

Djibouti Protracted Relief and Recovery Operation (PRRO) 200293:
Budget Revision No.: 1

PROJECT REVISION FOR THE APPROVAL OF:

➤ **Deputy Executive Director, Operations Department**

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office or
<u>CLEARANCE</u>				
Regional Director
Project Budget and Programming Officer, RMBP
Chief, RMBP
Chief, ODLT (change in LTSH and/or External Transport)
Director and Deputy CFO, RMB
Director, ODX
<u>APPROVAL</u>				
Deputy Executive Director, OD

PROJECT

Start date: Jan 2012

End date: Sept 1013

Extension/Reduction period: NA

New end date: NA

	Previous Budget	Revision	New Budget
Food cost ¹	US\$ 18,666,854	US\$ 1,931,661	US\$ 20,598,515
External transport ²	US\$ 2,591,390	US\$ 0	US\$ 2,591,390
LTSH ³	US\$ 5,835,095	US\$ 0	US\$ 5,835,095
ODOC ⁴	US\$ 644,923	US\$ 230,400	US\$ 875,323
DSC ⁵	US\$ 3,494,692	US\$ 124,546	US\$ 3,619,238
ISC (7%) ⁶	US\$ 2,186,307	US\$ 160,062	US\$ 2,346,369
Total WFP cost (US\$)	US\$ 33,419,261	US\$ 2,446,669	US\$ 35,865,930

TYPE OF REVISION

- | | | | |
|--|--|---|---|
| <input type="checkbox"/> Additional commodity | <input checked="" 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"/> Other | <input type="checkbox"/> Re-orientation | <input type="checkbox"/> Extension or Reduction in time |

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 INCREASE

1. ***This budget revision is required to:***

- i) Include a voucher pilot in the project. This component will increase the beneficiary caseload by 29,000 people.
- ii) Strengthen food delivery capacity of partner, national office of assistance to refugees and disaster victims (ONARS)

2. This budget revision will result in the following:

- Increased total WFP cost by US\$ 2,446,669 consisting of,
- Increased food cost by US\$ 1,931,661; ODOC by US\$ 230,400; DSC by US\$ 124,546 and ISC by US\$ 160,062. External transport and LTSH costs remain unchanged.

JUSTIFICATION FOR BUDGET INCREASE

Summary of existing activities

3. ***The PRRO supports government strategies by prioritizing assistance to the most vulnerable and food insecure people affected by recurrent drought emergencies and increasing food prices through its relief component. Humanitarian assistance to refugees in Ali Addeh camp consists of general food distribution, providing a full ration of 2,290 kcal per person per day to 21,700 refugees. The PRRO also provides supplementary feeding and take-home rations to refugee school children. Through the recovery component, the operation assists communities in developing sustainable physical assets via Food for Work/Food for Assets (FFW/FFA) recovery programs as well as support to vulnerable groups through supplementary feeding programs, ART and TB-DOTS clients and orphans and vulnerable children (OVC).***

4. ***In line with WFP's Strategic Plan 2008-2013, PRRO 200293 aims to achieve the following objectives:***

- (i) Support the poorest and most food insecure populations including refugees through improved food access (SO1- Save lives and protect livelihoods in emergencies).
- (ii) Enhance Government, partners and communities capacity in disaster preparedness (SO2- Prevent acute hunger and invest in disaster preparedness and mitigation measures).
- (iii) Improve the nutrition status of refugees and other vulnerable groups (SO3- Restore and rebuild lives and livelihoods in post conflict, post disaster or transition situations).
- (iv) Increase enrolment of girls in WFP assisted refugee schools (SO3)
- (v) Promote resilience and self reliance among food insecure households and communities most food insecure, affected by recurrent shocks (SO3).

Conclusion and recommendation of the re-assessment

5. At the end of 2010, WFP with its partners conducted an Emergency Food Security Assessment (EFSA)⁷ and a market study⁸ in urban areas, and identified 14.5 percent of the population as being food insecure and in need of food assistance. In line with the EFSA and market study recommendations, an assessment of the feasibility for cash or voucher transfers was conducted in

⁷ WFP, Urban Emergency Food Security Assessment (EFSA), February 2011.

⁸ WFP, Rapport sur les marches urbaines, février 2011.

Djibouti City in July and October 2011⁹. The study revealed the viability to adopt the voucher modality and recommended a pilot project in the capital.

