

JFPR 9005: GRANT ASSISTANCE TO ASIAN COUNTRIES IN TRANSITION FOR IMPROVING NUTRITION FOR POOR MOTHERS AND CHILDREN

CHANGE IN SCOPE AND INCREASE IN AMOUNT

I. INTRODUCTION

1. In April 2001, the Asian Development Bank (ADB) approved for grant assistance under the Japan Fund for Poverty Reduction (JFPR) a regional project¹ for five Asian countries in transition (ACTs).² The Project is designed to address the malnutrition crisis that prevails within these transitional economies. Azerbaijan, which joined ADB on 22 December 1999, was still developing with ADB its country assistance program, and that process had not yet been completed when the JFPR Project concept proposal was approved. Consequently, it was decided that Azerbaijan would not be listed as one of the participating countries, and its participation would instead be considered at a later date when the country assistance program had been established. Since then, the Azerbaijan country assistance plan has been agreed upon, and the country strategy and program (CSP) update prioritizes the health sector. An ADB mission visited Azerbaijan in June-July 2001 and reached an understanding to prepare a supplementary proposal for Azerbaijan to be included in the previously approved JFPR Project. The Government of Japan approved financing for the supplementary proposal on 26 September 2001.

II. BACKGROUND AND RATIONALE

2. Micronutrients are essential to the normal growth and development of the body and brain. The lack of iodine and iron nutrients in the required amounts can permanently impair brain development, growth and the immune function. The World Bank estimates the economic cost of micronutrient malnutrition in developing countries to be at least a 5 percent loss of gross domestic product.³ Poor dietary quality is the most common reason for these micronutrient deficiencies. Iodine deficiency disorders (IDD) and iron deficiency anemia (IDA) result from both lack of food diversity and lack of effective demand by the poor. Both causes of poor diets are common in the ACTs. The JFPR Project aims to improve the nutrition status and the physical and mental capacity of the poor in the ACTs through piloting an umbrella regional program for delivering micronutrient-fortified salt and wheat flour to their populations.

3. The poverty situation in Azerbaijan is quite severe, with poverty incidence estimated at over 60 percent. Likewise, social indicators have not improved significantly in recent years. While the quantitative aspects of medical personnel and health infrastructure may be adequate, the quality of health services has deteriorated sharply since independence from the former Soviet Union. Seven districts of 13 (accounting for almost 50 percent of the total population) assessed in Azerbaijan were severely iodine deficient.⁴ All 13 assessed districts had more than 30 percent prevalence of goiter, which is considered by the World Health Organization (WHO) as an indicator of severe IDD.

¹ JFPR 9005: Grant Assistance to Asian Countries in Transition for Improving Nutrition for Poor Mothers and Children, for \$6 million, approved on 26 April 2001.

² Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.

³ World Bank 1994. *Enriching Lives: Overcoming Vitamin and Mineral Malnutrition in Developing Countries*. Development in Practice Series.

⁴ The World Health Organization classifies an area as severely iodine deficient when more than 90 percent of the assessed population have low iodine concentrates in the urine.

Girls and older people are more vulnerable. The prevalence of IDA is extremely high. A 1996 survey by the United Nations Children's Fund (UNICEF)/WHO/Center for Disease Control (Atlanta) found 90 percent prevalence among pregnant women, 66 percent among children under two years old, 36 percent among women of reproductive age, and 26 percent among men. Vulnerable groups, especially the poor, have higher rates of IDA, and among children, some group have up to 90 percent prevalence of IDA. Forty percent of the total population have minor and moderate levels of IDA.

4. The Azerbaijan Interim Operational Strategy includes an appendix entitled "Social Infrastructure," with an analysis of the health sector. In early 2001, a strategic review was undertaken to identify possible areas of ADB assistance in the education and health sectors in Azerbaijan. Within these sectors, it was recommended that assistance for early childhood development be given the highest priority for assistance. The Azerbaijan CSP includes a discussion on health issues and indicates that the health sector will be addressed in the country assistance program. The objectives of JFPR 9005 are related to projects and programs in the Azerbaijan Country Assistance Program: (i) project preparatory technical assistance for Strengthening Early Childhood Development in 2004 (with a direct link to the JFPR Project); ⁵ (ii) a loan for Basic Infrastructure Development in 2002, for much-needed water supply and sanitation services in secondary towns, and improvement of health and general living conditions of the affected population; and (iii) an assessment study for Azerbaijan's joining ADB's Central Asia Regional Economic Cooperation Program, which has recommended that it be allowed to join.

