

PROJECT REVISION FOR THE APPROVAL OF:**➤ Deputy Executive Director and COO - Operations Department**

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office or Regional Bureau on behalf of Country Office
<u>CLEARANCE</u>				
Regional Director
Programme Officer, RMBP
Chief, RMBP
Chief, ODLT (change in LTSH and/or External Transport)
Director and Deputy CFO, RMB
Director, ODX
<u>APPROVAL</u>				
Deputy Executive Director and COO – OD

PROJECT

	Previous Budget	Revision	New Budget
Food cost ⁱ	US\$ 4,270,638	US\$ 1,126,250	US\$ 5,396,888
External transport ⁱⁱ	US\$ 744,185	US\$	US\$ 744,185
LTSH ⁱⁱⁱ	US\$ 1,745,271	US\$ 262,786	US\$ 2,008,057
ODOC ^{iv}	US\$ 50,646	US\$ 52,900	US\$ 103,546
DSC ^v	US\$ 861,333	US\$ 381,956	US\$ 1,243,289
ISC (7%) ^{vi}	US\$ 537,045	US\$ 127,672	US\$ 664,717
Total WFP cost (US\$)	US\$ 8,209,118	US\$ 1,951,564	US\$10,160,682

TYPE OF REVISION

- | | | | |
|--|--|---|---|
| <input checked="" type="checkbox"/> Additional commodity | <input checked="" type="checkbox"/> Additional DSC | <input checked="" type="checkbox"/> Additional ODOC | <input checked="" type="checkbox"/> Additional LTSH |
| <input type="checkbox"/> Additional external transport | <input type="checkbox"/> Other | <input type="checkbox"/> Re-orientation | <input checked="" type="checkbox"/> Extension in time |

NATURE OF THE INCREASE

1. A budget revision for the Laos development project 103060 “Assistance to Food Insecure Households in Transition” is proposed to:
 - Extend in time the project, from July 2010 to December 2011;
 - Provide an additional 2,625 mt of food, valued at US\$1,076,250; and
 - Undertake a second cash-for-work (CFW) pilot project with a value of US\$50,000.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of existing project activities

2. This project was designed to improve the livelihoods and reduce the long-term food insecurity of rural households in Laos. Through food for work (FFW) and food for training (FFT) focused on road construction, paddy land development, and non-formal education, among other activities, this project assists communities that are particularly vulnerable to the rapid transformation of the agricultural sector in upland areas.
3. Until the last decade, farming and mainly rice production was largely subsistence-based with cultivation choices driven by household consumption needs. The area under upland rice cultivation in Laos has declined significantly over the past decade as a result of government policies to eradicate shifting cultivation.¹ This policy combined with other factors such as resettlement, foreign direct investment and increased commercial farming have had a significant impact on the food security of upland communities by limiting the amount of land available for smallholders to cultivate for their own production and restricting access to non-timber forest products for consumption and sale.
4. Since its start in 2004, this project, which initially aimed to support 366,700 food-insecure people over a three-year period, has focused on partnering with non-governmental organizations (NGOs) to support the most vulnerable communities. FFW and FFT activities have been implemented in the northern provinces of Oudomxay, Luangnamtha, LuangPrabang and Attapeu in the South, through partnerships with NGOs such as Action Contre la Faim (Action Against Hunger – ACF), German Agro Action (GAA), Norwegian Church Aid (NCA), and *Gesellschaft für Technische Zusammenarbeit* (German Agency for Technical Cooperation - GTZ) as well as with government projects supported by the International Fund for Agricultural Development (IFAD). The partnership with IFAD and the Department of Planning and Investment has grown over the past two years given its effectiveness in reaching the intended objectives and the adequate integration of its coordination arrangements into local development plans and decision-making structures.

Conclusion and recommendation of the re-assessment

5. The 2009 Country Portfolio Evaluation recommended that WFP align its projects to the government plan and the United Nations Development Assistance Framework (UNDAF). An 18-month extension-in-time will give the country office time to prepare a Country Strategy Document (CSD) and to design a new country programme (CP) starting in 2012. The new CP will be aligned with the next Government's 7th National Socio Economic Development Plan (2011-2015) and the next UNDAF (2012-2016).

¹ Shifting cultivation is an agricultural method in which the seed is put in the holes on the surface after cutting down and burning the trees during the dry season for one to two years and moved to another place because of productivity decrease.

6. A mid-term review (MTR) of this project conducted in 2008 highlighted that FFW activities were generally appreciated by the communities, particularly the road construction which allowed for better integration of villages to markets and prevented some villages from being relocated. In line with the MTR recommendations, WFP has shifted from village to household level targeting. The MTR also recommended piloting the use of cash transfers in Laos. A small CFW pilot was completed in partnership with the *Entreprise des Postes du Laos* (EPL) showing successful results; cash-based assistance was preferred by beneficiaries; EPL proved to be an effective partner and operational systems established were appropriate. Following this initial pilot, WFP carried out additional rapid market assessments and produced a market synthesis report, which recommended the implementation of an expanded pilot to broaden testing of cash transfers. The use of cash transfers is warranted based upon market assessments, community preferences, and high levels of debt incurred by households to buy food.
7. A recent post-harvest emergency food security assessment conducted by WFP and its partners in November 2009 in the northern provinces concluded that an estimated 13 percent of households had poor food consumption and that a further 16 percent had borderline consumption, indicating the likelihood of more households falling into the poor consumption category during the lean season. It also concluded that the average household food consumption scores by province were lowest in Bokeo and Oudomxay, warranting particular attention to these provinces.

