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BUDGET INCREASES TO DEVELOPMENT ACTIVITIES — NEPAL COUNTRY PROGRAMME 10093.0

Cost (United States dollars)			
	Current budget	Increase	Revised budget
WFP food cost	52,167,484	16,872,758	69,040,242
Total cost to WFP	86,463,282	24,712,818	111,176,100

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for approval.

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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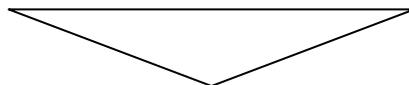
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DRAFT DECISION*



The Board approves the budget increase of US\$24.7 million to Nepal country programme 10093.0 for a period of three years from 1 January 2008 to 31 December 2010.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document (document WFP/EB.2/2007/15) issued at the end of the session.



NATURE OF THE INCREASE

1. Nepal country programme (CP) 10093.0, initially approved for five years from 2002 to 2006, was extended for an additional year in 2007, in line with the decision of the United Nations country team (UNCT), at an annual cost of US\$18 million. This budget increase covers the period 2008–2010 and seeks additional food and associated costs for CP 10093.0, in line with the Government's priorities and the United Nations Development Assistance Framework (UNDAF).

JUSTIFICATION FOR BUDGET INCREASE

Background

2. The decade of conflict between the Government and Maoist insurgents ended with a peace agreement in November 2006. An interim Government has been tasked with conducting Constituent Assembly elections, which will take place on 22 November 2007, and planning a new democratic government. The Government's National Planning Commission (NPC) has announced a three-year Interim Development Plan for 2008–2010, which is expected to continue the previous priorities and to reflect a shift towards peace-building. After the Constituent Assembly elections the NPC may develop new national priorities under a five-year development plan.
3. Given the current political situation, and changes that could occur in the next three to four years, WFP's strategy must be flexible. The proposed budget revision therefore takes into account interventions envisaged during the Interim Development Plan and the interim UNDAF proposed by the UNCT for the same period.
4. During the extended budget period, WFP will continue to assess needs and incorporate activities into its country strategy to address the needs of vulnerable populations. The CP will also incorporate changes recommended in the mid-term evaluations, including re-targeting intervention areas and developing synergies among WFP-supported activities. Examples of changes include the phasing out of food assistance from certain operational areas and implementing integrated interventions in new or existing target areas.
5. Given the delays experienced in negotiating operational agreements, the budget revision is expected to enable the country office to work with government departments; the existing operational contract will be amended to reflect changes in implementing modalities to obviate the need to negotiate a new CP agreement.

Summary of Activities

6. Nepal CP 10093.0 (2002–2006), approved by the Board in 2001, is based on the country strategy outline (CSO) and harmonized with the UNDAF. The CP focuses interventions in food-insecure regions through activities promoting asset creation and livelihood support: (i) rural community infrastructure works (RCIW), (ii) protecting livelihoods in crisis (PLIC), (iii) food for education (FFE) and (iv) mother-and-child health care (MCHC).



7. RCIW assists 295,000 beneficiaries living in 25 of the most food-insecure and conflict-affected districts. Its objectives include (i) improving food access for targeted households, (ii) expanding rural access roads, (iii) increasing the natural resource base for the communities and (iv) building social and economic capacity in the target population. WFP provides up to three months of rations per year per participant in asset-creation and learning activities.
8. Through FFE, WFP currently reaches 450,000 schoolchildren in 4,000 schools in 21 districts. The objectives include (i) improving attendance rates, especially among girls, (ii) increasing girls' enrolment and retention, (iii) enhancing attention spans and learning capacity by relieving short-term hunger and (iv) reducing the prevalence of intestinal parasitic infections. WFP provides meals on-site and take-home incentive rations for girls as part of the programme.
9. The MCHC programme is operational in 11 districts, covering 48,000 children aged 6-36 months and 16,000 pregnant and lactating women. The objectives include (i) preventing or reducing the prevalence of underweight among young children, (ii) reducing iron deficiency anaemia among pregnant and lactating women and young children, (iii) increasing regular utilization of community-based MCH outreach services and (iv) increasing awareness and knowledge of health and nutrition among pregnant and lactating women.

Conclusions and Recommendations of the Mid-Term Evaluation

10. The May/June 2006 mid-term evaluation concluded that the CP was appropriate and in line with national development priorities and UNDAF. However, the CP components were not sufficiently integrated in that they did not target the same operational districts or food-insecure communities with a view to maximizing access to health and education services and improving food security.
11. The RCIW programme, of which the main component is building rural roads, generated short-term employment for food-insecure people. Social mobilization resulted in the organization of road-building groups that were responsible for completing sections of road. In some cases, savings and credit had enhanced the coping strategies of food-insecure households. The evaluation noted that these groups were managing loans and repayments, 80 percent of which were used for agriculture, livestock rearing and setting up small trade; the repayment rate was 100 percent. The micro-project component focused on building the asset base of food-insecure households through schemes such as micro-irrigation and vegetable farming.
12. On-site feeding under FFE had a positive impact on the number of children entering and remaining in primary school. The 2001 baseline survey showed 15,152 girls enrolled out of 33,129 pupils – 46 percent; the 2005 standard school feeding survey (SSFS) showed 24,275 girls enrolled out of 46,425 pupils – 52 percent; the overall increase was thus 6 percent. The Girls' Incentive Programme (GIP) led to regular attendance and significant increases in the number of girls enrolling: average attendance among girls in 2005 was 27 percent higher than the 2001 average. Both programmes, especially GIP, are highly valued at all levels of the Government.