5. The inclusion of Azerbaijan in the JFPR Project is necessary to enhance the regional approach needed to address a malnutrition crisis common to all six countries. In particular, trade agreements on the distribution of iodized salt and fortified wheat flour are particularly important, and Azerbaijan provides a major trade link for salt imports from Turkey and the Caucasus to Central Asian countries.

III. THE PROPOSED CHANGES IN SCOPE AND AMOUNT

6. **Geographic Change.** It is proposed that the geographic scope of the JFPR Project be increased to include Azerbaijan, thus increasing the number of participating countries from five to six. The JFPR Project will target poor women of reproductive age and children to (i) provide nutrition support; (ii) pilot related capacity-building processes for establishing a regional network of marketing, distribution, and rules of trade; and (iii) demonstrate the efficacy of a regional approach to solving a common nutrition problem.

7. Azerbaijan will participate fully in all components of the Project:

- (i) **Roundtable Conference.** This will bring together representatives from ACT public health services, the private sector (federations of flour millers and salt producers), nongovernment organizations (NGOs) that focus on women and children, representatives of external assistance agencies, and senior central and local government officials. The roundtable conference will seek policy commitment and agreement on the essential requirements for fortifying salt

⁵ Following the inclusion of Azerbaijan under JFPR 9005, the advance processing of this very closely associated project for Strengthening Early Childhood Development will be considered in consultation with the Government.

and flour, upgrading regulatory and trade policies, enriching food for the poor, conducting population surveillance and food quality monitoring, and identifying potential follow-up activities including larger scale investment projects.

- (ii) **Fortification of Salt and Flour.** In selected pilot sites in poor areas, the ACT governments will work with flour millers, bakers, and salt producers to upgrade processing and marketing technology (private-sector financed) to use micronutrient-enriched salt and wheat flour. The Project will finance a one-year supply of fortificants (potassium iodate and an iron-based premix) for salt and flour consumed by the poor. Both private and state-owned companies will be eligible for assistance if they intend to continue fortifying products after the Project.
- (iii) **Support for Regulatory Authorities.** Regulatory authorities will develop food-testing instruments and surveys for monitoring the enriched food program for mothers and children.
- (iv) **Social Marketing to Create Demand by the Poor.** This activity will be managed by NGOs to promote public awareness and acceptance of micronutrient-enriched salt and wheat flour, targeting poor consumers.
- (v) **Project Management.** This component will fund the establishment of project offices and their operational, monitoring, and poverty impact assessment work.

8. **Implementation Arrangements.** Since approval of the JFPR Project in April 2001, project startup work has been under way to establish the regional office and to prepare for the roundtable conference, to which Azerbaijan has been invited as an observer. The roundtable conference will be held 10-12 October 2001. Approval of this supplementary proposal will allow Azerbaijan to participate fully, starting in November, in implementing the workplan and related agreements that will be the outputs of the roundtable conference.

9. Azerbaijan's participation will follow the implementation arrangements of the approved JFPR Project. ADB will coordinate overall implementation in all six countries through the Regional Coordination and Administration Office (RCAO) already set up in Almaty, Kazakhstan. RCAO will also be responsible for centralized procurement of equipment and fortificants. Following the approval of additional funding, coordination activities for Azerbaijan will also be carried out by RCAO. As in the case with the other participating countries, Azerbaijan will set up a country project office and a steering committee for project oversight, the latter comprising representatives from the finance, economic development, and health ministries; the private food industry; and the NGO community. The core members of the committee will be invited to the roundtable conference and the final project review. The Ministry of Health of Azerbaijan will be the Executing Agency of the Project and will establish the country project office, to which concerned government ministries, local governments, NGOs, and private sector organizations (associations for bakers, millers, and salt producers) will send representatives. The country project office will submit financial, progress, and project completion reports to the RCAO. RCAO will monitor financial disbursement and project activities, and will prepare consolidated project reports and consolidated financial

statements. The Ministry of Health of Azerbaijan will be responsible for surveys, social marketing campaigns, surveillance, monitoring, and report preparation, in most cases through sub-contracting. Azerbaijan will participate in the roundtable conference, organized by ADB with the assistance of UNICEF and the Institute of Nutrition, National Academy of Sciences, in Kazakhstan, which is the regional WHO collaborating center.

