

BUDGET INCREASE TWO TO ETHIOPIA PROTRACTED RELIEF AND RECOVERY OPERATION 200365

Food Assistance to Somali, Eritrean and Sudanese Refugees

Start date: 01/04/2012 **End date:** 31/03/2015

	Cost (United States dollars)		
	Current budget	Increase (Decrease)	Revised budget
Food cost	173,204,411	(1,345,653)	171,858,758
Cash transfers		4,664,000	4,664,000
External transport	34,769,449	(430,944)	34,338,505
LTSH	73,347,416	(937,231)	72,410,185
ODOC	5,757,349	628,009	6,385,358
DSC	16,408,143	5,992,820	22,400,963
ISC (7.0 percent)	21,244,074	599,970	21,844,044
Total cost to WFP	324,730,842	9,170,970	333,901,813

NATURE OF THE INCREASE

1. This budget revision to protracted relief and recovery operation (PRRO) 200365 proposes to:
 - Introduce a cash intervention for 54,000 refugees at a cost of US\$4.7 million to: (i) provide flexibility and choice of food items for refugees and increase their diet diversity; (ii) mitigate the partial sale of the in-kind food ration to purchase other food commodities; and (iii) enhance country level and corporate learning.
 - Reduce commodity requirements by 4,240 mt for a total value of US\$1.3 million
 - Reduce external transport costs associated with the lower tonnage by US\$431,000.
 - Increase direct support costs (DSC) and other direct operational costs (ODOC) by US\$6.6 million, mainly for: (i) start-up the new cash transfers; and (ii) respond to additional influxes of refugees.

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JUSTIFICATION FOR BUDGET INCREASE

Summary of Existing Project Activities

2. Ethiopia has been hosting refugees from neighbouring countries for more than three decades. There are currently 400,000 refugees in need of food assistance and influxes of refugees are expected to continue. While the majority of the refugees are from Somalia, there are also large numbers of Eritreans and Sudanese.
3. PRRO 200365 was launched in April 2012 for a three-year period. It is aligned with the plans and strategies of the United Nations and the Government, and WFP's Strategic Objectives 1

and 3.¹ The PRRO contributes towards achieving Millennium Development Goals 1, 2, 3, 4, 5 and 7.² The PRRO's specific objectives are to:

- enable refugees to meet minimum levels of food security;
 - treat and reduce acute malnutrition in children, pregnant and lactating women, and other vulnerable refugees with special nutritional needs;
 - stabilize the school enrolment of refugee girls and boys in WFP-assisted schools; and
 - increase livelihood opportunities in fragile transition situations for refugees and host communities.
4. WFP pursues these objectives through the provision of general food distributions, supplementary feeding, school meals, and food assistance for assets.
 5. Blanket supplementary feeding with fortified blended food is provided to all children aged between 6-59 months in camps where the global acute malnutrition (GAM) prevalence reaches 15 percent or above.³
 6. Income-generating activities and environmental interventions for refugees and local communities are also implemented in line with the recommendations of the joint Office of the United Nations High Commissioner for Refugees (UNHCR)/WFP Impact Evaluation on the Contribution of Food Assistance to Durable Solutions in Protracted Refugee Situations - Ethiopia.⁴