6. Drought-induced rural to urban migration has been observed, particularly in the Balbala area of Djibouti City, where most of the poor households live¹⁰. According to a recent study¹¹, in poor quarters of Balbala only 24 percent of people are employed, the remainder being either inactive (48 percent) or unemployed (28 percent). Among women, inactivity and unemployment rates rise to 58 percent and 29 percent respectively. This leads to a high economic dependency ratio of 4.4. In addition, revenues from informal employment are on average three times lower than those in the formal one. The influx of poor rural households has increased the proportion of the population most vulnerable to high food prices. According to the Famine Early Warning Systems Network (FEWSNET, November 2011), in poor urban areas of Djibouti City, purchasing power for poor households is increasingly weakened as food and non-food expenses increase, and income from casual labor and small trade activities declines or remains stagnant.
7. Food prices in urban areas remain high¹². Wheat flour, sugar and cooking oil prices in October 2011 were 40 percent, 25 percent, and 17 percent, respectively, above their October 2010 levels. Compared to the five-year average, cooking oil prices are 195 higher while rice is 100 higher. Furthermore, prices of kerosene increased by 10 percent in October 2011 and are 30 percent above prices in 2010. Household expenditures in 2011 were 12 percent higher than 2010 and 57 percent higher than the five-year average (FEWSNET, November 2011). According to the Integrated Food Security Phase Classification (IPC), poor urban populations are in a situation of acute food and livelihood crisis (IPC Phase 3).
8. High food and fuel prices among populations highly vulnerable to price shocks are potential causes for significant increases in malnutrition rates in Djibouti City. During the last lean season (May-September 2011), *Médecins Sans Frontières* (MSF) reported a marked increase of severe cases from 3 to 7 percent and of moderate from 7 to 23 percent, compared to the same period in 2010.
9. Although voucher transfers are more costly than in-kind food (alpha value of 1.77), in an urban set-up, population density highlights the need for security and crowd management at food distribution sites and related costs. A recent experience (August-September 2011 family protection ration distribution in Balbala) confirmed the risks linked to food distributions in an urban context and required considerable efforts to avoid security incidents. Moreover, vouchers would allow beneficiaries to obtain food items at their corner shop from a broader list of items. Eventually, markets will benefit from increased demand and such stimulation is not expected to have an inflationary impact, due to its limited scale and the market ability to cope with such increase in a short period of time. Considering that Khat (an organic amphetamine-based stimulant) represents the highest non-food spending for urban households (Urban EFSA, February 2011), vouchers are preferred over cash to ensure the intended use of transfers by all family members.
10. Once the voucher transfer modality is tested through this pilot, the Country Office will assess the feasibility of introducing conditional transfers in the future (e.g. Voucher for Assets).
11. Meanwhile, over the last years, WFP has been experiencing delays in food delivery in two districts (Ali Sabieh and Arta) due to the weak transport capacity of its main partner, ONARS.

⁹ Tarek ElGuindi, Assessment report - adoption of voucher transfer modality in Djibouti, October 2011.

¹⁰ *Direction de la Statistique et des Etudes Démographiques* (DISED), Poverty Map, 2007.

¹¹ Institut de Recherche pour le Développement et Université de Paris Dauphine, Conditions de Vie dans un quartier pauvre de Djibouti: Analyse de l'enquête de référence pour l'impact d'un projet de développement urbain à Balbala, Septembre 2011.

¹² FEWSNET, Djibouti Price Bulletin, March 2012.