Purpose of extension and budget increase

8. The Government is expected to finalize by end-2011 a few key sector strategies and plans related to longer term food insecurity. The 7th National Socio Economic Development plan contains a chapter on agriculture and forestry and should be finalized by the end-2010. An Agricultural Development Strategy is also being developed as is a joint uplands programme. WFP will be actively participating in these processes, which will provide the necessary policy orientation for the development of the CSD and subsequently the CP. By engaging more in policy dialogue via the agriculture sector working group and contributing to the strategies under development, WFP will ensure better integration and alignment of its work to the government strategies.
9. **Food for work:** In partnership with the Government and agencies such as IFAD, WFP will continue to support FFW in Oudomxay, Luangnamtha, and Luang Prabang in the North and Attapeu in the South and will explore opportunities in other food-insecure provinces, including Bokeo. At village level, households with rice deficits of between 4-6 months per year will be targeted. Using participatory rural appraisal techniques, FFW schemes will be identified by the communities. Activities may include: paddy development and terracing; well irrigation canals and mini dams to increase yields and productivity; fish pond construction; rehabilitation or construction of village access tracks and roads; and cash crop garden development to generate cash income and improve the diet of beneficiaries. Building upon its past experience, WFP will advocate for a stronger involvement of the Government technical agencies at the provincial and district levels in the identification, implementation and monitoring of the FFW schemes.
10. **Cash for work:** The proposed extension-in-time will allow WFP to consolidate its experience in implementing CFW. Based on evaluation recommendations, WFP, in collaboration with EPL, will implement an expanded CFW pilot in two districts (including the site of previous pilot) of Oudomxai Province. Within these districts, all FFW activities will be replaced with CFW for further testing of cash transfers. The activities supported under CFW and the process for selecting villages and households will be the same as for FFW. The expanded CFW pilot will build on findings from the initial pilot and will seek to answer key questions identified from the pilot evaluation, including the appropriateness of CFW in more remote communities, the cost efficiency of cash versus food and the impact of cash programming on local markets. The World Bank has

expressed interest in funding the expanded CFW pilot as part of a broader partnership with WFP to assist the Ministry of Labour and Social Welfare to develop a national social safety net programme.

11. **Food for training:** One of the government objectives is to build capacity of the agricultural sector in commercializing its production, through the promotion of small and medium enterprises and fostering local associations. Small farmers will be supported through food for training (FFT) implemented in collaboration the Ministry of Agriculture and IFAD. Small farmers will be encouraged to create and manage Farmers Associations to facilitate the commercialization of their crops (e.g. organic farming). Through the FFT component, WFP will also continue to support literacy training for women from vulnerable food-insecure households. Literate women are less likely to be food-insecure and malnourished and their knowledge benefits the whole family.
12. **Monitoring and evaluation:** WFP has developed a computerized web-based monitoring system, which will be used for monitoring the implementation of this development project.

Activity	TABLE 1. BENEFICIARIES BY ACTIVITY		
	Jan - June 2010	Increase	July 10 to Dec 11
FFW	28,732	30,331	59,063
FFT	1,600	4,962	6,562
CFW	-	2,292	2,292
Total	30,332	37,585	67,917

Activity	TABLE 2. FOOD AND CASH RATIONS
FFW	4 kg of rice per participant per day
FFT	4 kg of rice per participant per day
CFW	US\$ 2.18 per participant per day

FOOD REQUIREMENTS

Activity	TABLE 3. FOOD REQUIREMENTS BY ACTIVITY (mt)		
	Present	Increase	Revised
FFW	15,945	2,363	18,308
FFT	1,386	262	1,648
Total	17,331	2,625	19,956

*Cash transfers planned in 2011 amount to US\$50,000

13. Local and regional purchase of rice is envisaged if cost-effective. For FFW activities, 40 percent of the total rice allocation will be distributed at the beginning of the implementation of the scheme to meet the immediate food needs, and the remaining balance will be distributed after the scheme has been completed. For CFW activities, the previous pilot disbursed the cash at the completion of the scheme. However, WFP will explore the possibility of using a disbursement modality similar to the FFW, with 40 percent of the entitlement paid at the beginning and the remainder after the completion of the scheme.

DISTRIBUTION:

Chief, ODLT	DED & COO	Regional Director
Country Director	Chief, ODXP & RMBP & ODXR	RB Programme Advisor
OD Registry	Programme Officer, RMBP	RB Programme Assistant
ERD	Programming Assistant, RMBP	RB Chrono
	Chief, RMBB	Liaison Officer, ODB

ⁱ Food cost can comprise both commodities and cash/voucher transfers.

ⁱⁱ The first leg of transport for commodities: from the donor country to the recipient country port, or in cases of regional commodity purchases, from the place of purchase to the recipient country.

ⁱⁱⁱ Landside, Transport, Storage and Handling - LTSH comprises the actions required to (a) care for and (b) physically deliver the commodities from the completion of external transport through to final distribution.

^{iv} Other Direct Operational Costs - ODOC include deliverable goods (non-food items), services and training to beneficiaries and/or to implementing partners.

^v Direct Support Costs - DSC are those costs which are incurred directly in support of projects by a WFP Country Office.

^{vi} Indirect Support Costs - ISC is a fixed rate resourced from all donor contributions, which is used to cover (non-project) corporate overhead costs, i.e. PSA.