

Budget Revision No. 901

Budget revision to Bangladesh EMOP 10788.0: 'Emergency safety net for vulnerable groups affected by high food prices and natural disasters in Bangladesh'.

	Cost (United States dollars)		
	Present budget	Increase	Revised budget
Food cost	125,414,182	(3,126,179)	122,288,003
External transport	15,772,062	-	15,772,062
LTSH	11,672,206	-	11,672,206
ODOC	9,339,111	2,834,328	12,173,493
DSC	4,916,640	291,797	5,208,437
ISC (7%)	11,697,994	-	11,697,994
Total cost to WFP	178,812,195	-	178,812,195

NATURE OF THE INCREASE

1. The proposed budget revision includes: (i) extension of the duration of the EMOP until end December 2009; (ii) increase in the cash transfer activities that will be conducted within this extended timeframe (US\$ 17,670,418), (iii) increase in direct support costs (DSC) of US\$ 291,797 and other direct operational costs (ODOC) of US\$ 2,834,328, and (iv) introduction of a provision to use a Ready-to-Use Supplementary Food (RUSF) on a pilot basis. The increase in cash transfers, the introduction of a RUSF, together with the increase in DSC and ODOC, are undertaken through commodity substitution, with no change in the overall budget of the EMOP.

JUSTIFICATION FOR EXTENSION-IN-TIME AND/OR BUDGET INCREASE

Summary of existing project activities

2. In November 2008, WFP approved Bangladesh EMOP 10788.0 to assist 5,000,000 beneficiaries over a period of 9 months from 1 November 2008 to 31 July 2009. The EMOP covers an overall tonnage of 259,593 mt, including US\$ 3,000,000 for cash for work, at a total cost of US\$ 178,812,195.
3. The overall goal of EMOP 10788.0 is to complement the Government's safety net programmes to alleviate the impact of high food prices in highly food insecure and disaster prone areas. The EMOP covers the following activities: (1) Targeted Relief Assistance; (2) Nutrition Interventions; (3) School Feeding; (4) Employment Generation; and (5) Strengthening the Capacity of Government to manage effective safety nets.

4. The nutrition interventions focus on reducing and/or stabilizing acute malnutrition among pregnant and lactating mothers and children 6-24 months. WFP targets 250,000 beneficiaries with nutrition assistance in severely affected geographic clusters under the EMOP.
5. The Employment Generation (EG) activities transfer in-kind food or cash in highly food insecure and disaster prone areas, with the overall goal of raising agricultural productivity, thus contributing to self sufficiency, and mitigating current and future vulnerability to volatile food prices and related food insecurity. Its specific objective is to improve the food security of 100,600 ultra-poor¹ agricultural households affected by volatile food price.

Conclusions and recommendations of the re-assessment

6. High food prices have taken a large toll on the highly impoverished population in Bangladesh. BRAC/DFID's nutrition assessments in mid-2008 revealed Global Acute Malnutrition (GAM) rates of 25-27 percent in some areas. According to a recent WFP/UNICEF/IPHN survey on household food security and nutrition, one in four household in Bangladesh is food insecure and the GAM rate (13.5 percent) is close to the emergency threshold even after the harvest.² The survey also revealed that to cope with higher food prices, people have fallen deeper into debt.
7. The recent global financial crisis has provided another challenge to the food security situation of the country. An analysis and study of the global financial crisis (GFC), conducted in March-April 2009 by WFP, concluded that associated economic events could easily contribute to a deteriorating food security situation in Bangladesh³. The main concerns centre around a likely future decline in remittances and income earned through exports.
8. In 2008, the Bangladesh country office implemented cash transfer activities on a pilot basis under the Cyclone Sidr EMOP operation. In order to review the pilot cash transfer activities, a cash and vouchers mission was undertaken in February 2009 by WFP headquarters and the Regional Bureau, which resulted in an extensive list of recommendations to enhance the distribution and monitoring of cash transfers. Based on the recommendations of the mission, the country office has revised its modalities of intervention for cash transfers, including control measures, and has updated the cash transfer guidelines which are provided in the annex to this budget revision.

Purpose of the extension and budget increase

9. *Purpose of budget revision:* The purpose of this budget revision is to (i) extend the duration of the EMOP until end-December 2009; (ii) propose an increase in the cash transfer activities to be conducted within this extended timeframe (US\$ 17,670,418), (iii) propose an increase in direct support costs (DSC) of US\$ 291,797 and other direct operational costs (ODOC) of US\$ 2,834,328; and (iv) introduce a provision for the use of a RUSF on a pilot basis.
10. The activities proposed under the budget revision are⁴: (i) creation of employment opportunities through combined food and cash for work (US\$ 3,547,445), or cash for work

¹ Extreme poor households are those whose total expenditure is equal to the expenditure of the food poverty line. The cost of acquiring a basic food basket, which has nutritional value of 2,122 kcal/person/day, is taken as the food poverty line (HIES, 2005, BBS, pp.55-56).

