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**Executive Board
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PROJECTS FOR EXECUTIVE BOARD APPROVAL

Agenda item 9

For approval



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BUDGET INCREASES TO DEVELOPMENT ACTIVITIES – EGYPT COUNTRY PROGRAMME 104500 (2007–2011)

Enabling Livelihoods, Nutrition and Food Security

Cost (United States dollars)			
	Current budget	Increase	Revised budget
Food cost	20,587,686	19,669,459	40,257,145
Total cost to WFP	43,905,709	26,164,982	70,070,691

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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.

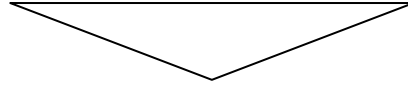
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* Regional Bureau Cairo (Middle East, North Africa, Eastern Europe and Central Asia)

DRAFT DECISION*



The Board approves the budget increase of US\$26.2 million for Egypt Country Programme 104500 (WFP/EB.2/2011/9-B/1) with a one-year extension from January to December 2012.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

NATURE OF THE INCREASE

1. During a period of national transition, a stalled economy and challenging food insecurity, this budget revision proposes a one-year extension of Egypt Country Programme (CP) 104500, scaling up WFP development assistance in 2012 to 685,000 food-insecure people – 60 percent more than in 2007–2011. The budget revision will:
 - consolidate activities under component 1, strengthening food-based safety nets;
 - expand component 2, promoting girls' education and pre-school education and combating exploitive child labour;
 - expand component 3, supporting asset creation activities for vulnerable households in selected areas; and
 - add a new component (4) to improve the nutrition of children in the first 1,000 days after conception.¹
2. Specifically, it will:
 - extend the CP by 12 months, until 31 December 2012;
 - add 24,476 mt of food, valued at US\$19.7 million;
 - add associated external transport costs, other direct operational costs and direct support costs of US\$4.7 million; and
 - add indirect support costs of US\$1.7 million.
3. WFP will initiate a new CP in 2013 aligned with the new United Nations Development Assistance Framework (UNDAF). With the Government of Egypt's agreement, the United Nations country team (UNCT) has decided to postpone launch of the next UNDAF, so it can reflect development priorities emerging from socio-political and economic transitions in 2011.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of Existing Project Activities

4. The CP has been strengthening national food safety nets through capacity development, best practice models for school feeding, and food for asset creation, with three components:
5. *Component 1, Supporting reform through capacity development:* The objectives are to strengthen government capacity to reform food safety net programmes, launch national nutrition strategies, and prepare for and respond to emergencies through updated food security and vulnerability information and training; and reduce micronutrient deficiencies through food fortification, especially by adding iron and folic acid to wheat flour and vitamins A and D to vegetable oil. Technical assistance to improve the national food subsidy programme affects more than 60 million Egyptians: a review of the supply chain for subsidized wheat flour/bread identified potential savings of 26 percent. Fortification of

¹ Malnutrition in children under 2 can affect their mental and physical development into adulthood.

wheat flour has benefited 50 million people; fortification of vegetable oil is expected to benefit more than 60 million by the end of 2012.

6. *Component 2, Food for education:* WFP aims to reduce gender disparity in access to education, increase access to preschool and primary education, and improve children's capacity to concentrate and assimilate information by relieving short-term hunger. Target areas include food-insecure governorates in Upper Egypt and Sinai. WFP has been assisting children enrolled in the Early Childhood Education Enhancement Project in the most marginalized governorates in Upper Egypt through school feeding and nutrition education. It has also been providing schoolchildren with fortified date bars and their family members with take-home rations, as incentives for parents to send children to school. Schools assisted include those in the girls' education initiative and community schools that encourage drop-out students to return and provide education to children without access to regular primary schools. Beneficiaries include children withdrawn from the labour market through the Combating Child Labour Project (CCLP) in partnership with the International Labour Organization (ILO) and the United Nations Children's Fund (UNICEF). In 2010, WFP provided daily fortified snacks to about 200,000 children in schools, and take-home rations to 43,000.
7. *Component 3, Support to vulnerable groups through asset creation* focuses on improving livelihoods for vulnerable communities through empowerment and the creation of physical and human assets. This has enabled 36,000 poor rural people in Upper Egypt, Sinai and the Red Sea governorates to acquire new productive skills and assets.²

