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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
COMMUNITY NUTRITION PROJECT
GRANT (TF097071)

August 12, 2010

TO THE

LAO PEOPLE'S DEMOCRATIC REPUBLIC

June 24, 2011

ABBREVIATIONS AND ACRONYMS

CBN	Community Based Nutrition Program
CCT	Conditional Cash Transfer
FM	Financial Management
ISR	Implementation Status Report
OM	Operational Manual

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**LAO PEOPLE'S DEMOCRATIC REPUBLIC
COMMUNITY NUTRITION PROJECT**

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LAO PEOPLE'S DEMOCRATIC REPUBLIC
COMMUNITY NUTRITION PROJECT GRANT (TF097071)
RESTRUCTURING

Restructuring Type: Level two
Data Sheet

1. Basic Information	
Project ID & Name	P120495: Community Nutrition Project
Country	Lao People's Democratic Republic
Task Team Leader	Ajay Tandon
Sector Manager/Director	Juan Pablo Uribe
Country Director	Annette Dixon
Original Board Approval Date	08/12/2010
Original Closing Date:	06/30/2011
Current Closing Date	06/30/2011
Proposed Closing Date [If Applicable]	12/31/2011
EA Category	C-Not Required
Revised EA Category	C-Not Required-Not Required
EA Completion Date	
Revised EA Completion Date	

2. Revised Financing Plan (Us\$M)		
SOURCE	ORIGINAL	REVISED
Borr	0.00	0.00
Global Food Crisis Response Program	2.12	2.12
Total	2.12	2.12

3. Borrower		
Organization	Department	Location
Lao People's Democratic Republic	Ministry Of Finance	Lao People's Democratic Republic

4. Implementing Agency		
Organization	Department	Location
Ministry of Health		Lao People's Democratic Republic

5. Disbursement Estimates (US\$M)		
Actual amount disbursed as of 03/25/2011		0.21
Fiscal Year	Annual	Cumulative
2011	0.69	0.90
2012	1.01	1.01
	TOTAL	2.12

6. Policy Exceptions And Safeguard Policies	
Does the restructured project require any exceptions to bank policies?	N
Does the restructured project trigger any new safeguard policies? If yes, please select from the checklist below and update isds accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes
Original/Current Project Development Objectives/Outcomes
To improve coverage of essential maternal and child health services and improve mother and child caring practices among pregnant and lactating women and children less than 2 years old in the seven southern and central provinces.

7b. Revised Project Development Objectives/Outcomes [If Applicable]
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**LAO PEOPLE'S DEMOCRATIC REPUBLIC
COMMUNITY NUTRITION PROJECT**

RESTRUCTURING PAPER

SUMMARY

The Community Nutrition Project is supported through two sources of financing: (a) the Food Price Crisis Response Trust Fund (TF095274) of US\$2 million which became effective on October 3, 2009; and (b) the European Union Food Crisis Rapid Response Facility Trust Fund (TF097071) of US\$2.12 million equivalent which became effective on August 12, 2010. This restructuring paper is for TF097071. The proposed changes to TF097071 will improve the likelihood of meeting targets and attaining the development objective. They include amending the definition of Incremental Operating Costs, and extending the closing date.

PROJECT STATUS

The Food Price Crisis Response Trust Fund (TF095274) is currently 12% disbursed, and has a closing date of September 30, 2012. The February 2011 Implementation Status Report (ISR) rates implementation progress and financial management as “moderately unsatisfactory”, as was the component related to community-based nutrition (CBN) groups. Initial implementation delays were largely linked to the first-time implementer status of the implementing agency, with some smaller delays associated with the need for harmonization and coordination among the various development partners who are supporting similar activities. A recently concluded (April 29, 2011) review indicates that important progress has been made and a number of activities have now commenced or are about to commence. These include:

- Training on the operational manual (OM) of the conditional cash transfer (CCT) component during the week of May 2, 2011 to staff who will be working on the CCT pilot in 63 health centers. The CCT pilot is expected to commence in June 2011 in pilot health centers in Savanakheth Province, and scaled up to the remaining pilot health centers in other provinces thereafter.
- A no-objection has been provided on May 5, 2011 to the draft contract for the consulting firm that is being hired to help with training and implementation of the CBN component.
- Training in 4 of the 5 modules for staff from the 63 pilot health centers was completed in April 2011.
- An action plan has been agreed with the Government to improve financial management, and is currently being implemented. After several months of difficulties resulting from the limited availability of qualified financial management (FM) specialists in the country, a FM consultant has finally been selected and the contract is in the final negotiation stages (expected to be finalized

by end of May 2011). In the interim a formal arrangement has been entered into with the FM consultants from the Avian and Human Influenza Project who will assist the Ministry to work on the FM action plan with a view to enable an improvement in the FM rating.

- The Disbursement Account for TF 097071 has been inactive for five months. However, one withdrawal application has recently been approved, and the second one which was rejected is in the process of going through internal clearance for submission purposes. The Project will be submitting on a semi-monthly basis either withdrawal applications for replenishment, or withdrawal applications for documentation purposes. With the soon to be completed setting of groundwork for implementing activities, including payments for conditional cash transfers, once these commence we expect to see a steadier flow of funds. A detailed 12 month workplan covering both sources of funding has been prepared.

As a result of these developments implementation progress is exhibiting a positive trend. Formal upgrading of implementation progress rating will be done once the piloting of CCTs in target health centers in Savanakheth and the training of Lao Women's Union by the CBN consulting firm will have started. On the FM aspects, there will be semi-monthly follow-up with the Project to ensure satisfactory completion of the action plan and the rating can be upgraded.

PROPOSED CHANGES

- Closing date. Now that the parent trust fund has been extended, it is proposed that the closing date for TF097071 be extended to December 31, 2011 in order to complete the activities that had suffered from initial delays and meet the project development objective. The Ministry of Health has in place an action plan to fully utilize the financing provided.
- Others. Definition of incremental operating cost needs to be revised. This is being done in order to align with the definition in the Grant Agreement for the EU financing (TF097071) since the EU support does not finance taxes, and to add translation costs and software. The revised definition should read as follows: "Incremental Operating Costs" means reasonable expenditures incurred by the Recipient in managing and coordinating the implementation of the Project, including costs of office equipment and supplies, software, translation costs, travel costs including per diems and lodging of staff, fuel costs, vehicle maintenance, communication, utilities, consumables, and training and workshops conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel, accommodation and subsistence of trainees, which expenditures would not have been incurred absent the Project but excluding salaries or salary supplements of officials of the Recipient's civil service.