² Findings from Household Food Security and Nutrition Assessment (HFSNA): WFP, UNICEF & IPHN; the survey was conducted November 2008 through January 2009.

³ A Rapid Assessment of the Impact of the Global Financial Crisis: by Issa Sanogo, WFP OMX-F/VAM, April 2009.

⁴ WFP will liaise with FAO to gain support, as required, on livestock rearing, vegetable gardening and other related topics.

(US\$ 9,012,257), (ii) skills training on farm activities including agriculture, livestock and other income generating activities, and (iii) the transfer of cash grants (US\$ 5,110,716) as seed capital for income generating activities. The budget revision supports ultra-poor/marginal and landless farmers, including those already affected by, or vulnerable to the global financial crisis. Programme activities and assistance are in-line with a number of key recommendations associated with the recent WFP Global Financial Crisis (GFC) study.

11. *Areas of focus and implementation strategy:* Employment generation activities will provide remuneration, mainly in cash, to highly food insecure and disaster prone areas. The asset creation activity will develop/rehabilitate drainage and irrigation infrastructure, embankments, rural market access roads, and raised seedbeds. Around 100,600 ultra poor men and women will participate in flood resilience and agricultural infrastructure development activities. Out of the total 100,600 households, 58,600 households will be assisted through combined Food and Cash for Work (FCFW)⁵ while the remaining 42,000 households will be assisted through Cash for Work (CFW)⁶.
12. Due to favourable agricultural harvests in 2008, food is generally available in adequate supply in most parts of Bangladesh. The cash assistance will therefore support the market by boosting the purchasing power of those who would otherwise be unable to access the market. This will increase demand and act as an incentive for producers/traders. The combined food and cash activities will be focused on areas where markets are less well integrated, where the transport network is relatively underdeveloped and where remoteness hinders the efficient functioning of markets.
13. 25,000 targeted programme participants of employment generation activities will also be trained in various farm entrepreneurship skills, including small-scale agro-based activities, group farming, diversified crop production, poultry, cow/goat rearing and other income generating activities, based on the capacity and interest of project participants. Training will involve respective Government of Bangladesh technical specialists to explain the type of government services available and how to access them. In addition, technical support will also be sought from FAO to further develop these activities.
14. The skills training will be followed by the transfer of cash grants to these 25,000 ultra poor agriculture/wage workers who will receive a cash grant of Taka 14,000 (US\$ 204⁷) each to implement viable income generating activities (IGA). The cash grants will be provided to allow recipients to purchase productive assets in order to increase household income and improve food security. Past experience and evidence have shown that asset transfers can be an effective means to improve the food security status and food consumption of programme participants⁸.
15. The participants receiving cash grants will be formed into groups, which will be responsible for ensuring that all members invest their cash grants according to individual business plans. The cash grants can be used for more than one IGA if appropriate. The investments will also be closely supervised and monitored by NGOs, who will provide additional support and advice to the beneficiaries.

⁵ Daily per capita remuneration of 3kg wheat and 75 Taka

⁶ Daily per capita remuneration of Taka 150

⁷ Exchange rate of US\$ 1 to 68.55 Taka.

⁸ The Impact of Asset Transfer on Livelihoods of the Ultra Poor in Bangladesh, BRAC: Akhter U. Ahmed et al; April 2009, Research Monograph Series No. 39 (conclusions section).

16. *Expected results:* The following results are expected from the activities covered in this budget revision:
- Result 1: Creation of temporary employment for ultra poor agricultural workers, particularly during the lean/hunger period.
 - Result 2: Enhanced flood resilience (embankments, raised seedbeds) and improved agricultural infrastructure (irrigation/drainage infrastructure and access roads) for poor agricultural workers and marginal or landless farmers in areas of highly recurrent shocks.
 - Result 3: Improved capacity of targeted ultra poor agricultural workers/wage labourers in entrepreneurship skills, including small-scale agro-based activities, group farming, food processing, diversified crop production, poultry/cattle rearing and other income generating activities.
 - Result 4: Increased access to productive assets for farm activities (agriculture, livestock, etc.) and enhanced household income among the targeted ultra poor households.
17. Monitoring will be undertaken by partner NGOs, the Local Government Engineering Department (LGED) of the Government and WFP. WFP monitoring will cover visits to all schemes, at least once, during or after implementation. In addition, WFP will independently monitor cash transfers with four levels of verification as described in the cash transfer guidelines. WFP will regularly verify beneficiary passbook balances and validate these against the cash disbursement records at NGO offices in order to monitor the receipt of cash transfers by the beneficiaries. WFP Field monitors will share monitoring findings with the NGO partner within one week of each monitoring visit. LGED will be responsible for ensuring the technical feasibility of schemes and conducting pre- and post-work measurements for food/cash for work activities. Partner NGOs will also employ technical staff in order to ensure that the implementation of schemes is in line with technical specifications.
18. Donor funding to this EMOP has to date been disappointing. Confirmed funding amounts to only about US\$37 million (20 percent) of total EMOP requirements. Not only has funding been lower than anticipated, it has been received later than expected or desired. Given these factors, combined with the challenges caused by the monsoon which will impact the implementation of recovery (earthwork) activities, the country office was only able to commence the main recovery activities in May 2009; completion dates are therefore expected to extend beyond the current termination date of the EMOP in July 2009. The budget revision, therefore, proposes an extension of the EMOP up to December 2009. The sustainability of activities are however crucial, and if necessary, a further extension of the EMOP, or a transfer of unspent resources to the Enhancing Resilience component of the WFP Country Programme, will be undertaken in December 2009 in order to ensure a continuation of support to beneficiaries assisted under the EMOP.
19. The EMOP was originally approved in line with the US\$3 million ceiling for cash transfer pilot projects outlined in the WFP Operations Department/Policy and External Affairs (PD) Joint Directive 2007/1: Interim Guidance for Pilot Projects. However, at the time of approval of the EMOP, the country office indicated that an increase in the amount of cash transfers would be requested once the full extent of donor support was determined and contributions confirmed. Funding of the cash activities under this EMOP has now been confirmed up to an amount of US\$17 million in support of the Employment Generation activities which will continue to function as a pilot activity. The continuation of the cash

