

**BUDGET REVISION TO PROTRACTED RELIEF AND RECOVERY OPERATION
THE APPROVAL OF EXECUTIVE DIRECTOR
INDONESIA 10069.2
(Budget Revision Number 7)**

Assistance for Recovery and Nutrition Rehabilitation

	Present budget	Increase	Cost (United States dollars) Revised budget
Food cost	67,528,822.62	6,987,838.60	74,516,661.22
External transport	1,602,141.36	64,680.00	1,666,821.36
LTSH	10,123,089.06	1,373,149.00	11,496,238.06
ODOC	2,706,294.00	1,266,100.00	3,972,394.00
DSC	11,408,599.66	2,172,464.17	13,581,063.83
ISC (7%)	6,535,826.27	830,496.22	7,366,322.49
Total cost to WFP	99,904,772.97	12,694,727.99	112,599,500.96

NATURE OF THE INCREASE

1. A budget revision to the Indonesia protracted relief and recovery operation (PRRO) 10069.2 “Assistance to Recovery and Nutrition Rehabilitation” is proposed to:
 - Extend the project for one year from 1st January to 31st December 2011 to enable the transition from the current activities into a WFP development portfolio (Country Programme) in 2012;
 - Strengthen government capacity to address food insecurity, to reduce under-nutrition below critical levels, and to prepare for and respond to disasters and shocks;
 - Provide an additional 9,356 mt of food commodities to vulnerable groups within targeted food insecure districts;
 - Sustain WFP’s disaster response capacity;
 - Further integrate WFP’s activities into government plans and programmes;
 - Meet additional associated costs: direct support costs (DSC), other direct operational costs (ODOC), and landside transport, storage and handling (LTSH), to support the transition.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of existing project activities

2. The main objectives of Indonesia PRRO 10069.2 “Assistance to Recovery and Nutrition Rehabilitation” are to:
 - (i) improve the micronutrient status of children aged 24 –59 months and pregnant and lactating women, and their nutrition-related behaviour (Strategic Objective 3);
 - (ii) improve attendance of primary schoolchildren aged 6–13 and their cognitive performance, and knowledge and practice

of nutrition-related behaviour (Strategic Objective 3); (iii) contribute to improved food security for vulnerable food-insecure families through food for work (FFW) and food for training (FFT) to build community capacities (Strategic Objective 3); and (iv) to provide short-term food aid for families in emergencies (Strategic Objective 1).

3. Mother-and-children nutrition (MCN) – WFP addresses micronutrient deficiencies in young children through fortified food assistance and nutrition education provided at the local integrated health posts to 209,000 children under 5 years of age, and 50,000 pregnant and lactating mothers.
4. Primary school feeding – WFP enhances education and health & nutrition related behavior of the school children through provision of fortified food and health & nutrition education to 320,000 children. In October 2010, WFP implemented a small pilot school feeding activity using local produced food, namely beans and maize at NTT. This pilot to use local food for school meals is in line with WFP’s school feeding policy and the government’s plans to revitalize their own existing school feeding policy.
5. TB programme with the objective to improve the compliance and completion of the Directly Observed Short-course (DOTS), was closed in June 2009 due to lack of funding.
6. Asset creation through Food for Work (FFW) and Food for training (FFT) – WFP assists over 115,000 beneficiaries under FFW/FFT projects aimed at creating/ rehabilitating small-scale agriculture and rural infrastructure assets. These projects help to build community resilience to withstand further shocks, while providing immediate support to their livelihoods.
7. Relief assistance - A 10 percent contingency for 70,000 beneficiaries is included in the PRRO. Last year there have been two destructive earthquakes one of which required a WFP response. Recently Indonesia has been hit by two disasters simultaneously, a powerful earthquake (7.2 RS) struck off the west coast of Sumatra triggering a Tsunami and Mount Merapi in East Java started erupting several times displacing some 320,000 people.
8. In addition, this PRRO has significant capacity building activities. Positive examples of capacity building works includes WFP’s support to the Food Security Agency (FSA) with a number of capacity building activities since 2003, leading to various outputs – two Food Security Atlases (2005 and 2009), Nutrition Map (2005/6), Food and Nutrition Security Surveillance (FNSS, 2006-10), Food and Nutrition Security Monitoring System (FNSMS, 2009-10) and the roll out of the Food Security and Vulnerability Atlas to the Sub-district level.