Conclusions and Recommendations from the Reassessment and Evaluation

8. Egypt's high dependence on food imports – it is the world's largest importer of wheat – makes it vulnerable to food price shocks. Most food consumed by households, even in rural areas, is purchased rather than home-grown. Despite government subsidies on bread and other essential foods, consumers suffer from increased prices of staple foods on the domestic market; wheat and rice prices increased by 32 and 42 percent respectively in 2010.³ Inflation is expected to peak at 15 percent during 2011.⁴ WFP monitors local market food prices and has issued twice-monthly bulletins to all development partners since February 2011.
9. A comprehensive review of food security and vulnerability in Egypt⁵ found the prevalence of extreme poverty to be 6 percent and that of poverty 22 percent, using 2008/2009 data. The highest rates are in rural Egypt, with extreme poverty of 16 percent and poverty of 44 percent, and large variations in deprivation rates. Stunting among children under 5 increased from 23 to 29 percent between 2005 and 2008,⁶ largely because of inadequate diets and poor water and sanitation in some locations.
10. Factors that affect household food security include increased food prices, political turmoil since early 2011, and the crisis in Libya. Families generally face shortages of

² Following the 2011 Libyan crisis, in Upper Egypt this activity expanded to an additional 70,000 semi-skilled returnees from Libya, with food for training (FFT) under WFP's North Africa Regional emergency operation.

³ FAO/Global Information and Early Warning System on Food and Agriculture (GIEWS). 2011. *North Africa Brief*. March 2011.

⁴ Economist Intelligence Unit. 2011. *Egypt Country Report*. March 2011.

⁵ WFP/vulnerability analysis and mapping (VAM). 2011. *Secondary Data Analysis of the Food Security Situation in Egypt*, May 2011.

⁶ Demographic Health Survey. 2009.

subsidized food and other commodities.⁷ The incomes of people previously employed in tourism and construction in Egypt – most of whom come from the poorest region of Upper Egypt – have fallen sharply. Vulnerable communities are facing loss of remittances as workers return from Libya.

11. A mid-term evaluation in 2009⁸ found the CP relevant and consistent with needs and priorities. The evaluation recommended: i) extension of the successful CCLP; ii) strengthening of WFP's capacity in nutrition, vulnerability and food security analysis; iii) a technical evaluation of the flour fortification programme; iv) reduction of funding delays affecting the school feeding component; and v) re-evaluation of food-for-assets (FFA) activities in the High Dam Lake Area owing to sustainability concerns. In response, WFP has: i) extended the CCLP; ii) employed two national nutrition officers and a vulnerability analysis and mapping (VAM) officer to support the CP; iii) started a survey of the correlation between fortified bread consumption and haemoglobin levels; iv) mobilized additional resources for the school feeding component; and v) conducted an appraisal mission to re-examine FFA, and developed an appropriate framework for future activities.
12. This budget revision takes into account WFP's 2010 comprehensive country strategy review⁹ and the situation analysis undertaken in 2010 for the planned 2012–2016 UNDAF.
13. With the Government, WFP will consider the feasibility of introducing cash and voucher transfers for food assistance in Egypt. WFP is currently formulating a pilot project for climate change adaptation, pending clearance by the relevant national technical institutions.

Purpose of Extension and Budget Increase

14. Changing conditions in Egypt in 2011 and additional stresses on the livelihoods of millions of vulnerable people require renewed support from development partners. The UNCT is re-examining its development strategy, and United Nations Development Group agencies have agreed to extend their current CPs by one year. The revised strategy will be presented as a new UNDAF after Egypt's parliamentary elections scheduled for late 2011.
15. This budget increase and extension-in-time will allow WFP to continue or scale-up interventions to assist Egypt during a period of political and social transition. The CP's objectives will remain the same, with the addition of preventing child stunting.
16. WFP aims to achieve the CP objectives in 2011 as follows:¹⁰
17. *Component 1, Supporting reform through capacity development:* WFP will continue to provide expertise in VAM, targeting, monitoring and food systems management to support the Government's reform of food-based social safety net programmes, particularly the food subsidy and school feeding activities. WFP will continue to provide capacity development for micronutrient fortification of wheat flour and vegetable oil.
18. *Component 2, Food for education:* WFP will support an additional 202,000 people through take-home rations for children who attend school on at least 80 percent of school

⁷ WFP/UNICEF. 2011. *Rapid Assessment on the Situation of Returnees from Libya in the Governorates of Assiut and Sohag*, March 2011.