transfer pilot project will enable WFP to further strengthen/streamline the implementation of cash transfer activities and support the conduction of a comprehensive in-depth evaluation.

20. As a new pilot activity, an estimated 30,000 malnourished children (6-24 months) will be assisted by providing a per capita daily ration of 46 grams of Ready-to-Use Therapeutic Food (RUSF) for two/three months under the nutrition interventions of the EMOP. WFP in close collaboration with UNICEF will prepare the implementation details of this pilot activity. A full time international consultant will be available to provide technical assistance and guidance. Based on the outcome of the pilot, the distribution of RUSF may be integrated, as appropriate, under the Community Nutrition (CN) activity of the Country Programme.

Table 1. Beneficiaries by activity type

Activity	Beneficiaries		
	Present	Increase	Revised
Targeted Relief	1,750,000	-	1,750,000
Nutrition Interventions	250,000	-	250,000
School Feeding	1,800,000	-	1,800,000
Employment Generation	1,200,000	-	1,200,000
Total	5,000,000		5,000,000

FOOD REQUIREMENTS

21. This budget revision envisages no increase in the overall budget of the EMOP. The increase in the amount of cash transfers from US\$3 million to US\$17.7 million will be covered through a commodity substitution, as follows.

Table 2. Food requirements by activity type

Activity	Food distribution (mt)		
	Present	Increase	Revised
Cereals	217,311	(47,702)	169,609
Pulses	24,655	-	24,655
Blended Food	3,375	-	3,375
High Energy Biscuits	8,100	-	8,100
Micronutrient Powder (MNP)	232	(127)	105
Cash Transfer	5,920	47,769	53,689
RUSF	-	127	127
Total	259,593	67	259,660

RECOMMENDATION

This budget revision for a five-month extension in EMOP Bangladesh 10788.0 until 31 December 2009, including an increase in cash transfers activities of US\$ 17.7 million, and corresponding reduction in the commodity budget, is recommended for your approval.

Approved by:

Ms. Josette Sheeran
Executive Director, WFP

Date:

BUDGET INCREASE COST BREAKDOWN			
	Quantity (mt)	Average Cost per Ton	Value (dollars)
WFP COSTS			
A. Direct operational costs			
Commodity ⁹			
Cereals	(47,701)	420	(20,034,596)
Cash Transfer (cereals equivalent)	47,769	385	17,670,418
Miscellaneous (Micronutrient powder)	(127)	10,000	(1,270,000)
Ready-to-Use Supplementary Food (RUSF)	127	4,000	508,000
-			
Total commodities	68		(3,126,179)
External transport			-
Landside transport			-
Subtotal for ITSH			-
Total LTSH			-
Other direct operational costs			2,834,382
Total direct operational costs			(291,797)
B. Direct support costs (see Annex II for details)			
Total direct support costs			291,797
C. Indirect support costs (7 percent of total direct costs)			
			-
TOTAL WFP COSTS			0

⁹ 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 IB

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff	
International professional staff	215,440
National Officers	
National general service staff	
Temporary assistance	(3,343)
Overtime	
National Consultants	69,000
Staff duty travel	(139,000)
Staff training and development	50,000
Subtotal	192,097
Office expenses and other recurrent costs	
Rental of facility	
Utilities (general)	9,600
Office supplies	41,500
Communication and IT services	30,000
Insurance	
Equipment repair and maintenance	29,600
Vehicle maintenance and running cost	(1,000)
Other office expenses	
United Nations Organizations Services	
Subtotal	109,700
Furniture tools and equipment	30,000
Vehicles	
TC/IT equipment	(40,000)
Subtotal	(10,000)
TOTAL DIRECT SUPPORT COSTS	291,797