Conclusion and recommendation of the re-assessment

9. Under the corrigendum of the current PRRO, it is stated that ‘WFP should be able to phase out of Indonesia by the end of 2010, but impoverished areas such as Nusa Tenggara Timur (NTT) and Nusa Tenggara Barat (NTB) may need further assistance unless there is an improvement in nutritional indicators and Government resources are available’. It is now clear that there has not been an improvement in nutritional indicators but in some cases a further decline. The joint FSVA launched by the President of Indonesia in May this year also indicates that food insecurity is higher in the eastern part of the country including NTT, NTB and Papua. The 2011-2015 UNDAF (or UN Partnership for Development Framework) also highlights the need to focus in NTT, Papua and Aceh with a focus to make decentralization work for the poor and the vulnerable, and for the UN to increasingly engage in capacity development and in upstream work while doing less of service delivery.

10. Since late 2009 the Indonesia Country Office has implemented a consultative process with the Government at both central and provincial levels to determine the new strategy for WFP in Indonesia. The process has shown to WFP that there is a clear need and request from the government for WFP support to continue with a strong focus on SO5 component of strengthening the capacity of Indonesian counterparts to reduce hunger. The government fully supports the transition from food aid to food assistance. WFP will focus on three strategic priorities over the period of 2011 – 2015, to:
 - Strengthen Indonesian capacity to monitor, analyze, map and address food insecurity
 - Strengthen Indonesian capacity to prepare for and respond to disasters and shocks
 - Strengthen Indonesian capacity to reduce under-nutrition below critical levels
11. Indonesia has achieved over 5% economic growth since 2004 and government revenue also increased significantly. However, benefits of economic growth have yet to trickle down to large segments of Indonesia's population who are persistently vulnerable to food and nutritional insecurity. Since 2004, the poverty headcount has fallen from 16.7% to 14.15 % in 2009, but despite these gains, 43% of the population lives on less than US\$2 a day (Purchasing Power Parity).¹
12. According to the 2009 Food Security and Vulnerability Atlas (FSVA), 87 million Indonesians are food insecure. The FSVA also revealed regional disparities. In 2009, poverty was concentrated in six provinces (Papua, Papua Barat, Maluku, Nusa Tenggara Timur (NTT), Gorontalo and Nanggroe Aceh Darussalam (NAD), with poverty rates ranging from 4% in Jakarta to 38% in Papua. The FSVA also shows that food insecure areas concentrate in the eastern part of the country in provinces where WFP are operational.
13. The Government of Indonesia (GOI) has started to recognize the importance of food security in regards to food access and food utilization issues. This year, the President of Indonesia signed and launched the 2009 FSVA, a collaborative work between WFP and the Government that analysis food security at the district level. The President has emphasized price stabilization, farmer's income versus the middleman, food reserves, diversification of food intake, food security monitoring and early warning systems as priorities for food security. WFP needs to provide appropriate inputs to the upcoming five year National and Provincial Food Security and Nutrition Action Plans (2010-2015) and other initiatives intricately linked to these government priorities. Meanwhile, work at the provincial level needs to continue, in the light of decentralization which has transferred significant responsibilities from central to local government. The provinces where WFP operates have considerable capacity gaps.
14. Indonesian geographic location along the Pacific 'Ring of Fire', an active tectonic zone characterised by frequent earthquakes and volcanic eruptions, making it one of the most natural disaster prone areas in the world. It exposes Indonesian households to over 130 hazards per year. Indonesia also repeatedly suffers from slow-onset natural disasters, particularly drought in the east, affecting agriculture and livelihoods of a large proportion of the population who are dependent upon rain-fed agriculture. As a result of climate change, these disasters are anticipated to worsen and impact rural economy.
15. As Indonesia emerges as a middle income country, traditional public sector funding has reduced drastically. Therefore the programme has had to adjust to the resourcing levels available and forecast. Private sector funding has played an increasing role in the support of the project.

