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BUDGET REVISION OF SO FOR APPROVAL BY THE CHIEF OF STAFF

5) To:	Regional Bureau	Room	Approval and Date
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4) Through:	Division	Room	Signature and Date
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1) From:	Country Office	Signature and Date	
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**PHCO 200706
BR No. 901**

PROJECT	Previous Budget	Revision	New Budget
CD&A	US\$ 8,476,572	US\$ 1,615,429	US\$ 10,092,001
DSC	US\$ 731,706	US\$ 1,186,587	US\$ 1,918,293
ISC	US\$ 644,579	US\$ 196,141	US\$ 840,721
Total WFP cost (US\$)	US\$ 9,852,857	US\$ 2,998,157	US\$ 12,851,015

TYPE OF REVISION

Additional DSC Additional CD&A Extension in time Other

NATURE OF THE REVISION

1. A budget revision of the Special Operation (SO) 200706 is proposed to extend the operation in time by 24 months, from 1st July 2016 through 30th June 2018 with a corresponding budget increase of US\$ 2,998,157. The main objective of this extension is to achieve the initial objectives of the project, which is the strengthening of the disaster preparedness and response capacities of the Philippines Government, by re-focusing on prioritized commitments to government counterparts that have not been fulfilled to date.
2. For this purpose, this revision incorporates a prioritization of specific works whilst remaining within the scope of the existing Operation. These changes require additional budget and an extension in time to ensure proper implementation.



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PROJECT BACKGROUND

3. The 2013-2014 Typhoon Haiyan response led to the identification of operational bottlenecks and challenges affecting large-scale humanitarian responses in the Philippines. In this context, WFP, in collaboration with the Government of the Philippines, identified a series of prioritized actions that will address these issues, and launched Special Operation 200706 on 1st of July 2014.
4. Implemented over an initial two-year period, the primary goal of the Special Operation is to enhance the disaster response capacity of the Government in areas of logistics and supply chain management, through a partnership with the Department of Social Welfare and Development (DSWD) and the Office of Civil Defense (OCD) as key members of the National Disaster Risk Reduction Management Council (NDRRMC) and co-chairs of the Government's Response Cluster.
5. The main objectives of this Special Operation are the following:
 - Enhance the throughput and efficiency of the National Resource Operation Center (NROC), the main facility in Manila packaging the DSWD Family packs, utilizing a mechanized packing system (MPS) and best practices in flow optimization.
 - Establishment of a network of disaster response facilities in Luzon, Cebu and Mindanao for prepositioning of relief items and operational support equipment, decentralization of enhanced DSWD mechanized family pack production and stock prepositioning, and application as training facilities for government responders; Design and implementation of a Government training programme with an emphasis on disaster response logistics and supply chain management, applying the equipment, facilities and response options established via the above.
 - Development of appropriate response options including in-kind food assistance and cash or voucher transfer applying benchmarks and pre-disaster agreements to ensure timeliness and provide clear triggers for WFP support to the government.

ACHIEVEMENTS TO DATE

6. **National Resource Operation Center (NROC):** WFP has enhanced the throughput and efficiency of the DSWD National Resource Operations Centre (NROC) in Manila by establishing a Mechanized Production System (MPS), the first of its kind in the Philippines.
7. To achieve this, WFP renovated one of the warehouses at NROC and installed equipment, including high-speed automatic bagging machines, motorized conveyor belts, automatic case erectors and case sealers. The system enables the Government to produce up to 50,000 Family Food Packs (FFP) per day, sufficient to feed 250,000 people for three days.
8. Based on a presidential decree to use more eco-friendly materials, WFP optimized FFP packaging, utilizing cardboard boxes instead of plastic bags. This new method affords significant improvements including space utilization, safety and efficiency of stacking, protection of commodities, and efficiency of handling and transport.
9. To further improve storage and handling capacities of the NROC, WFP installed a pallet racking system and several hermetic storage units to reduce the risk of pest infestation affecting DSWD rice. For sustainability WFP provided technical training for DSWD counterparts on how to operate the new repacking system, as well as technical support in restructuring DSWD's supply chain in order to produce, store, and dispatch family food packs more efficiently.
10. As per agreement with DSWD, WFP continues to provide one year of post-inauguration support to national government on maintenance of the MPS system, as well as technical support and advice on upstream (packaging materials, commodities) and downstream (FFP) supply-chain planning and implementation.
11. Together this work represents an order-of-magnitude increase in DSWD capacity over its previous system, which was entirely manual and was able to produce only a few thousand FFPs per day, depending upon the availability of volunteers. The MPS also allows new predictability in FFP production throughput, in turn permitting improved DSWD supply-chain and response planning for large-scale emergencies.