⁸ WFP/EB.A/2010/7-B.

⁹ Technical reports are available from the WFP country office.

¹⁰ A revised logical framework (Annex II) sets out overall goals, objectives and targets.

days. Targeted schools are in remote and vulnerable areas in Upper Egypt, where significant gender gaps in enrolment and attendance continue.

19. *Component 3, Support to vulnerable groups through asset creation:* food for training (FFT) and FFA will be expanded to an additional 89,000 beneficiaries, in partnership with the Ministry of Manpower and Migration, ILO and the Ministry of Social Solidarity and Justice. Activities will aim to improve marketable skills and create community assets, similar to current CP activities: food processing; establishment of water points and productive farms; vocational training and micro-business management; agricultural techniques for smallholder farmers; and construction of schools, clinics and other important community infrastructure.
20. *Component 4, Support to nutrition:* The budget revision adds a new objective: prevent child stunting in the first 1,000 days after conception. A pilot nutrition programme will use complementary foods for children aged 6–24 months while promoting nutrition awareness for pregnant and lactating women, implemented with the Ministry of Health, the World Health Organization (WHO) and UNICEF through the primary health care system. The pilot is based on a technical appraisal mission requested by the Government, with a view to scaling up to meet increasing nutrition needs.

TABLE 1: BENEFICIARIES, BY COMPONENT

Component*	Category of beneficiaries	Current	Increase	Revised
Component 2 Food for education	Schoolchildren, on-site	219 000	-	219 000
	Take-home rations (family members)**	218 000	202 000	420 000
Component 3 Support to vulnerable groups through asset creation	FFA	14 000	11 000	25 000
	FFT (participants/family members)	22 000	78 000	100 000
Component 4 Support to nutrition	Infants (6–24 months)***	-	5 000	5 000
TOTAL		430 000	255 000	685 000

* Component 1 has no direct food distribution to beneficiaries.

** Total number of beneficiaries based on a household of five members, taking into account overlap with beneficiaries receiving date-bars at schools.

*** 50 g of ready-to-use supplementary food for children aged 6–24 months, and fresh food for pregnant and lactating women

21. The geographical focus and targeting will remain largely the same as in the current CP. Additional target groups will include: i) people in Upper Egypt who have lost their livelihoods as a result of the economic downturn following the recent crisis; and ii) children and women beneficiaries of the nutrition pilot.

22. *Risk assessment:* In mid-2010, WFP undertook a risk assessment and developed a risk register, with mitigation actions including enhanced procedures and adequate organizational structure. The main contextual risks to the revised CP are: i) further political instability in Egypt and/or repeated changes in Government, disrupting institutional continuity; and ii) deterioration of the security situation, especially in areas such as Sinai, restricting WFP staff's access for assessments, distributions and monitoring. The main programmatic risk is whether WFP's implementing partners will continue to have the capacity and means for regular food distributions. The main institutional risk is to the safety of WFP staff and partners in volatile security situations. Failure to ensure adequate resources is a potential risk, but early indications are that major donors and private sector

partners are willing to commit the required resources for the revised CP. WFP will continue to mobilize local contributions.

FOOD REQUIREMENTS

23. Food rations for the asset creation component will remain the same. For school feeding, vegetable oil will be added to the take-home ration. The new support to nutrition component requires ready-to-use supplementary food. The food requirements for the proposed budget revision are shown in Table 2.

