly susceptible to natural hazards (e.g. earthquakes, mudflows, landslides, snow storms, etc.), which can cause heavy losses of lives, livestock and crops, and damage to infrastructure. The population's resilience capacity is limited by a low asset base and lack of opportunities to diversify livelihoods.
12. Despite a recent rise in pensions and wages, which may have slightly eased the economic situation of for many households, poverty is expected to increase, given the projected economic contraction. Given the strong association between food security and poverty, food insecurity is also expected to worsen.
13. The assessment results point towards a combination of short- and medium-term interventions necessary to address urgent food security and nutrition needs, as well as the main factors of food insecurity. In the absence of significant improvement anticipated in the next 12 months, food assistance will be required for the severely food-insecure, especially in the winter and pre-harvest months. These include households who are chronically food-insecure and those people who have become food-insecure more recently due to civil unrest, economic depression or natural disasters.

#### **Purpose of extension and budget increase**

14. The extension of the EMOP is required to ensure continued assistance for project beneficiaries during the winter and pre-harvest periods which are the most difficult for household food security, as well as to bridge the gap between this EMOP and a new WFP operation planned to start in July 2011. The extension-in-time of the EMOPs will allow WFP to coordinate future interventions with the new government in 2011 on a solid foundation for the implementation of follow-up operations.
15. For 2011, the EMOP will address WFP Strategic Objective 1 "To save lives and protect livelihoods in emergencies" and WFP Strategic Objective 2 "Prevent acute hunger and invest in disaster preparedness and mitigation measures".

16. The budget revision includes an increase of the current requirements to implement the following interventions during the extension period in 2011:
- Spring VGF cycle (March-May 2011), providing relief food to the same 350,000 beneficiaries as those targeted for the November-December winter VGF cycle.<sup>3</sup>
  - FFW activities targeting 6,000 participants (estimated 30,000 beneficiaries) in the areas currently covered in the EMOP, including about 4,000 new participants (about 20,000 beneficiaries) compared to 2010.
17. WFP will use the extended time frame to work extensively with the new government and other partners to prepare the follow-up operation planned to start on 1st July 2011. The new project is expected to merge current EMOPs 108040 and 200161 and shift emphasis towards recovery-oriented activities for targeted beneficiaries currently assisted through both emergency operations.
18. The rural areas covered by EMOP 108040 for VGF activities will not overlap with districts affected by the June 2010 ethnic violence and covered under EMOP 200161. For FFW activities, *oblasts* with high levels of food insecurity and 40 percent or more of the population below the extreme poverty line (using data from the State Agency for Social Welfare), will be prioritized. A similar approach (combined food insecurity and poverty) will be adopted to target participants at the village level. Beneficiaries of FFW activities will not be eligible for VGF and vice-versa, to avoid overlap between these two activities.

<b>TABLE 1: BENEFICIARIES BY ACTIVITY</b>			
<b>Activity</b>	<b>2009</b>	<b>2010</b>	<b>2011 (6 months)</b>
Vulnerable group feeding	360 000	419 500	350 000
Food for work	-	35 000	30 000
<b>Total</b>	<b>360 000</b>	<b>454 500</b>	<b>380 000</b>

19. The rations for both VGF and FFW will remain the same as before:
- The VGF ration will cover a gap of about 730 kcal per person per day.
  - Food rations for FFW participants will provide about 2,200 kcal per beneficiary per day.

<sup>3</sup> The number of VGF beneficiaries varies between cycles reflecting monitoring of their food security situation to exclude or include households as necessary.

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**FOOD REQUIREMENTS**

20. Additional and total food quantities required for achieving the revised programme are presented in the table 2. The additional associated costs for the budget revision are shown in Annex 1A and Annex 1B.

<b>TABLE 2: FOOD REQUIREMENTS BY ACTIVITY</b>				
<b>Activity</b>	<b>Commodity type</b>	<b>Food requirements (mt)</b>		
		<b>Current</b>	<b>Increase</b>	<b>Revised total</b>
<b>VGF</b>	Wheat flour	21 210	5 250	26 460
	Vegetable oil	1 575	525	2 100
<b>FFW</b>	Wheat flour	1 575	2 028	3 603
	Vegetable oil	149	192	341
<b>Total</b>		<b>24 509</b>	<b>7 995</b>	<b>32 504</b>

Approved by:

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 Josette Sheeran  
 Executive Director, WFP

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 Jacques Diouf  
 Director-General, FAO

Date: .....

Date: .....

## ANNEX I-A

<b>BUDGET INCREASE COST BREAKDOWN</b>			
<b>Food<sup>4</sup></b>	<b>Quantity (mt)</b>	<b>Value (US\$)</b>	<b>Value (US\$)</b>
Cereals	7 278	2 435 655	
Oil and fats	717	1 211 730	
<b>Total food</b>	<b>7 995</b>	<b>3 647 385</b>	
Cash transfers			
Voucher transfers			
Subtotal food and transfers			<b>3 647 385</b>
External transport			<b>154 869</b>
Landside transport, storage and handling			<b>763 634</b>
Other direct operational costs			<b>200 577</b>
Direct support costs <sup>5</sup> (see Annex I-B)			<b>490 341</b>
Total WFP direct costs			<b>5 256 807</b>
Indirect support costs (7.0 percent) <sup>6</sup>			<b>367 976</b>
<b>TOTAL WFP COSTS</b>			<b>5 624 783</b>

<sup>4</sup> This is a notional food basket for budgeting and approval. The contents may vary.