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12. **Establishment of a network of disaster response centers (DRCs):** In collaboration with government counterparts WFP identified strategic sites across the Philippines for construction of the DRC network, with the following sites selected for their proximity to international airports and access to sea and land transportation:
- Visayas region: Prospectively Cebu Mactan International Airport;
 - Mindanao: Prospectively General Santos Airport;
 - Luzon: Clark International Airport (augmenting the capacity of the Manila NROC).
13. The original SO included the expansion of MPS capacity from the NROC facility to a nationwide network of DRCs, “albeit on a smaller scale in accordance with production capacity targets to be determined jointly with DSWD”. The success of the NROC facility, however, led DSWD to request DRC facilities to include the same specification of MPS as NROC, significantly increasing site area requirements, construction and MPS equipment procurement costs (requiring 4-5,000m² per location for MPS installation alone, plus additional space for relief items and operational logistics support equipment, training facilities and office spaces, with MPS equipment costs estimated at USD 1.2 million per site). In addition to budgetary constraints this additional specification led to a reduction in available sites, exacerbating delays in site acquisition.
14. Visayas Site: In the context of delays in government land acquisition for all of the DRC sites (see below), WFP leased a 5,000 square meter warehouse in Cebu, and established a temporary DRC at that location. MPS equipment of equal specification to that installed in the NROC facility was installed and is now functional at the Cebu temporary DRC. Installation included pallet racking and prefabricated offices, with space available for conducting practical and theoretical training sessions, as well as office space for WFP and Government Officials.
15. The temporary Cebu DRC facility has been leased for two years, accommodates decentralized emergency response operations of DSWD and OCD in the Visayas region, and provides for production of an additional capacity of maximum 50,000 family packs per day, bringing DSWD capacity to 66% of its 150,000 maximum FFP/day nationwide target.
16. Mindanao Site: WFP has continued to work with government counterparts to secure a permanent site for the Mindanao DRC. Delays in securing agreement despite 18 months of negotiation resulted in WFP re-focusing negotiations through different counterparts in late 2015. This adjustment resulted in negotiation of an in-principle agreement in early 2016 to allocate land adjacent to General Santos Airport. This in-principle agreement is now pending formalization and signature following approval of the 2016 BR to the SO.
17. Luzon Site: While WFP engaged in extensive negotiations for space allocation at Clark early in the SO period, complexities related to government land-use arrangements at this site (with stakeholders including multiple civilian and military government authorities) resulted in delayed land allocation for the DRC site (as well as other international projects at the same location). Budgetary constraints related to a 46% resourcing shortfall against the BR subsequently led WFP to de-prioritize this DRC location in favor of the Cebu and General Santos Sites in consideration that Luzon requirements were also served by the Manila NROC (above).
18. **Design and implementation of a Government training programme:** WFP has rolled out a disaster response training curriculum on emergency logistics in the Philippines, providing personnel from DSWD, OCD, and other partner organizations with skills and knowledge in emergency logistics at strategic, operational and practical levels. Additionally, a Training of Trainers (ToT) was implemented for government counterparts to create a pool of co-facilitators that could support future delivery of trainings and gradually assume responsibility for the course within the Government as part of an integrated sustainability and handover strategy.
19. The original content of the curriculum was developed by WFP’s Regional Emergency Logistics Training Programme, which is designed to be adapted to national-level context and training requirements on the basis of a Training Needs Analysis (TNA). WFP conducted the Training Needs Analysis (TNA) of the Philippines Government’s logistical capacity, and reached consensus on parameters for adaptation of the regional curriculum to the Filipino context.