Purpose of budget increase

Introduction of the voucher pilot

- 12. The objective of the project is to provide an income transfer through emergency assistance to 29,000¹³ food insecure people living in the peri-urban areas of the capital to meet their minimum food needs during a 3 months period at the peak of the lean season (July to September).**
- 13. Food insecure households will be selected from Balbala as a starting area of intervention. Households will be further screened based on EFSA profiling and according to criteria agreed to during focus group discussions with local associations in each neighborhood, considering the following: (i) households whose income is affected during the hot season, and left with no means of "support", including those with: a) no able-bodied head of household b) no income sources from formal employment (e.g. pension, salary) c) headed by elderly, children/orphans d) women headed family with large number of children (more than 5) (ii) households living in a precarious dwelling structure with no access to regular source of water and electricity.**
- 14. In order to qualify for the program, beneficiaries should meet at least two of the above mentioned criteria. WFP and its local partners will select beneficiaries in coordination with the State Secretariat for National Solidarity.**
- 15. The umbrella NGO will be responsible, in coordination with WFP and partners, for the distribution of vouchers the identified /registered beneficiaries. Furthermore, the head of household will receive a badge with an identification number, its photo, name, location of residence, among other information to be shown when redeeming the voucher at the selected shops.**
- 16. Considering local capacity, the short duration of the project and the relatively small beneficiary caseload, the Country Office opted for a paper voucher delivery mechanism.**
- 17. Out of the registration lists, automated paper vouchers will be printed upon instruction of WFP's Procurement Unit on colored sheets with a water mark. The printed voucher will carry details of the household. Each voucher will have a unique combination of serial numbers. For each cycle, the voucher will have different paper and stamp colors. Vouchers will be released by WFP/Finance Unit to the umbrella NGO for each location and cycle with reconciliation procedures and stock taking.**
- 18. WFP field monitors are present in the area and will conduct a physical and random verification of a sample of one per cent of the planned caseload in each location, to be enlarged during the course of the operation. Verification will confirm the number of beneficiaries in the sample, their actual presence in the neighborhood, their composition, gender and age categories, and whether they meet targeting criteria.**
- 19. The transfer modality selected by the Country Office is a cash-voucher. The proposed voucher value is 655 Djiboutian Franc (DJF) (US\$ 3.70 per household (5 persons) per day 19,650 DJF per month – i.e. US\$ 111.01). According to the assessment carried out in Balbala this is what a poor/average family would provide for its daily food consumption. Food expenditure findings are also in agreement with the 2011 Urban EFSA. Another aspect to consider is that food prices in**

¹³ This number represents 14.5% (food insecure and borderline food insecure, cfr. Urban EFSA, February 2011) of the total population of Balbala (196,000 people).

Djibouti follow a seasonal uptrend during the lean season, limiting the purchasing power of households.

20. The adjustment of the voucher value will be based on value of food items daily consumed by the beneficiaries (representing Consumer Price Index). The Country Office will regularly monitor market prices to inform possible voucher value adjustments.
21. Within its monetary value, the cash voucher will allow beneficiaries to exchange it for a broad list of preferred food items (Table 1), over a period of time, from nearby corner shops. The choice of commodity is based on household needs and preference, eliminating the need for reselling or bartering of food ration to obtain more desirable food items. This is expected to lead to an improvement of household food consumption.

Table 1: Grams per Family per Day

First option:

Food Item	Unit/gram.	Cost (DJF)
Wheat flour	750 g	75
Sorghum flour	250 g	50
Sugar	250 g	75
Powder milk	45 g	90
Rice	750 g	100
Vegetable oil	70 g	90
Pulses	250 g	75
Bread	4 baguettes	100
Total		655

Second option:

Food Item	Unit/gram.	Cost (DJF)
Wheat flour	750 g	75
Sorghum flour	250 g	50
Sugar	250 g	75
Pasta	750 g	160
Tomato concentrate	70 g (small can)	30
Vegetable oil	70 g	90
Pulses	250 g	75
Bread	4 baguettes	100
Total		655

22. Each registered household will receive a cash-voucher covering 15 days of food requirements. Beneficiary households will exchange their vouchers at their preferred (participating) food shop on a daily basis or for a longer duration, based on beneficiary preference and storage capacity.
23. Shops will be selected by the community within the neighborhood, based on proximity, reputation of store keeper and availability of quality supply. Selected shops will have valid trading

registration/license, and will accept WFP vouchers as a means of payment by beneficiaries. They will also accept the monitoring procedures of WFP and its partners.

24. The link between WFP and local associations/committees/beneficiaries will be an umbrella NGO.
25. The link between WFP and the different shops will be the identified suppliers, selected through competitive bidding, providing corner shops with food. Shops belong to existing suppliers' networks. Suppliers will restock shops with food commodities (and not cash) against WFP exchanged -vouchers value. These "used" vouchers, will thereafter be attached to the suppliers' claim/invoice submitted to WFP. Settling the voucher value with food commodities will further restrain shoppers from exchanging beneficiary vouchers for cash. The main potential suppliers have been identified, and have been sensitized on the voucher modality.