<sup>5</sup> Indicative figure for information purposes. The direct support costs allotment is reviewed annually.

<sup>6</sup> The indirect support cost rate may be amended by the Board during the project.

## ANNEX I-B

<b>DIRECT SUPPORT REQUIREMENTS (US\$)</b>	
<b>Staff and staff-related costs</b>	
International professional staff	146 360
Local staff - national officers	40 000
Local staff - general service	103 333
Hazard pay and hardship allowance	1 600
Staff duty travel	54 648
<b>Subtotal</b>	<b>345 941</b>
<b>Recurring expenses</b>	
Rental of facility	8 400
Utilities general	6 080
Office supplies and other consumables	2 400
Communications services	20 800
Equipment repair and maintenance	1 760
Vehicle running cost and maintenance	73 200
Office set-up and repairs	4 800
<b>Subtotal</b>	<b>117 440</b>
<b>Equipment and capital costs</b>	
Vehicle leasing	20 400
Local security costs	6 560
<b>Subtotal</b>	<b>26 960</b>
<b>TOTAL DIRECT SUPPORT COSTS</b>	<b>490 341</b>

<b>ANNEX II SUMMARY OF LOGICAL FRAMEWORK</b>			<b>Contribution to MDG 1 “Eradicate extreme poverty and hunger” and MDG 7 “Ensure environmental sustainability.”</b>
<p><b>STRATEGIC OBJECTIVE 1: SAVE LIVES AND PROTECT LIVELIHOODS IN EMERGENCIES</b></p> <p><i>Goals: 1.To save lives in emergencies and reduce acute malnutrition caused by shocks to below emergency levels. 2.To protect livelihoods and enhance self-reliance in emergencies and early recovery.</i></p>			
<b>Outcome</b>	<b>Indicator</b>	<b>Corporate target and performance measure</b>	<b>Source</b>
<b>Outcome 1.3:</b> Improved food consumption over assistance period for targeted crisis affected beneficiaries.	1.3.1 Household food consumption score.	80% of targeted households show score exceeding threshold.	WFP follow up household food consumption score survey.
<b>Output</b>	<b>Indicators</b>		
<b>Output 1.1/1.2/1.3:</b> Food and non-food items distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions.	1.1.1 Number of women, men, girls and boys receiving food and non-food assistance, by category and as a % of planned beneficiaries. 1.1.2 Tonnage of food distributed, by type as % of planned tonnage for distribution. 1.1.3 Quantity of fortified foods and/or micronutrient powder distributed, as % of planned distributions. 1.1.4 Percentage (%) of distributions affected by pipeline breaks.		
<p><b>STRATEGIC OBJECTIVE 2: PREVENT ACUTE HUNGER AND INVEST IN DISASTER PREPAREDNESS AND MITIGATION MEASURES</b></p> <p><i>Goal: To support and strengthen resiliency of communities to shocks through safety nets or asset creation, including adaptation to climate change.</i></p>			<b>Contribution to MDG 1 “Eradicate extreme poverty and hunger” and MDG 7 “Ensure environmental sustainability.”</b>
<b>Outcome</b>	<b>Indicator</b>	<b>Corporate target and performance measure</b>	<b>Project target and data source</b>
<b>Outcome 2.1:</b> Adequate food consumption over assistance period for targeted households at risk of falling into acute hunger.	2.2.1 Household food consumption score.	Score exceeds threshold for 80% of targeted households.	Target: Food consumption score stabilized at or greater than 35/42 for targeted households. Source: Annual survey data.





<b>Outcome 2.2:</b> Hazard risk reduced at community level in targeted communities.	2.3.2 <i>Community asset score</i>	Risk reduction and disaster mitigation assets increased for 80% of targeted communities.	Target: Asset score threshold set to capture increase (created or restored) in functioning productive community assets over base level Source: Survey data.
<b>Output</b>	<b>Indicator</b>		
<b>Output 2.1</b> for distribution of food and/or non-food items).	2.1.1: Number of women, men, girls and boys receiving food and non-food assistance, by category and as a % of planned beneficiaries. 2.1.2: Tonnage of food distributed, by type as % of planned tonnage for distribution.		
<b>Output 2.2:</b> Built or restored disaster mitigation assets by targeted communities.	2.2.1 Risk reduction and disaster mitigation assets created or restored, by type and unit of measure (area protected/improved hectares; number of trees planted; dams constructed, etc.)		



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## **ANNEX III - LIST OF ACRONYMS USED IN THE DOCUMENT**

<b>DAO</b>	Delivery as One
<b>DSC</b>	direct support costs
<b>EFSA</b>	emergency food security assessment
<b>EMOP</b>	emergency operation
<b>FFW</b>	food for work
<b>ISC</b>	indirect support costs
<b>KIHS</b>	Kyrgyz Integrated Household Survey
<b>LTSH</b>	land transport, storage and handling
<b>ODOC</b>	other direct operational costs
<b>VGf</b>	vulnerable group feeding