Conclusion and Recommendations of the Re-Assessment

7. The Joint UNHCR/WFP impact evaluation recommended WFP explore possibilities to provide alternative transfer modalities – cash or vouchers - in the Tigray camps. This is in line with the Government's "cash-first principle" for food assistance programmes. A greater use of cash and market-based approaches is strongly aligned with the Government's Growth and Transformation Plan (2011-2015), which aims to maintain economic growth and reduce poverty and food insecurity, with Ethiopia aiming to become a middle-income country. The Productive Safety Net Programme provides cash or food transfers to chronically food-insecure households linked to public and community works.
8. UNHCR and WFP drafted a Joint Action Plan for cash and vouchers for each country in the Horn of Africa during a consultation Nairobi in mid-2012. The Ethiopia Joint Action Plan was subsequently discussed and agreed with the Administration for Refugee and Returnee Affairs (ARRA), the Government counterpart and cooperating partner for refugee assistance. ARRA welcomes the introduction of cash transfers in Ethiopia, underlining the objective of learning from experience.
9. The results of the October 2012 joint assessment mission (JAM) by WFP/UNHCR confirms the findings of monitoring, assessments and post-distribution monitoring surveys in refugee camps that show trading, reselling and bartering food is common. A portion of the food provided by WFP/ARRA to the refugees is normally sold at poor terms of trade to buy food commodities not included in the standard WFP food basket (e.g. pasta, rice, eggs, milk, meat, vegetables). WFP in-kind food assistance is the only regular source of income for most of the

¹ Strategic Objective 1 – save lives and livelihoods in emergencies; and Strategic Objective 3 – restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations.

² MDG 1: Eradicate extreme poverty and hunger; MDG 2: Achieve universal primary education; MDG 3: Promote gender equality and empower women; MDG 4: Reduce child mortality; MDG 5: Improve maternal health; MDG 7: Ensure environmental sustainability.

³ Guidelines for Selective Feeding: The Management of Malnutrition in Emergencies (January 2011 / UNHCR - WFP).

⁴ WFP/EB.1/2012/6-E.

households. The main food item sold is the cereal (wheat grain). In December 2012, in the Jijiga area, 50 kg-bags of wheat sold for US\$11.10 (US\$0.22/kg) while the costs for WFP to purchase and transport a bag of 50 kg wheat to Jijiga was US\$33.30 (US\$0.77/kg). Furthermore, the JAM recommended that WFP and UNHCR introduce complementary foods to help diversify the refugee diet.

10. An assessment of national markets in October 2012 indicates that in the Jijiga area markets are functional and well integrated, especially for staple grains. Market studies and retailer assessments in refugee areas (November 2012) confirm these results and show that fresh fruits and vegetables, as well as livestock products, are also available and traded in the Jijiga food markets. Areas in the proximity of the refugee camps have functional markets, an adequate road network with supply markets, sufficient traders' restocking frequency, the presence of sufficient wholesalers and retailers, and access to loans from formal institutions. Traders are considered to be able to respond to the additional demand created by the cash intervention.
11. The alpha value⁵ in the Jijiga camps is 0.45 for wheat, 0.83 for rice and 1.1 for pasta. Rice and pasta are the preferred staple commodities for Somali refugees and a food basket addressed by cash and in-kind transfers would be cost-efficient - including for rice and pasta.
12. Preliminary consultations with refugee leaders and members of food management committees have been undertaken by WFP/UNHCR/ARRA through focus group discussions and interviews with partners operating in the camps. Refugee communities and partners indicated interest in cash transfers and the ability to use the cash to access food in the market.
13. In considering the use of cash or vouchers to meet diverse food needs, WFP took into account its experience in implementing food vouchers in the HIV urban food assistance component in 2012.⁶ An evaluation indicates vouchers reduced unintended uses of the food transfers - including reselling food to buy preferred commodities. Provision of vouchers was found to substantially improve beneficiaries' food consumption score and their dietary diversity.⁷ However, in reviewing the possible use of vouchers in the camps, WFP found that retailer capacity is limited and systems are not currently in place to implement this modality. Furthermore, many retailers expressed their concerns with a voucher-based approach, fearing late payments and a consequent lack of liquidity to replenish their supplies quickly.

Purpose of Budget Increase

14. WFP proposes to introduce a cash transfer in combination with the in-kind food transfers in order to: (i) provide flexibility and choice of food items for refugees and increase their diet diversity; (ii) mitigate the sale of the in-kind food ration to purchase other food requirements; and (iii) enhance country-level and corporate learning.
15. Initially, the combined cash and food transfer will be introduced in a limited number of camps and only for the general food distribution (GFD) activity. Other activities in the PRRO (targeted supplementary feeding for children under 5 and pregnant and lactating women, blanket supplementary feeding, school feeding, and livelihoods activities) will continue to rely on food assistance in kind. Lessons learned will be used to inform the possible expansion of cash transfers in the PRRO.