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20. Trainings conducted to date have included government officials from DSWD and OCD, with the involvement of other partner organizations, and have contributed to enhance their capacities and their network in the area of disaster response and emergency logistics. In a promising development DSWD has commenced self-implementation of some trainings utilizing the WFP-developed curriculum.
21. Continuous feedback received from government counterparts is being applied to update the training packages. WFP plans to continue conducting training sessions until an eventual handover to the Government, including a major field Simulation Exercise that will allow participants to apply, in practice, skills developed during classroom sessions.
22. **Development of appropriate response options:** Responding to budgetary constraints due to a 46% resourcing shortfall and in the context public commitments, high government interest and mutually-re-enforcing nature of NROC/DRC and MPS development and government training programme, WFP was forced to de-prioritize the response options aspect of the Special Operation.
23. The WFP country office remains committed to the principles of forward-planning and national agreement on programmatic options for large-scale humanitarian assistance, however. Some of this work has continued under the cash-preparedness aspects of WFP Philippines PRRO 200743, which includes discussions with the Philippines Department of Trade and Industries on the harmonization of tools for market assessment. WFP also looks forward to developing a consolidated national strategy for government capacity development and emergency preparedness under the forthcoming Country Strategy Programme (CSP).

JUSTIFICATION FOR THE REVISION

24. Challenges and constraints including a) DSWD-requested increase in DRC MPS specifications and commensurate budgetary implications, b) delays in government DRC site acquisition agreements and c) 2014-2016 resourcing shortfalls (of 46%) have together resulted in 2014-2016 objectives not being fulfilled in its entirety.
25. Achievements in the initial SO period yielded several important successes however, with two of four planned facilities now operational (albeit one on a temporary/leased basis), MPS procured and functioning and trainings implemented with significant government buy-in. These achievements, realized with only 54% of budgeted resources, have *inter alia* demonstrated the strategic utility and practical achievability of improvements to the government response systems. The completed NROC and temporary Cebu DRC represent a valuable demonstration of concrete results in international investment in national emergency preparedness and response capacity, with both quantitative (increased throughput to 100,000 FFP per day maximum, 66% of targeted and sufficient to feed up to 500,000 people for 3 days) and qualitative benefits (new predictability and benchmarking of response, upon which further improvements may be based).
26. This, together with the national emergency logistics training programme, has generated a high-degree of government counterpart investment and collaboration, especially within DSWD, which (as per the post-Haiyan revision of the National Disaster Management Plan) functions as lead-agency for humanitarian response and food security clusters in the Philippines by co-chairing the “response Cluster” of the government.
27. Recognizing a) the ongoing vulnerability of the Philippines to natural hazards and climactic shocks and b) the increasing desire of national government for self-sufficiency in humanitarian affairs and the imperative for WFP to achieve and fulfil a strategic role as technical service provider of choice, WFP strongly perceives value in leveraging investment and achievements to date to deliver prioritized outputs and ensure sustainable handover to government counterparts. Conversely, WFP perceives both reputational and operational risk should the challenges and constraints above be permitted to conclude the project without delivering on prioritized commitments.



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28. The WFP Country Office with the support of the Regional Bureau (RBB) has reviewed constraints and challenges experienced to date and developed a BR plan to adapt to and mitigate ongoing risks whilst leveraging the achievements of the 2014-2016 period. These measures include:
- De-scoping of the second Luzon site (Clark DRC), in order to account for the higher per-site cost of the expanded facilities and resourcing shortfalls experienced to date, prioritizing areas where sites are yet to be established permanently (Visayas and Mindanao);
 - Reduction of revised construction budgets via adaptation of the site-development strategy for the remaining two sites, with only one additional facility to be constructed and the second to be developed via rehabilitation of an existing government-identified facility;
 - De-scoping of the Response Options component of the SO, with engagement with national counterparts in programmatic forward-planning to be carried forward under PRRO 200743, pending development of a comprehensive national support strategy under the forthcoming WFP Philippines Country Strategy Programme.
 - Re-launching a concerted donor engagement strategy in collaboration with government counterparts and emphasizing the utility of concrete achievements to date;
 - Establishing tiered contingency planning for prioritized implementation of the components below in the event that insufficient resourcing is received for the BR plan.