Monitoring and Evaluation Plan

26. The monitoring and evaluation system of the voucher program will include: i) a monitoring of the shops; ii) a post-distribution monitoring through households visits which will be conducted on random and spot-check basis; iii) monitoring at community level. A pre-designed check-list and questionnaires will be developed based on selected performance indicators. The Logical Framework is designed with voucher-specific indicators. Surveys and analysis of collected data will be jointly conducted with the *Agence Djiboutienne de Développement Social (ADDS)*.
27. Distribution monitoring at shop level will include discussions with beneficiaries. This will include discussions regarding their consumption of food during the past week, and an assessment of the project.
28. Monitoring will include a review of the food items being offered by the shop; brands and prices as well as weighing equipment, among other things.
29. Monitoring will also include focus group discussions (women, community members, key informants and decision-makers) during the implementation phase to identify drawbacks and solutions.
30. A complaints and inquiry mechanism, accessible to both women and men, will be available through ADDS' current sub-office at each locality and WFP designated field staff on the ground.
31. At the end of the pilot (October 2012) a rapid evaluation of the voucher pilot will be carried out, considering the urban EFSA (February 2011) as a baseline.

TABLE 2. BENEFICIARIES BY ACTIVITY TYPE

Activity	Beneficiaries		
	Present	Increase	Revised
General Food Distribution (refugees)	21,700	0	21,700
General Food Distribution (populations affected by drought and high food prices)	36,200	29,000	65,200
HIV clients and families	4,500	0	4,500
TB-DOTS clients	1000	0	1000

Orphans and Vulnerable Children	500	0	500
Supplementary Feeding children under 5	4,250	0	4,250
Supplementary Feeding MCH	2,750	0	2,750
Food For Assets	24,500	0	24,500
Take Home Ration –Refugees	500	0	500
Total	94,900	29,000	123,900

****29,000 beneficiaries (14,572 female and 14,428 men) will benefit from the project of vouchers.***

Transport/Logistics augmentation

32. In response to delays in food delivery in two districts (Ali Sabieh and Arta), WFP in February 2012 received a contribution from European Union (EEC-C-00303-01) to strengthen ONARS' transport capacity and overcome issues linked to timely delivery of food to beneficiaries. This BR makes a provision to include this contribution.

Hand-Over Strategy

33. Food security is a central theme in the next United Nations Development Assistance Framework (UNDAF) (2013–2017) and a national food and nutrition strategy has been developed with the help of WFP and FAO stating appropriate initiatives that should be carried out to promote national food security. However, the Government currently lacks the capacity to ensure the appropriate design, monitoring, implementation and management of these initiatives. Through this PRRO, WFP will continue developing capacity of partners, government counterparts and communities in accessing, analyzing and monitoring food security trends. Efforts will also be made to ensure government funding of related activities. Once sufficient expertise is developed, a progressive approach will be designed to facilitate and promote handover of food security analysis, provision of adequate responses to the situation and monitoring.
34. Furthermore, social protection is increasingly high on the Government's agenda. The recent Post Disaster Needs Assessment – PDNA (World Bank, UN, EC, October 2011) recommended use of cash voucher programs to assist the urban poor. The World Bank is also about to start a pilot social protection program in the capital Djibouti, which could eventually link with the voucher pilot. Since January 2012, the State Secretariat for National Solidarity (SESN) requested support from the UN System in establishing a social protection and safety net policy and strategy. This is a key priority in the SESN Action Plan for 2011 – 2016. The voucher pilot represents therefore an opportunity to contribute to the social protection agenda by testing a transfer modality appropriate to the urban context. Finally, by implementing the pilot in partnership with local associations, NGOs and the SESN, WFP will contribute to building the capacity of government and partners in the voucher transfer modality.

FOOD REQUIREMENTS

35. Instead of doing Food Distribution in kind to the beneficiaries, WFP will provide cash vouchers to the targeted vulnerable poor households of the capital city (in the peri-urban area).

TABLE 3. VOUCHER REQUIREMENTS BY ACTIVITY TYPE				
Activity	voucher	Food requirements (mt) Cash/voucher (US\$)		
		Current	Increase	Revised total
General food distribution to populations affected by drought and high food prices)	vouchers	0	US\$ 1,931,661	US\$ 1,931,661
Total			US\$ 1,931,661	US\$ 1,931,661

DISTRIBUTION:

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Chief, ODLT

Country Director

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