⁵ Alpha value: The alpha value compares the overall cost for WFP and its donors to deliver food to the beneficiaries with the local market value of the same commodities.

⁶ Under WFP country programme 200253

⁷ WFP. 2012. Comparing Food and Voucher based Transfer Modalities: Cost-Effectiveness and Cost-Efficiency Analysis. (Internal document).

16. WFP will start implementing a combined cash and in-kind transfer in two refugee camps within the Jijiga area of the Somali region: the camps have been identified by WFP and partners mainly because they are stable, of medium size and in proximity to functioning markets.
17. From May 2013, in Sheddar camp, a combination of in-kind food and cash will be provided: all refugees will receive a GFD food basket with the current cereal component reduced by 5 kg per person per month, which will be replaced with a cash transfer equivalent to US\$5.50 per person per month. This will be delivered in envelopes (“immediate cash”) at distribution sites together with their food entitlement. The cash transfer value will enable beneficiaries to buy preferred food commodities such as rice, pasta, vegetables, fruits, milk and eggs. Based on this experience the combined in-kind and cash transfer will be replicated in Awbarre refugee camp (Jijiga) in November 2013.
18. In partnership with UNHCR, ARRA and non-governmental organizations, efforts will continue to support the provision of complementary food to further enhance dietary diversity.

TABLE 1: REVISED FOOD RATION/TRANSFER		
	General Food Distribution	
	Original	Revised
Cereals*	450	283
Supercereal	50	50
Pulses	50	50
Vegetable oil	30	30
Sugar	15	15
Salt (iodized)	5	5
Cash (US\$/person/month)	0	5.5
TOTAL (g/person/day)	600	433
Total kcal/day	2 168	1 671
% kcal from protein	13.8	11.0
% kcal from fat	16.7	24.7
Number of feeding days per year	365	365

The in-kind cereal ration is subject to a 20 percent top-up to compensate refugees for milling

19. WFP/ARRA/UNHCR have agreed to phase-in the combined transfers of food and cash to three or four of the seventeen refugee camps in Ethiopia during this PRRO, targeting 28,000 beneficiaries in 2013 and progressively increasing to 54,000 beneficiaries by March 2015. Overall, the total beneficiaries under the PRRO will not change.
20. All beneficiaries in targeted camps will receive the combined cash and food transfers. Refugees’ entitlement cards will be reviewed at distribution sites against the beneficiary lists provided by UNHCR. As WFP’s cooperating partner ARRA does not yet have experience in providing cash and capacity development will be provided through training and sensitization before implementation starts.
21. As refugee camps are located in remote areas with limited outreach of mobile telephone networks, telecommunication solutions to deliver the cash transfers are currently not feasible.

Mobile banking and internet banking services are not available yet and conventional banking is the only available type of financial service. WFP continues to assess micro-finance providers and telecommunications services and may consider other delivery mechanisms in the future.