TABLE 2: FOOD REQUIREMENTS, BY COMPONENT				
Component	Food/cash/voucher	Food requirements (mt)		
		Current	Increase	Revised total
Component 2 - Food for education	Food	19 021	14 767	33 788
Component 3 - Support to vulnerable groups through asset creation	Food	13 223	9 540	22 763
Component 4 - Support to nutrition	Food	-	169	169
TOTAL		32 244	24 476	56 720

ANNEX I-A

BUDGET INCREASE COST BREAKDOWN			
Food¹	Quantity (mt)	Value (US\$)	Value (US\$)
Cereals	17 328	9 156 999	
Pulses	900	718 425	
Oil and fats	2 219	3 885 469	
Mixed and blended food	4 029	5 908 566	
Total food	24 476	19 669 459	
Subtotal food			19 669 459
External transport			29 908
Other direct operational costs			2 516 882
Direct support costs ² (see Annex I-B)			2 237 006
Total WFP direct costs			24 453 255
Indirect support costs (7.0%) ³			1 711 728
TOTAL WFP COSTS			26 164 982

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 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	494 520
Local staff – national officers	197 527
Local staff – general service	81 634
Local staff – temporary assistance	627 082
Local staff overtime	7 456
International consultants	124 800
Local consultants	85 344
Commercial consultancy services	14 211
Staff duty travel	243 856
Subtotal	1 876 430
Recurring expenses	
Rental of facility	72 002
Utilities	13 924
Office supplies and other consumables	48 889
Communications services	66 616
Equipment repair and maintenance	3 775
Vehicle running costs and maintenance	17 444
Office set-up and repairs	39 117
United Nations organization services	22 216
Subtotal	283 983
Equipment and capital costs	
Vehicle leasing	30 600
Communications equipment	36 000
Local security costs	9 993
Subtotal	76 593
TOTAL DIRECT SUPPORT COSTS	2 237 006

ANNEX II: LOGICAL FRAMEWORK

Results	Performance indicators	Risks, assumptions
<p>UNDAF outcomes</p> <p>UNDAF Outcome 1: by 2011, the State's performance and accountability in programming, implementing and coordinating actions – especially those that reduce exclusion, vulnerabilities and gender disparities – are improved</p> <p>UNDAF Outcome 2: by 2011, unemployment and underemployment are reduced and the worst forms of child labour are eliminated</p> <p>UNDAF Outcome 3: by 2011, regional human development disparities are reduced, including the gender gap, and environmental sustainability is improved</p> <p>UNDAF Outcome 4: by 2011, women's participation in the workforce, political sphere and public life is increased and their human rights are increasingly fulfilled</p>	<p>UNDAF outputs</p> <ul style="list-style-type: none"> ➤ Poverty rate. ➤ % of people employed. ➤ Net enrolment in primary education in Upper Egypt and Frontier Governorates, by gender ➤ Under-5 mortality rate per 1,000 live births ➤ Literacy rate for girls and women (15–24 years) 	
<p>Strategic Objective 2: Prevent acute hunger and invest in disaster preparedness and mitigation measures</p> <p>Goal: Support and strengthen resilience of communities to shocks through safety nets or asset creation, including adaptation to climate change</p> <p>Component 3: Support to vulnerable groups through asset creation</p>		
<p>Outcome:</p> <p>Hazard risk reduced in targeted communities</p>	<p>Outcome indicators:</p> <ul style="list-style-type: none"> ➤ Household asset score ➤ Community asset score 	