¹ Final report: The Impact of Global Financial Crisis on Indonesia, BAPPENAS, BPS and World Bank, 2010

Information on food security and nutrition trends

16. WFP has been providing technical support since 2003 to produce the national Food Security and Vulnerability Atlases (FSVA) covering 346 rural districts of 32 provinces. The Atlases have proven to be an important tool for refining the geographical targeting of higher vulnerable districts for food security and nutrition related interventions. The FSVA is fully integrated into annual government work plans and budgetary allocations. Based on the first edition, the Government allocated more than US\$ 32 million to 100 rural districts identified as food insecure and initiated immediate interventions in 2007 – 2008. The FSVA helps broaden the understanding of food security, away from the concept of availability and cereal supply to introduce the elements of access and utilization. The next phase is to roll the FSVA out to the sub-district level.

17. Rice is the main staple for most Indonesians, with maize, cassava and sweet potatoes also being important crops for some population groups, particularly in eastern parts of Indonesia. The government statistics shows cereal availability at the national level is adequate and production has been constantly increasing since 2007. The production of rice reached 59.9 million tons in 2008 - rice self-sufficiency was achieved for the first time since 1997-1998 El Niño and Asian Financial Crisis. However this year the government is required to import an estimated 1.2 million tons of rice.

Regional disparities in productivity and vulnerability to climate risks remain as key challenges. Productivity of rice greatly varies between areas. It is highest in Java and lowest in NTT, Central Kalimantan and Papua.² As a result, most districts in these areas are rice deficient and import rice from Java. Cereal production is largely affected by climate risks, particularly in areas of low productivity. During El Niño years (1997, 1998 and 2006) protracted dry seasons resulted in a significant decrease in cereal production. The analysis of rainfall records during the past 30 years indicates a trend of generally increasing drought risks in most areas of the country.³

18. Limited access to food as a result of a combination of poverty, lack of stable employment, low agricultural productivity and seasonal volatility of staple price remains a greater challenge than national level food availability. Poverty ratio which is 13% at national level increases up to nearly 40% in the eastern part of the country where most people are engaged in agriculture. A number of socio-economic surveys and food security assessments show that poor households spend over 60% of their income on food. During the pre-harvest season they spend a quarter of their household income on rice alone and more households reduce daily frequency of meals. Food and Agriculture Organization (FAO) estimates that 37 million people subsist on less than the Indonesian minimum recommended daily energy intake of 1,800 kcal/day. Moreover, when using a commonly referenced dietary energy consumption benchmark of 2,000 kcal/day, government statistics show that nearly 62% of the population consumes below that amount,⁴ in excess of 140 million people.

² Crop Productivity Survey by National Statistics Bureau, 2009

³ Food Security and Vulnerability Atlas of Indonesia, WFP and Government of Indonesia, 2009

⁴ Food and Nutrition Action Plan 2011-2015, Director of Health and Community Nutrition, Ministry of National Development Planning