22. Several baseline surveys will facilitate measuring the impact of the combined transfer:
 - WFP conducted a baseline survey for PRRO 200365 to establish the food consumption score for each refugee camp in August 2012 to be able to measure the results of the operation. Preliminary results indicate 76 percent of beneficiaries in the Jijiga camps have an acceptable food consumption score.
 - ARRA, UNHCR and WFP conduct annual nutrition surveys to measure malnutrition prevalence in all camps. As of August 2012, the prevalence of acute malnutrition in Sheddar camp is 8.3 percent, and 10.4 percent in Aw Barre camp. WFP and partners will closely monitor to verify that malnutrition does not deteriorate. Furthermore, monthly data from supplementary feeding centres will be scrutinized to monitor the trends of admission records.
23. The beneficiary contact monitoring tools will be revised to include and monitor the utilization of cash and the extent that cash assistance diversifies beneficiaries' diets. WFP field monitors will use indicators to check if new food items have been introduced in the refugees' diet. In addition, focus group discussions will be conducted regularly with UNHCR for qualitative information on the distribution of cash, challenges in using cash, and protection issues at household level related to cash.
24. WFP will also intensify monitoring of food prices in the markets located in the proximity of the refugee camps. If prices rise sharply, the cash transfer value may need to be increased or WFP may need to switch back to in-kind food assistance. Consultations with beneficiaries will be an important part of this decision. Towards the end of 2013, an evaluation will assess successes and challenges of the cash intervention and give guidance on the way forward.
25. Sensitization campaigns with beneficiaries aiming at increasing awareness on food purchase and proper diet will be conducted jointly by WFP, UNHCR and ARRA in order to maintain active dialogue and information sharing between partner organizations and beneficiaries. Food distribution and management committees are in charge of the food complaints mechanism, and will also be responsible for receiving complaints related to cash distribution. WFP monitors and partners will assist the committee members in this task to provide feedback to beneficiaries.

ADDITIONAL REQUIREMENTS

26. The PRRO's commodity requirements will decrease slightly to reflect the substitution of part of the beneficiaries' cereal ration with cash, while the cash requirements will increase, as reflected in Table 2.

TABLE 2: FOOD/CASH REQUIREMENTS BY ACTIVITY				
		Food/cash requirements (mt/US\$)		
		Current	Increase or (Decrease)	Revised total
General food distribution	Commodity	340 412	(4 240)	336 172
	Cash		4 664 000	4 664 000
Targeted supplementary feeding (children 6-59 months)	Commodity	1 299	-	1 299
Targeted supplementary feeding (pregnant and lactating women)	Commodity	6 041	-	6 041
Blanket supplementary feeding (children 6-23 months)	Commodity	5 332	-	5 332
School feeding	Commodity	5 073	-	5 073
TOTAL (mt)		358 158	(4 240)	353 918
TOTAL (US\$)			4 664 000	4 664 000

27. Additional start-up costs will be required to introduce the cash transfer modality, including the preparatory assessments: markets, retailers, beneficiaries, financial providers, and information technology. Cash transfers will also require increased security measures in terms of escorts, armed vehicles, running costs and monitoring, which are reflected in this budget revision as direct support costs and other direct operational costs. The direct support costs related to cash transfers increase by US\$2.2 million.

28. Ethiopia continues to experience influxes of asylum seekers from Somalia, Eritrea and Sudan. As existing camps have reached full capacity, ARRA and UNHCR are planning to open four new refugee camps in the country.⁸ Additional capacity, monitoring, per-capita information and technology costs will be required to maintain WFP's operational response, which are also reflected in the revised PRRO budget. This includes the construction costs to establish offices and accommodation for Dollo and Gambella compounds, additional international staff and vehicles.

Hazard / Risk Assessment and Preparedness Planning

29. While markets are functional and integrated in the target areas, the implementation of cash transfers may be challenged if markets and financial systems are hindered by external factors - such as unexpected bottlenecks in trading or transport obstacles. If there were an impact of

⁸ New camps include: (i) A sixth camp in Dollo Ado area; (ii) a fourth camp in Tigray (iii) a fourth camp in Assosa; and, (iv) a second camp in Gambella.

cash distributions on local market prices this could disadvantage the local population, and could lead to tensions between local population and refugees.