PLANNED ACTIVITIES

The following activities will be undertaken during the 2016-2018 SO BR period, commensurate with available resourcing and categorized by original SO component:

29. National Resource Operation Center (NROC): Facility works and MPS installation were completed during the 2014-2016 SO period. As per agreement with DSWD, under the 2016-2018 SO BR period, WFP will continue to provide technical support to the NROC MPS system, including equipment maintenance and supply chain optimization during DSWD response operations, aligned and augmented by the emergency logistics training programme (below). The agreed NROC support period will conclude end 2016 with formal handover of equipment ownership to DSWD.
30. **Establishment of a network of disaster response centers (DRCs):** In Luzon, in acknowledgement of budgetary constraints and recognizing the Luzon-located capacity provided by the NROC facility, the Clark facility will be de-scoped from the remaining 2016-2018 BR period. WFP shall remain receptive to provision of technical support or development of this location on a full-cost recovery basis, however.
31. Visayas and Mindanao Site Development: In acknowledgement of budgetary constraints, the original plan to construct one facility each in Mindanao and the Visayas will be modified in agreement with government counterparts to encompass construction of only one facility, with the second one to be developed via refurbishment of an existing government-identified warehouse.
32. Prioritization of either the Visayas or Mindanao facility for construction or rehabilitation will be made based on available sites and warehouses identified by government counterparts in each location, with the most cost-efficient and strategically effective solution selected.
33. Quality control will be supported via outsourcing of design and construction of each facility to local companies, with the whole process supervised by in-house engineering staff. Facilities will be designed to updated specifications with sufficient space to host the MPS requested by government and to store all the required quantities of FFP, raw food ingredients, other relief items and operational logistics support equipment, as well as equipped training facilities and office spaces Depending on resourcing a reduced MPS could be installed in one of the DRC.
34. Visayas Temporary DRC site: WFP will continue to lease the temporary DRC facility constructed in Cebu, Visayas, providing operational mechanized family pack production, storage and training facilities to government counterparts until the permanent Visayas facility is constructed or refurbished. WFP will continue providing technical support services to DSWD at this location, facilitating coordination and developing procedures for inventory management and rapid relief deployment when required. This will allow



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a shortening of the technical support and handover period for government handover of the new facility once finalized.

35. Once the Visayas DRC is completed, goods and equipment including the MPS positioned in the temporary facility will be transferred to the new DRC, and the lease on the temporary facility terminated. As the Mindanao facility is completed a third MPS plant and logistical handling and storage equipment will be procured and installed, prior to testing and hand over to government counterparts.

36. In summary the original and revised targets are:

Construction of DRC				
Region	Initial target (# of facilities)	Achieved to date		BR target
NROC/Luzon	2	1	NROC site constructed with automated packing line	0
Visayas	1	1	Temporary facility in Cebu with automated packing line	1*
Mindanao	1	0	Pending to date	1

* Remark: The current packing line in Visayas will be relocated to a new site

37. **Implementation of the national Emergency Logistics Training Programme** will be extended for two years, including finalization of ongoing adaptation of the WFP regional training curriculum to the Philippines context, needs and requirements. The completed Manila NROC and temporary Cebu DRC facilities will be used as locations for training delivery blending strategic, operational and practical training programmes with training in planning and utilization of MPS and storage and handling equipment in emergencies. Implementation will be undertaken with progressive DSWD/government counterpart ownership of training delivery.

38. National ownership will be further supported via the implementation of a major simulation exercise, providing the training participants with the opportunity to apply and test skills developed during classroom courses. A new partnership will be forged with the Local Government Academy (LGA) of the Department of Interior and Local Government (DILG) to further encourage dissemination of emergency logistics knowledge and promote awareness of the role of logistics in emergencies and foster networks among government, partner organizations and private sector.

39. Response Options: In acknowledgement of budgetary constraints, the response options component of the SO will be deprioritized in favor of existing commitments to government counterparts in facilities, MPS development and training.