19. The nutritional status of children under five is a major reason for concern in Indonesia. Despite some improvement, in the past three years, stunting prevalence has decreased only from 36.8% (2007)⁵ to 35.6% (2010) nationwide, with much higher levels in the eastern provinces, The 2010 Ministry of Health figures show that for Nusa Tenggara Timur (NTT) stunting is 58.4 %, Nusa Tenggara Barat (NTB) 48.2%, and Papua 28.3%. It is now widely acknowledged that stunting causes irreversible developmental damage ultimately negatively affecting child's growth, health, learning ability, as well as future economic productivity and income generating capacity.
20. Nine of Indonesia's 33 provinces have a wasting prevalence above 15%, although the wasting prevalence rates of NTT and NTB where WFP implements Mother-and-children nutrition programme have been improved since 2007, both provinces still have high prevalence of 13.20% and 14.00% respectively.⁶ Moreover nationally, 6.0% of children are severely wasted which puts them at high risk of death.
21. Approximately 24% of women of reproductive age (non pregnant) have BMI < 18.5 and 40% are anemic (Hb <11g/dL). Anemia in children 3-23 months of age is approximately 80%. Exclusive breastfeeding rates are low, early introduction of sub optimal complementary foods is common and feeding practices are not optimal.⁷
22. In March 2010 a Ministry of Health Landscape Analysis Country Assessment⁸ was conducted in collaboration with UNICEF, WHO and WFP to assess the government's readiness to act to accelerate the reduction of maternal and child under-nutrition The assessment highlighted that 'although the commitment to act for nutrition is reasonably strong, the capacity to act for nutrition still needs to be strengthened, including at regional government institutions'.

Purpose of extension and budget increase

23. The current PRRO planning for 2010 is for 30,758 mt of food, under this budget revision the planning will be significantly reduced to 9,356 mt. Enhanced targeting, increased streamlining with partners and alignment with government programmes and priorities will take place. Given the resource decreases, activities will concentrate on acute needs, while more efforts will be taken to provide an integrated approach.
24. WFP VAM work should guide WFP prioritization and overall programme design under the new strategy. It will continue to build on the current support to the roll out of the Provincial Food Security and Vulnerability Atlases. This will also include capacity building to other food security surveillance systems and early warning bulletins. WFP will focus on the Province NTT, NTB and Papua. In Papua for example - The Food Security and Vulnerability Atlas (FSVA) shows that nearly all districts in Papua Province are highly vulnerable to food insecurity. WFP has recently established an office in Papua to support the government with capacity building. In NTT and NTB the Provincial Food Security and Vulnerability Atlases will be used to further refine the targeting of activities.
25. During the one-year extension period, the PRRO will continue the implementation in targeted provinces of NTT, NTB, and East Java with the following prioritized activities:

⁵ Basic Health Research MoH (RISKESDAS) 2007

⁶ Basic Health Research MoH (RISKESDAS), 2010

⁷ 2007 HKI/CWS/CARE survey in NTT

⁸ The Landscape Analysis, Indonesian Country Assessment, 6 September 2010

- Mother-and-children nutrition (MCN): WFP will continue to provide fortified biscuits to children aged 6 – 59 months to address micronutrient deficiencies. A separate rice ration is provided to pregnant and lactating women as incentives to attend the health posts where mothers can receive health and nutrition education and where their children’s growth is monitored.
 - Primary school feeding programme: WFP will continue to provide fortified biscuit in NTB. The school meals activity using local produced food will continue to be piloted in NTT and be expanded to East Java.
 - Asset-creation activities through FFW/FFT will be implemented during the extension period focusing on land conservation and agro forestry which will be resulted in improved livelihood opportunities and increased resilience against climate change and natural disasters.
26. Relief assistance: An emergency reserve will facilitate speedy response to emergencies in case the requirements exceed the Government’s means and capacity. The reserve is budgeted for 6,700 beneficiaries for a 20-day period, with 100 mt of food.
27. In addition to above, technical assistance and capacity building pilots will be conducted/continue in 2011. During 2010 the government revitalized their school feeding programme, based on the presidential instruction from 1997. Due to the decentralization of funding, school budgets and the focus on school meals has reduced. The central government has provided funding to one district per province to provide locally available nutritious school meals/snacks. WFP is prototyping as a demonstration for the government and the community a local food based school meals programme, where WFP provides two basic commodities and the community provides other ingredients, including coconut milk, banana and vegetables. From 2012 and beyond WFP intends to limit its role to providing technical assistance to the national school feeding programme. In this regard solid handover strategies should be developed and implemented in consultation with national, provincial and district government during the transition.
28. Asset-creation activities through FFW/FFT: Targeted areas are food insecurity areas of NTT and NTB. In East Java the district of Sampang is willing to replicate WFP’s FFW modalities with their own resources. WFP will provide capacity building on FFW proposal, work-norms, and implementation process to local government staff and also enhance their technical skills through technical assistance. This initiative will be prototyped to other districts by provincial government.
29. Indonesia due to its geographic location will always be prone to disasters, it is often quoted that it is not a matter of ‘if’ the next disaster will strike but ‘when’. Since September 2009, WFP has responded to three emergencies – tsunami, earthquake and volcanic eruptions. With WFP responsibility of leading both the Logistics and the Emergency Telecommunication cluster and co-chairing the food and nutrition cluster with UNICEF, WFP needs to be able to sustain a disaster response capacity. More recently WFP has started to build the capacity of the National Disaster Management Agency (BNPB) and has two staff embedded in BNPB to strengthen their capacity in the areas of logistics and emergency telecommunication.
30. The Government has shown a strong commitment to assume greater responsibilities for its food security and nutrition situation. During 2010, the government’s 2011-2015 National Food and Nutrition Action Plan will be completed by the end of the year with guidance for the provincial

plans to be developed during 2011. WFP will support the Provincial and District authorities in this planning process. Currently WFP is collaborating with UNICEF and FAO on a Food Security Response Analysis Framework that aim to strengthen the district's planning capacity.

31. Improving WFP approach to nutrition in Indonesia will be an important focus in 2011. Indonesia has been selected as one of the focus countries for Project Laser Beam (PLB), which is a five-year public-private partnership initiative that seeks to eradicate child malnutrition. WFP's core priority will be on prevention of malnutrition among children under two and pregnant and lactating mothers. This central target group is essential to prevent stunting. NTT is the pilot province of Project Laser Beam (PLB).
32. Through the enhanced nutrition improvement approach in 2011, WFP's focus on improving the household food security and increasing micronutrient intake will be increased by adding value to the government's social safety nets and service delivery mechanism – i.e. targeting, design, implementation support, innovation, monitoring and evaluation, advocacy to name a few. WFP will explore together with the government in addressing the 6-11 months age group currently not within WFP coverage. WFP's focus on complementary feeding will be through local production of ready to use foods and fortified foods in eastern Indonesia. By tapping into our local purchase initiative and supply chain optimization potential, the expected multiplier effects are to stimulate the market for local agricultural products such as maize and sweet potatoes, enhancing dietary diversification and generating income to the local farmers who are one of the most food insecure groups. WFP's work on food security monitoring, analysis and mapping will be critical, while coordination work will increase, especially in the eastern provinces with high food and nutrition insecurity.
33. As a critical transitional year to lay the foundation for the Country Programme, various feasibility studies and assessments will be conducted during 2011 including; markets, livelihood and nutrition, mapping, and delivery mechanisms. A review will also take place to determine how to concretely maximize private sector engagement while exploring possibilities to scale up through the government channels and to begin a more integrated approach to nutrition within the Country Programme time frame. Innovative mechanisms including voucher for work, use of fortified rice and/or new commodities through food for work will also be explored during 2011.