30. To mitigate the risk of food price inflation, the cash intervention takes a phased approach and WFP and UNHCR will closely work with ARRA on: (i) frequent market monitoring; (ii) analysis of the supply chain, and (iii) the utilization of cash, drawing on focus group discussions and checklists jointly developed with partners. WFP will adapt implementation plans accordingly. A contingency stock of cereals will enable WFP to revert to food transfers if local market prices were to increase excessively, in order not to disadvantage beneficiaries.
31. To ensure cash distributions do not contribute to insecurity, WFP will continue to monitor and analyze local security conditions, and will hire a local company to escort and deliver the cash. Distributions will be phased to reduce transport risks and avoid having a large amount of cash at distribution sites.
32. If WFP does not receive sufficient cash contributions to implement cash transfers for all planned beneficiaries, WFP would revert to food transfers, if available, thereby ensuring beneficiaries receive their full entitlement.

RECOMMENDATION

The Executive Director is requested to approve the proposed budget revision to Ethiopia PRRO 200365 “Food Assistance to Somali, Eritrean and Sudanese refugees”.

Approved by:

Ertharin Cousin
Executive Director
World Food Programme

Date

ANNEX I-A

PROJECT COST BREAKDOWN			
Food ⁹	Quantity (mt)	Value (US\$)	Value (US\$)
Cereals	(4,240)	(1,345,653)	
Pulses	0	0	
Oil and fats	0	0	
Mixed and blended food	0	0	
Others	0	0	
Total food	(4,240)	(1,345,595)	
Cash transfers		4,664,000	
Voucher transfers			
Subtotal food and transfers			3,318,347
External transport			(430,944)
Landside transport, storage and handling			(937,231)
Other direct operational costs			628,009
Direct support costs (see Annex I-B)			5,992,820
Total WFP direct costs			8,571,000
Indirect support costs (7.0 percent) ¹⁰			599,970
TOTAL WFP COSTS			9,170,970

⁹ This is a notional food basket for budgeting and approval. The contents may vary.

¹⁰ 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	1,016,740
Local staff - general service	358,587
Hazard pay and hardship allowance	13,230
International consultants	720,000
Staff duty travel	618,113
Subtotal	2,726,670
Recurring expenses	
Office supplies and other consumables	36,000
Communications services	567,000
Vehicle running costs and maintenance	624,900
Office set-up and repairs	1,355,500
Subtotal	2,583,400
Equipment and capital costs	
Vehicle leasing	114,750
Communications equipment	325,000
Local security costs	243,000
Subtotal	682,750
TOTAL DIRECT SUPPORT COSTS	5,992,820