ANNEX II: LOGICAL FRAMEWORK		
Results	Performance indicators	Risks, assumptions
<p>Outputs:</p> <p>Food and non-food items distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions</p> <p>Disaster mitigation assets built or restored by targeted communities</p>	<p>Output indicators:</p> <ul style="list-style-type: none"> ➤ Numbers of women, men, girls and boys receiving food and non-food items, by category and as % of planned figures ➤ Tonnage of food distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of actual distribution ➤ Quantities of non-food items distributed, by type, as % of planned distribution ➤ Risk reduction and disaster mitigation assets created or restored, by type and unit of measure 	<p>Resources are mobilized</p> <p>Government commitment is met</p> <p>Available data are accurate</p> <p>Community is involved</p>
<p>Strategic Objective 4: Reduce chronic hunger and undernutrition</p> <p>Goals: Help countries to bring undernutrition below critical levels and break the intergenerational cycle of chronic hunger; and increase the levels of education and basic nutrition and health through food and nutrition assistance and food and nutrition security tools</p> <p>Component 2: Food for education</p> <p>Component 4: Support to nutrition</p>		
<p>Outcomes:</p> <p>Increased production of fortified foods, including complementary foods and special nutritional products</p> <p>Increased access to education and human capital development in assisted schools</p> <p>Improved nutrition status of targeted women, girls and boys</p>	<p>Outcome indicators:</p> <ul style="list-style-type: none"> ➤ % increase in production of fortified foods, including complementary foods and special nutritional products ➤ % of iron deficiency anaemia in women of child-bearing age and children under 5 (cut-offs) ➤ Enrolment: average annual % change in number of girls enrolled. Target: 10 % increase ➤ Attendance rate: number of schooldays in which girls and boys attend classes, as % of total number of schooldays ➤ Gender ratio: ratio of girls to boys enrolled ➤ Prevalence of stunting among targeted children under 2 	