10. The change in scope of the JFPR Project to include Azerbaijan and the additional allocation of \$850,000 from JFPR will enable Azerbaijan to participate fully in the regional study and carry out the same activities as the other five participating countries. The same implementation, project management, and funds flow arrangements will be used as for the JFPR Project.

11. The Government of Japan, through the Japan Fund for Poverty Reduction, has agreed to provide additional grant funds amounting to \$850,000 equivalent for the inclusion of Azerbaijan in the regional JFPR Project. The detailed costs are in Appendix 1. Appendix 2 provides an overview of the cost estimates in the form of an input-output matrix.

IV. THE PRESIDENT'S RECOMMENDATION

12. The President recommends that the Board approve, on a no-objection basis, (i) the change in scope of the regional JFPR Project (9005), Grant Assistance to Asian Countries in Transition for Improving Nutrition for Poor Mothers and Children, to include Azerbaijan as described above; and (ii) the provision of additional funding, on a grant basis, for an amount not exceeding the equivalent of \$850,000 from the Japan Fund for Poverty Reduction, funded by the Government of Japan; and administration thereof by ADB.

COST ESTIMATES FOR JFPR SUPPLEMENT

Item	Amount US\$
1. Equipment (Fortification of salt and flour)	50,000
2. Supplies and Iron Supplements	100,000
3. Training, Workshops, Seminars:	
a. Roundtable conference in Almaty and 3 regional workshops	60,000
b. Training on iodine deficiency disorders, iron deficiency anemia for health workers and laboratory technicians	130,000
c. Information, education, and communications; advocacy meetings; and development of public education and training materials (social marketing)	75,000
d. National conference	20,000
4. Consulting Services	55,000
5. Project Management: Country Project Office for Project Implementation	85,000
6. Other Project Inputs: (support for regulatory authorities)	
a. Feasibility study for iron deficiency anemia	30,000
b. Monitoring and evaluation	60,000
c. Development of standards and laboratories for iodized salt and iron fortification	100,000
7. Contingencies	85,000
Total	850,000

(Reference in text: page 4, para. 11)

COST ESTIMATES
(\$1,000)

	Component 1 (e.g., Income Generation: such as wages for the poor in public works, income from livelihood activities, micro-finance, tools, livestock, equipment)	Component 2 (e.g. Social Poverty: such as provision of means to address human poverty, e.g. medicine, teaching equipment, potable water, insurance funds)	Component 3 (e.g., Skills & Human Development: such as skills training and capacity building for individuals)	Component 4 (e.g., Community & Institutional Development: including participatory development and local institution/nongovernment organizations building)	Component 5 (e.g., poverty impact assessment, research and special studies)	Component 6 (e.g., Overall Management and Administrative Support: including wages for staff, office equipment, rental and operating and maintenance, recurrent costs)	Total (Input)
1. Revolving Credit Facilities: (e.g., micro-finance, energy trust, low-cost housing fund, fund for women, community health insurance fund, and other specific)							0
2. Civil Works (e.g., preparation, construction, and operating and maintenance of civil and public works and infrastructure, and related costs)							0
3. Equipment, Machinery, Materials and Other Capital Costs (e.g., powertools, irrigation pumps, compactors, vehicles, furniture, audio-visual equipment, construction material)		50					50
4. Supplies (consumable items for specific project activities, e.g., seeds, livestock, medicines, disposable medical equipment, textbooks, other reading material, etc.)		100					100
5. Training, workshops, seminars (e.g., rental for venue, travel, food and lodging for participants, training facilities, and other related costs)		60	130	95			285
6. Consulting Services (e.g., for impact assessment, research and special studies, specialists, contractors, engineers, and related costs such as travel and accommodation)					55		55
7. Project management including management of specific components by project monitoring unit, the executing agency and implementing agencies. (e.g., wages for staff, office equipment, rental and operating and maintenance, recurrent)						85	85
8. Other Project Inputs (for other specific project inputs that cannot be included in any of the above categories)			100		90		190
9. Contingencies (0-10% of total estimated costs, which can be utilized for any of the above categories that, due to unforeseen circumstances, may require additional funds during implementation; use of contingencies requires <u>prior</u> approval from ADP)		20	20	20	20	5	85
Subtotal JFPR financed	0	230	250	115	165	90	850
Government contribution							
Other agencies' contribution							
Civil society and others' contributions							
Contribution of the poor							
Total Project Costs	0	230	250	115	165	90	850

(Reference in text: page 4, para. 11)

COST ESTIMATES
(\$1,000)