TABLE 1. BENEFICIARIES BY ACTIVITY TYPE/COMPONENT			
Activity	Category of beneficiaries	Beneficiaries	
		Current (2010)	Revised Planning (2011)
MCH	Under five year olds	209,000	80,000
	PLW	50,000	24,000
School feeding	Primary School Students	320,000	140,000
FFW/FFT	Food Insecure HH	115,000	40,000
TB	TB Patients	150,000	0
Relief Assistance	IDPs	70,000*	6,700
Total		914,000	290,700

* 70,000 beneficiaries for relief assistance was a contingency plan and not included plan

TABLE 2: PROPOSED FOOD RATION (kg/person/month)			
Beneficiary	Activity	Commodity	Ration
Under five year olds	MCH	Fortified Biscuits	1.5
PLW	MCH		5
Primary School Students NTB	School Feeding	Fortified Biscuits	1.25
Primary School Students NTT	School Feeding)	Maize Grits	0.6
Primary School Students NTT	School Feeding	Mung bean	0.12
Food Insecure HH	FFW/FFT	Rice	60

FOOD REQUIREMENTS

34. Additional food requirements for the period of January 2011 to December 2011 will be 9,356 mt at a food cost of US\$ 6.98 million and a total cost of US\$ 12.76 million (see Annex 1A).

TABLE 3. FOOD REQUIREMENTS BY ACTIVITY TYPE				
		Food requirements (mt) Cash/voucher (US\$)		
Activity	Commodity type/ Cash & voucher	Current (2008 to 2010)	Increase (2011)	Revised total
School feeding	Maize	101	581	682
School feeding	Beans	25	116	141
School feeding	HEBs	19,117	1,239	21,796
MCH	HEBs		1,440	
MCH	Rice	46,280	1,440	52,160
FFW/FFT	Rice		4,440	
Relief	Noodle	0	100	7,655
School Feeding & MCH	Noodle	7,555	0	
	Wheat	8,615		8,615
Total		81,693	9,356	91,049

APPROVAL

Approved by:

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United Nations World Food Programme

Date

ANNEX I-A

BUDGET INCREASE COST BREAKDOWN			
Food ⁹	Quantity (<i>mt</i>)	Value (<i>US\$</i>)	Value (<i>US\$</i>)
Cereals	6,560.80	3,632,668.00	
Pulses	116.16	207,345.60	
Oil and fats	00 000	00 000	
Mixed and blended food	2,679.00	3,147,825.00	
Others	00 000	00 000	
Total food	9,355.96	6,987,838.60	
Cash transfers		00 000	
Voucher transfers		00 000	
Subtotal food and transfers			6,987,838.60
External transport			64,680.00
Landside transport, storage and handling			1,373,149.00
Other direct operational costs			1,266,100.00
Direct support costs ¹⁰ (see Annex I-B details)			2,172,464.17
		Total direct project costs	11,864,231.77
		Indirect support costs (7%) ¹¹	830,496.22
		TOTAL WFP COSTS	12,694,727.99

⁹ This is a notional food basket for budgeting and approval. The contents may vary.

¹⁰ Indicative figure for information purposes. The direct support costs allotment is reviewed annually.

¹¹ The indirect support cost rate may be amended by the Board during the project.

ANNEX I-B

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff and staff-related costs	
International professional staff	339,870
International general service staff	00 000
Local staff - national officers	243,895
Local staff - general service	237,270
Local staff - temporary assistance	420,829
Local staff - overtime	00 000
Hazard pay and hardship allowance	00 000
International consultants	00 000
Local consultants	00 000
Non staff HR: UNV	50,400
Commercial consultancy services	00 000
Staff duty travel	166,700
Subtotal	1,458,964
Recurring expenses	
Rental of facility	228,800
Utilities general	48,100
Office supplies and other consumables	58,100
Communications and IT services	134,200
Equipment repair and maintenance	40,000
Vehicle running cost and maintenance	58,300
Office set-up and repairs	45,000
UN organization services	00 000
Subtotal	612,500
Equipment and capital costs	
Vehicle leasing	00 000
TC/IT equipment	70,000
Local security costs	31,000
Subtotal	101,000
TOTAL DIRECT SUPPORT COSTS	2,172,464