

Nepal PRRO 200152
B/R No.1

BUDGET REVISION FOR THE APPROVAL OF REGIONAL DIRECTOR

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office
<u>CLEARANCE</u>				
Project Budget & Programming Officer, RMBP
Chief, RMBP
Chief, ODLT (change in LTSH and/or External Transport)
<u>APPROVAL</u>				
<input type="checkbox"/> Regional Director

PROJECT

Start date: 1 Jan 2011 **End date:** 31 Dec 2012 **Extension period:** Six Months **New end date:** 30 June 2013

	Previous Budget	Revision	New Budget
Food cost ¹	US\$ 76,408,489	US\$	US\$ 76,408,489
External transport ²	US\$ 2,551,294	US\$	US\$ 2,551,294
LTSH ³	US\$ 74,087,770	US\$	US\$ 74,087,770
ODOC ⁴	US\$ 14,175,817	US\$ 2,730,000	US\$ 16,905,817
DSC ⁵	US\$ 12,511,030	US\$	US\$ 12,511,030
ISC (7%) ⁶	US\$ 12,581,408	US\$ 191,100	US\$ 12,772,508
Total WFP cost (US\$)	US\$ 192,315,808	US\$ 2,921,100	US\$ 195,236,908

TYPE OF REVISION

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

DISTRIBUTION:

DED, OD	Director, ODX	Chief, ODXP
Deputy COO & Director, ODE	Chief, RMBP	Regional Director
Chief, ODLT	Chief, ODXR	RB Programme Advisor
Country Director	Programme Officer, RMBP	RB Programme Assistant
OD Registry	Programming Assistant, RMBP	RB Chrono
Director, ERD and COO	Liaison Officer, OD @	

¹ Food cost can comprise both commodities and cash/voucher transfers.

² 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.

³ 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.

⁴ Other Direct Operational Costs - ODOC include deliverable goods (non-food items), services and training to beneficiaries and/or to implementing partners.

⁵ Direct Support Costs - DSC are those costs which are incurred directly in support of projects by a WFP Country Office.

⁶ 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.

NATURE OF THE BUDGET REVISION

1. Six-months extension in time (January 2013 to June 2013);
2. ODOC rate increased to USD 124.94 per ton – and related overall ODOC budget plan increase of USD 2,730,000.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

1. WFP and the Ministry of Federal Affairs and Local Development (MoFALD) have been implementing the Rural Community Infrastructure Works (RCIW) following the government fiscal year (July to July) since 1995. RCIW is the Government framework for building assets in poor communities in the Western part of Nepal in exchange for food and or cash. Given: a) the very difficult terrain of the geographic areas in which the project is run (up to 4,000mt high); b) the climatic specificity of Nepal (with severe winters and heavy rains in summer time) and; c) the importance of not interfering with traditional seasonal works related to planting and harvesting; the project has a very short window of opportunity in which beneficiaries can work (approximately 60 days a year) hence receive the needed food assistance.
2. The current project document with which WFP provides assistance to the Government and the rural communities of western Nepal is expiring at the end of December 2012. Three main reasons give grounds for why Nepal Country Office believes an extension of six month is needed to complete the assistance appropriately to the planned beneficiaries.
 - a. *Climate.* This year's monsoons were delayed for several weeks, starting in late July instead of early June. If the rains last the usual number of weeks, this will mean that until late September most of the roads will be impracticable and the minimum safety conditions for beneficiaries to work on assets will be compromised.
 - b. *Government capacity.* The Government of Nepal is not only the project largest donor; it is also the main implementing partner for WFP. WFP strategy is in fact to increase Government's involvement in the implementation phase in order to hand-over the whole chain of activities once the project has ended. Unfortunately, the portion of the project implemented by the Government has been progressing at a much slower pace than forecasted and, if continuing at this speed, they will not be able to complete their part by the end of December.
 - c. *Political context.* During last spring the whole country has experienced several weeks of general strikes linked with the promulgation of the country Constitution. These strikes have significantly blocked all economic activities, disrupting works under RCIW and hindering the purchase and delivery of food. In May the Constituent Assembly was dissolved, and, currently, Nepal has no elected representative in the National Parliament, neither in the municipalities or in the districts. New general elections for National Parliament have been scheduled for next November but there are already talks of postponing it. Within this context, it is easy to forecast a "hot" autumn in terms of protests and strikes. Should this be the reality, it would be impossible to proceed with field activities as planned.
3. For the reasons listed above, the Country Office believes it is advisable to request for a six months extension to the current deadline of the PRRO 200152 (December 31, 2012). We estimate that approximately 8,500 mt of food and USD 1 million in cash transfer would need to be pushed to the next year with food ration unchanged. This will ensure the completion of the assets started this year as well as the continuity in assisting beneficiaries with the planned amount of food needed to fill their annual gaps (about 15,000 mt of food and 2 million USD of cash).
4. Finally, we also request to increase other direct operating cost project rate to USD 124.94/mt to be able to deliver quality assets needed to create a sustainable and replicable form of development under our food for asset projects. The need for the increase come about to the following factors:
 - a. Continuous and consistent rise in fuel prices leading to increases in transportation costs that affect the project directly, like increase in construction materials, increased cost for delivering these construction materials to project sites that are remote and harsh. Approximately 46% of the total ODOC budget is budgeted under this line item so this line item bears the maximum budget increase under this revision.

- b. Likewise partner cost for operating projects in these remote and harsh districts has increased for all budget headings – staff salary, recurring costs and equipment and capital costs.
- c. Simultaneously the travel budget is also seen to increase considerably due to increase in fuel costs.

For these reasons, the ODOC budget along with the rate/mt is requested to be increased (the current budget amount was never exceeded) by USD 2,730,000 with ODOC rate/mt of 124.94 which is reflected in the present budget revision.