40. WFP remains committed to the principles of forward planning with government counterparts encapsulated in this component, and remains open to implementation (via a subsequent BR) should sufficient resourcing become available. Joint planning work will also continue via cash-preparedness aspects of WFP Philippines PRRO 200743, and will form part of a consolidated national strategy of government capacity development and emergency preparedness under the forthcoming Country Strategy Programme (CSP).

41. **Prioritization:** While strongly supporting this revision in time and budget for Special Operation 200706, the WFP Country Office recognizes several risks to successful completion of the project within the 2016-2018 extended period, specifically:

42. The risk that delays in site identification and acquisition by government counterparts do not permit the completion of works and handover within the 2016-2018 period;

43. The risk that insufficient resourcing is available to implement all planned works on schedule.

44. To mitigate the risk of further delays in site acquisition, WFP Philippines will in Cebu pursue the new engagement strategy that proved successful in identifying a site in Mindanao, working closely with DSWD to identify an appropriate site for construction of a new facility, or rehabilitation of an existing warehouse of sufficient size to permanently house the upgraded MPS. WFP will simultaneously work with government counterparts to identify available warehousing in Mindanao to ensure greatest flexibility in construction/refurbishment options between the two regions. It is believe that the recently increased visibility



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and demonstrated practical utility of the two now-operational MPS systems will assist WFP and DSWD in achieving this.

45. In order to mitigate the risk that insufficient funding is available, WFP has revised the BR budget to the minimum required to fulfil existing commitments to government. WFP will additionally collaborate with government counterparts to re-launch a concerted donor engagement strategy, emphasizing the concrete achievements and impact of the Special Operation to date. Finally, contingency planning will be undertaken together with government to agree a prioritization of works to be applied in the event that only partial resourcing is realized. The requirements utilized for this prioritization include the actuals for the period of the BR (approx. \$7.5m gross requirement equaling to \$12.9m total budget deducted by \$5.4m resourced). This prioritization will include:

- **100% resourcing (\$7.5m):** Full implementation of the revised activities presented in this document. It should be noted that this budget represents a revised minimum costing, with DRC site specifications pared-down to minimum achievable whilst maintaining core response capacity deliverables already committed to national government (eg. achieving cost-savings via reduced covered NFI storage & increased reliance on containers, etc);
- **70% resourcing (\$4.9m):** Construction activities de-scoped entirely and government invited to identify two warehouse facilities for refurbishment and installation of MPS, one in Visayas and one in Mindanao (delivers committed response capacities at a reduced budget, however with increased risks associated with timely site identification);
- **50% resourcing (\$3.5m):** Mindanao location de-scoped entirely with facility refurbishment and equipment installation undertaken only in Cebu/ Visayas (further reduces budgeted costs, however significantly reduces committed response capacity delivered);
- **25% resourcing (\$1.7m):** A reduced-scope 2-year training programme will be implemented and the Cebu temporary DRC lease maintained for two years, until the end of the project period. After two years Cebu facility lease will either be i) transferred to government counterparts or ii) terminated, with equipment transferred to NROC and WFP warehouses for storage (attempts to maintain existing investments at minimum budgeted cost, with no new facilities development);

46. It should be noted that last scenario (\$1.7m resourcing) is considered a 'worst-case' contingency only. In light of mutual interest of WFP and government counterparts and the fact that approx. \$0.7m in resourcing is expected to carry-over from the 2014-2016 period, WFP is hopeful that this contingency will not be required.

47. Key Performance Indicators:

- Handover: Number of WFP-managed systems and tools handed over to the Government (Target: 3)
- Number of government/national partner staff receiving technical assistance and training (Target: 250)
- Number of training sessions / workshops organized (Target: 12)
- Number of Standard Operating Procedures developed and implemented (Target: 2)
- Number of facilities constructed (Target: 1)
- Number of Government facilities rehabilitated (Target: 1)

RECOMMENDATION

48. In order to achieve the goals and activities described above, it is recommended to extend the duration of the project until 30 June 2018, with an increased budget of US\$ \$ 2,998,157.