13. WFP's support for MCHC achieved positive outcomes, including reduced childhood malnutrition (underweight) measured by weight-for-age and of anaemia among mothers and children.¹
14. The evaluation mission recommended (i) diversification of food for work (FFW) to address livelihoods, (ii) integration of the FFE into the Education for All (EFA) programme, (iii) adoption of a life-cycle approach in nutrition interventions, (iv) consolidation of operational areas to facilitate integrated programming of all three CP components, (v) maximization of benefits to the target population, (vi) increased partnership and (vii) systematic capacity-building for cooperating partners.

Purpose of the Extension and Budget Increase

15. The purpose of the CP extension is to seek additional food and associated costs for implementation of the CP during the Interim Development Plan, in line with the Government's priorities and the UNDAF. The extension will focus on the outcomes of the current CP components. The extended CP will contribute to the peace process by addressing food insecurity and building sustainable livelihoods through increased economic activity and diversified food consumption, particularly for socio-economically excluded groups in targeted areas. This objective is in line with the UNDAF priorities: consolidating peace, sustainable livelihoods, quality education and health services, human rights, gender equality and social inclusion. UNDAF prioritization and planning created unique opportunities for the United Nations system to identify areas of collaboration to improve design and delivery of programmes at the country level. WFP is supporting the peace process with the United Nations Mission in Nepal (UNMIN), which was established in January 2007, and United Nations organizations.
16. The number of districts covered under the CP extension is approximately half of those covered under the 2002–2007 programme, a reduction from 36 districts to 17. The target districts will be the most food insecure districts identified in the vulnerability analysis and mapping (VAM) report, "*Small Area Estimation of Poverty, Caloric Intake and Malnutrition in Nepal*". The reduction in district coverage is based upon: i) the expected annual allocation of US\$6.5 million in regular WFP development resources and ii) anticipated local bilateral contributions.
17. Geographic targeting will be adopted instead of component-based targeting; the incidence of chronic malnutrition and poverty at the ilaka (sub-district) level estimated by VAM will be used as the basis. Priority will be given to integrated programming of CP components to enhance their impact. Beneficiary households will be targeted in a transparent manner, for example by establishing participation criteria, ration sizes and the frequency of distributions. The roles of user committees and user groups will be defined, public audits will be conducted and timely inputs of materials and training for the targeted communities will help to ensure that activities are well managed. Modifications of targeting and coverage of beneficiaries and alignment of management and coordination structures at all levels will be agreed by the ministries concerned.

¹ The achievements cover limited areas and are below the targets of the 2002–2006 CP in terms of numbers of beneficiaries reached, duration of programmes and tonnage distributed. This is attributed to the late start of the CP resulting from lack of government staff in the initial years and obstructions arising during the conflict.

18. The proposed three-year extension covers an annual average of 273,000 beneficiaries. Of total direct operational costs (DOC), 67 percent will be allocated to FFE, which includes the GIP, 23 percent to MCHC and 10 percent to FFW. The budget increase proposes the same ration scale and activities as CP 10093.0.

NUMBER OF BENEFICIARIES, TONNAGE AND VALUE FOR EACH COMPONENT			
Component	Number of beneficiaries	Food (mt)	DOC (US\$ million)
1: Food for work	6 500	5 460	2.18
2: Food for education	236 000	17 508	14.50
3: Mother-and-child health care	31 000	7 800	4.89
Total	273 500	30 768	21.57

19. During the proposed budget increase period, food assistance will focus on the synergy between FFW, FFE and MCHC to cover the food requirements of all age groups in food-insecure and vulnerable communities. Implementing partners will be engaged at the district level to involve communities in improving livelihoods with the help of WFP food assistance. Baseline information will be compiled before the new approach to food assistance is implemented.
20. A life-cycle approach will be adopted for nutrition-related interventions by addressing the nutrition and health needs of adolescents, young children, elderly people, infants, primary schoolchildren and pregnant and lactating women. An “optimum package for nutrition” will be defined, and partners will agree a set of mutually reinforcing activities to reduce malnutrition among mothers and children.
21. FFW will support the construction of rural infrastructure; food for training (FFT) will complement other CP activities. FFE will be coordinated with the United Nations Children’s Fund (UNICEF); take-home rations will be provided for girls in public primary schools. Take-home rations for people living with HIV (PLHIV) will be piloted in selected areas under MCHC. In districts where WFP and UNICEF collaborate, UNICEF will support improvements to school buildings and to health posts and drinking water facilities related to MCHC; WFP will provide rice for participants in asset creation. WFP assists other micro-projects such as mule tracks, small-scale irrigation, vegetable cultivation and vocational training. UNICEF promotes childhood development and improved health and education services that enhance supported activities.
22. The CP will continue to be implemented by the Ministry of Local Development, the Ministry of Health and Population and the Ministry of Education and Sport under the terms of the operational contracts.
23. An important focus will be building partnerships with bilateral organizations and international non-governmental organizations (NGOs), particularly with regard to social mobilization and support for infrastructure and production projects identified by the communities. Involving experienced NGOs in community mobilization will be crucial to maximize the benefits of WFP-supported activities.