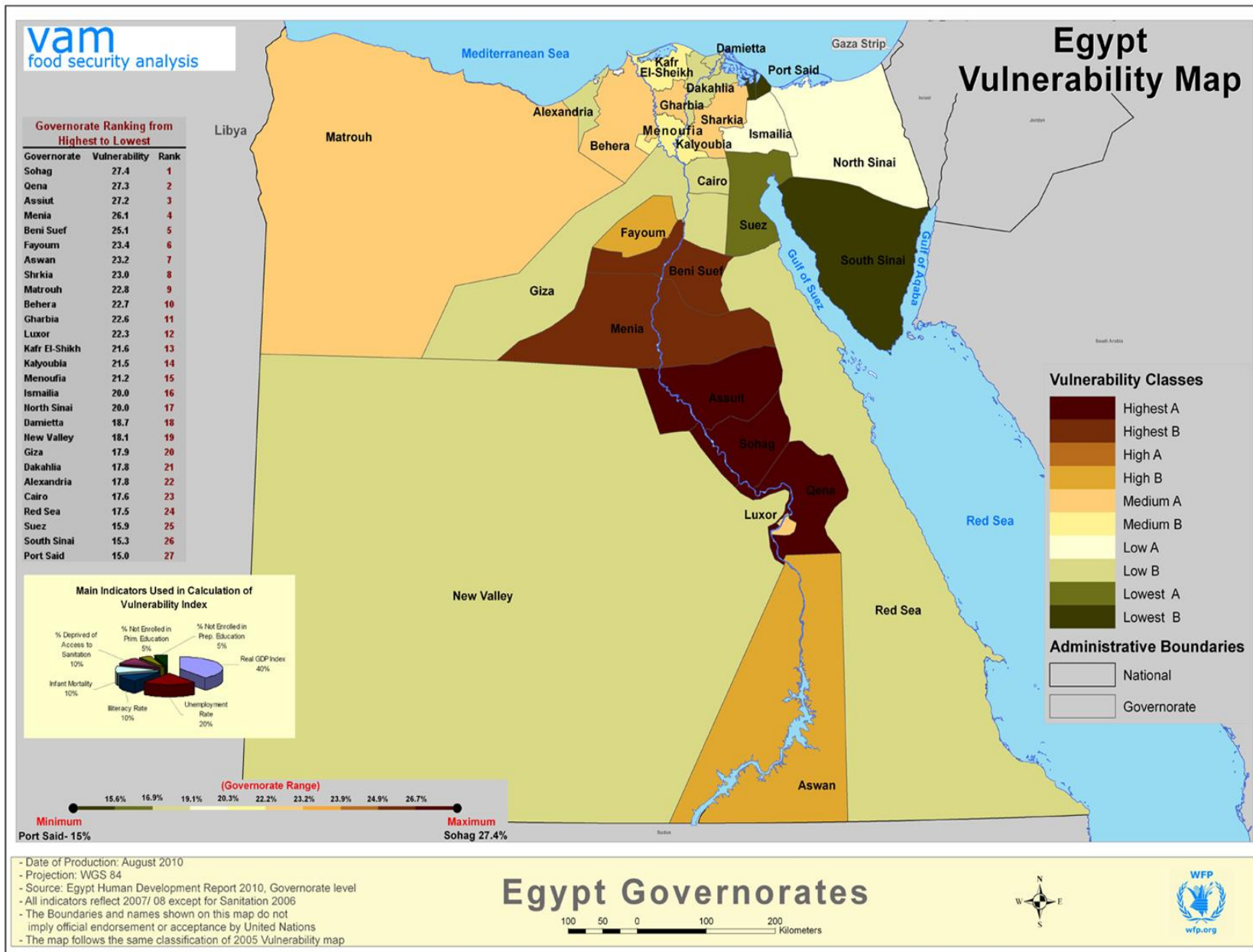


ANNEX II: LOGICAL FRAMEWORK		
Results	Performance indicators	Risks, assumptions
<p>Outputs:</p> <p>Food and non-food items distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions</p> <p>School feeding coverage aligned with programme of work</p> <p>Food and non-food items distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions</p>	<p>Output indicators:</p> <ul style="list-style-type: none"> ➤ Numbers of women, men, girls and boys receiving food and non-food items, by category and as % of planned figures ➤ Tonnage of food distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of actual distribution ➤ Quantities of non-food items distributed, by type, as % of planned distribution ➤ Number of schools assisted by WFP ➤ Numbers of women, men, girls and boys receiving food and non-food items, by category and as % of planned figures ➤ Tonnage of food distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of planned distribution ➤ Quantities of fortified foods, complementary foods and special nutritional products distributed, by type, as % of actual distribution 	<p>Resources are mobilized</p> <p>Government commitment is met</p> <p>Available data are accurate</p> <p>Community and non-governmental organizations are involved</p>
<p>Strategic Objective 5: Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase</p> <p>Goals: Use purchasing power to support the sustainable development of food and nutrition security systems and to transform food and nutrition assistance into a productive investment in local communities; and strengthen the capacities of countries to design, manage and implement tools, policies and programmes for predicting and reducing hunger</p> <p>Component 1: Supporting reform through capacity development</p>		
<p>Outcomes:</p> <p>Increased marketing opportunities at the national level with cost-effective WFP local purchases</p> <p>Broader national policy frameworks incorporate hunger solutions to address food security¹</p>	<p>Outcome indicators:</p> <ul style="list-style-type: none"> ➤ Food purchased locally, as % of food distributed ➤ Hunger solutions in approved UNDAFs and Poverty Reduction Strategy Papers funded and implemented according to plans 	

¹ Hunger solutions to address food security include school feeding, needs assessments, targeting, food management for quantity and quality, market analysis, information management, gender analysis, and local tendering processes.



ANNEX II: LOGICAL FRAMEWORK		
Results	Performance indicators	Risks, assumptions
<p>Outputs: Food purchased locally Capacity and awareness developed through WFP-organized actions/training</p>	<p>Output indicators:</p> <ul style="list-style-type: none"> ➤ Tonnage of food purchased locally, by type and country classification ➤ Food purchased locally, as % of total purchased ➤ Number of national plans of action that include budget allocation for hunger/food and nutrition security strategies ➤ Numbers of people trained in needs assessments, targeting, food management (quantity and quality), market analysis, information management and local tendering processes, disaggregated by gender and category (WFP, national government and partner staff) 	<p>New knowledge and skills are utilized</p> <p>Qualified staff are in place</p>



The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the World Food Programme (WFP) concerning the legal status of any country, territory, city or area or of its frontiers or boundaries.

ACRONYMS USED IN THE DOCUMENT

CCLP	Combating Child Labour Project
CP	country programme
FAO	Food and Agriculture Organization of the United Nations
FFA	food for assets
FFT	food for training
ILO	International Labour Organization
UNCT	United Nations country team
UNDAF	United Nations Development Assistance Framework
UNICEF	United Nations Children's Fund
VAM	vulnerability analysis and mapping
WHO	World Health Organization