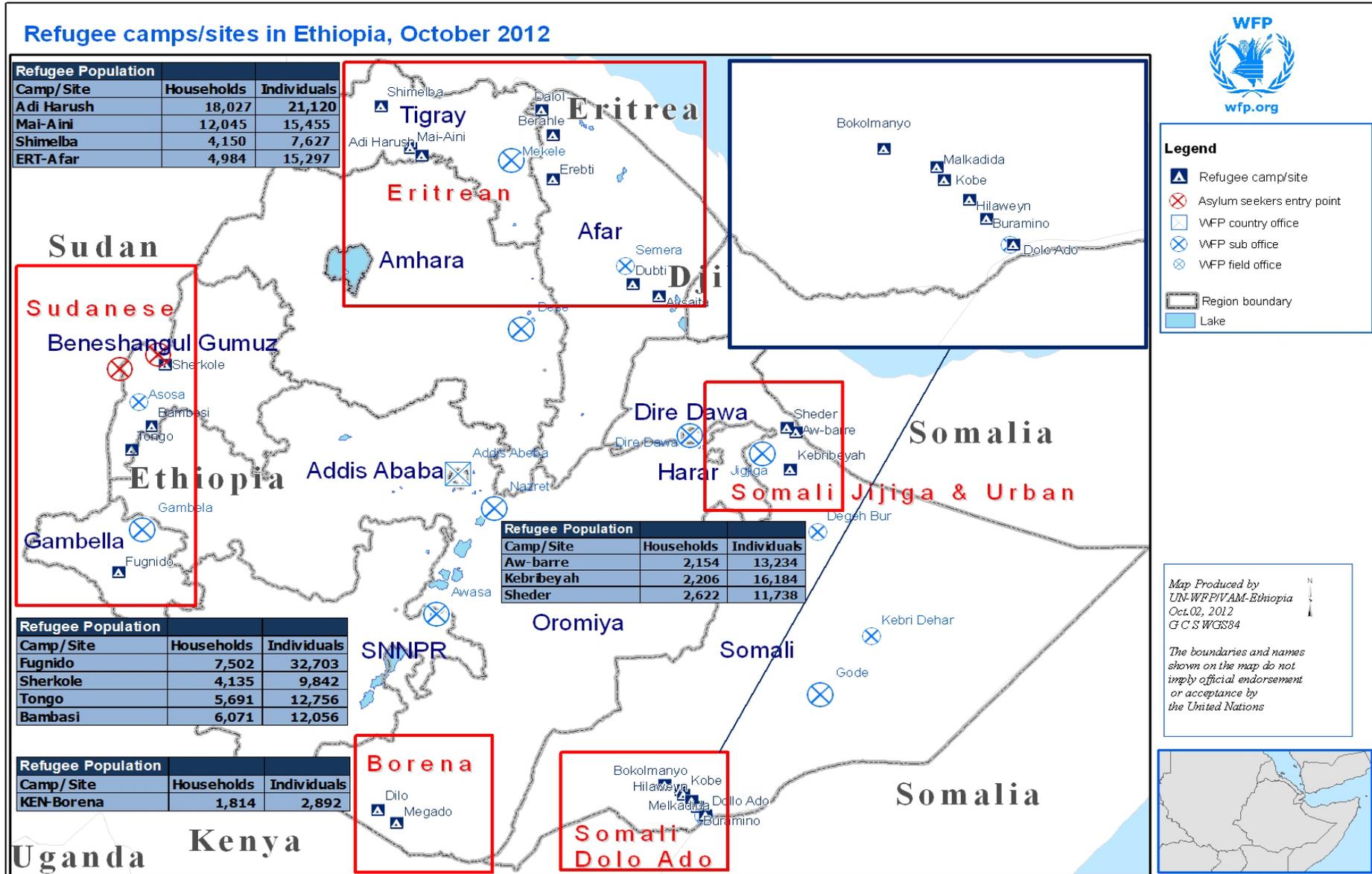
ANNEX II: LOGICAL FRAMEWORK

Note:
This budget revision is to introduce a combined in-kind and cash transfer modality in some refugee camps in Ethiopia for a maximum of 54,000 refugees. The outcomes, outputs and indicators remain the same as in the originally approved PRRO document (WFP/EB.1/2012/8/3),¹¹ except for the inclusion of output indicators shown below.

Results	Performance indicators	Assumptions
WFP Strategic Objective 1: Save lives and protect livelihoods in emergencies		
Output 1.1.1 Food of sufficient quantity and quality, or cash of sufficient quantity, distributed to targeted women, men, girls and boys in refugee camps	<ul style="list-style-type: none"> ➤ Number of women, men, girls and boys receiving cash, as % of planned Target: 70% ➤ Total cash value (US\$) distributed, as % of planned. Target: 70% 	<ul style="list-style-type: none"> ➤ Donors provide adequate support to refugee interventions. ➤ Partners collaborate in reaching the objectives.

¹¹ <http://documents.wfp.org/stellent/groups/public/documents/eb/wfpdoc061734.pdf>

ANNEX III - MAP



ACRONYMS USED IN THE DOCUMENT

ARRA	Administration for Refugee and Returnee Affairs
DSC	direct support costs
GAM	global acute malnutrition
GFD	general food distribution
HIV	human immunodeficiency virus
ISC	indirect support costs
JAM	joint assessment mission
LTSH	landside transport, storage and handling
MOSS	minimum operating security standards
PRRO	protracted relief and recovery operation
ODOC	other direct operational costs
UNHCR	Office of the United Nations High Commissioner for Refugees
WFP	United Nations World Food Programme