24. Handover strategies for CP components will reflect changes in household and community vulnerability and food security. WFP assistance targets the most vulnerable, poor and deprived sections of the rural population, so phasing out assistance from particular communities and districts will be evaluated jointly with government partners. The component-specific handover strategies will depend largely on the impact of assets created by FFW, net enrolment in schools and productive skills from FFE, and improved dietary intake among children in MCHC areas. WFP will provide capacity-building support for partner agencies, including the institutionalization of programming approaches and community empowerment.
25. WFP will use external evaluation and ongoing vulnerability analysis to determine when to end food-based assistance for communities in the CP. WFP and partners will evaluate the comparative advantage of capacity-building for communities and other institutions.

FOOD REQUIREMENTS

26. An estimated 30,768 mt of food valued at US\$16.87 million are required for the three-year CP extension. The annual averages of food required are: component 1 - 1,820 mt, component 2 – 5,836 mt and component 3 – 2,600 mt.
27. There are no changes in the modality of food distribution in any of the CP components, but members of the food management committees will receive a nominal incentive of vegetable oil each month to compensate for the extra time needed to implement the activity at schools.
28. The CP will use mainly locally procured and locally produced food, which is cost-effective and flexible, and enables timely deliveries to extended delivery points; it also helps to stimulate local agriculture and develop an efficient blended-food industry.

RECOMMENDATION OF THE EXECUTIVE DIRECTOR

29. The proposed three-year extension, including the additional commitment of food resulting in the revised budget for Nepal CP 10093.0, is recommended for approval by the Board.



ANNEX I-A

BREAKDOWN OF PROJECT COSTS			
	Quantity (mt)	Average cost per mt (US\$)	Value (US\$)
WFP COSTS			
A. Direct operational costs			
Food ¹			
- Rice	5 460	280	1 528 800
- Wheat-soya blend	12 012	505	6 066 060
- Ghee	1 201	1 048	1 258 648
- Vegetable oil	4 295	950	4 080 250
- Nutrimix	7 800	505	3 939 000
Total food	30 768		16 872 758
External transport			430 445
Total landside transport, storage and handling			2 208 441
Other direct operational costs			776 300
Total direct operational costs			20 287 944
B. Direct support costs ² (see Annex I-B)			
Total direct support costs			2 808 148
C. Indirect support costs (7.0 percent) ³			1 616 726
TOTAL WFP COSTS			24 712 818

¹ This is a notional food basket for budgeting and approval. The contents may vary.

² Indicative figure for information purposes. The direct support costs allotment is reviewed annually.

³ The indirect support costs rate may be amended by the Board during the project.



ANNEX I-B

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff	
International professional staff	1 116 630
National professional officers	157 500
National general service staff	880 968
Temporary assistance	36 900
Staff duty travel	61 400
Staff training and development	33 050
Subtotal	2 286 448
Office expenses and other recurrent costs	
Rental of facility	73 200
Utilities (general)	47 000
Office supplies	46 000
Telecommunications and information technology services	74 400
Insurance	30 000
Equipment repair and maintenance	25 500
Vehicle maintenance and running costs	92 000
Other office expenses	18 000
United Nations organizations services	30 000
Subtotal	436 100
Equipment and other fixed costs	
Furniture tools and equipment	17 000
Vehicles	30 600
Telecommunications and information technology equipment	38 000
Subtotal	85 600
TOTAL DIRECT SUPPORT COSTS	2 808 148

ACRONYMS USED IN THE DOCUMENT

CP	country programme
CSO	country strategy outline
DOC	direct operational costs
EFA	Education for All
FFE	food for education
FFT	food for training
FFW	food for work
GIP	Girls' Incentive Programme
MCHC	mother-and-child health care
NGO	non-governmental organization
NPC	National Planning Commission
PLHIV	people living with HIV
PLIC	protecting livelihoods in crisis
RCIW	rural community infrastructure works
SSFS	standard school feeding survey
TC/IT	telecommunications and information technology
UNCT	United Nations country team
UNDAF	United Nations Development Assistance Framework
UNICEF	United Nations Children's Fund
UNMIN	United Nations Mission in Nepal
VAM	vulnerability analysis and mapping