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PROJECTS FOR EXECUTIVE BOARD APPROVAL

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For approval



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PROTRACTED RELIEF AND RECOVERY OPERATION— INDONESIA 10069.0

Assistance to IDPs/Urban Poor

Number of beneficiaries	2.1 million (of whom 55 percent will be female)
IDPs/Returnees:	300,000
OPSM:	1,500,000
Children and mothers:	300,000
Duration of project	18 months (from July 2002)

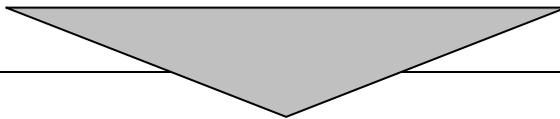
Cost (United States dollars)

Total project cost	65,546,172
Total cost to WFP	60,546,172
Total food cost	37,056,180

In September 2001, one US\$ equalled Rp9,500.

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Note to the Executive Board



This document is submitted for approval by the Executive Board.

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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Executive Summary

Indonesia experienced dramatic deterioration of its social, economic and political base in less than two years, starting with an El Niño drought in 1997. Subsequent crises and civil unrest have led to the displacement of more than 1.3 million people and caused death and considerable suffering.

Slow economic recovery, high unemployment rates and high costs of food and non-food items have severely affected food security, especially among the urban poor. Average real wages for unskilled urban workers, measured in purchasing power, are less than half the pre-crisis level. Recent surveys in the poorest quarters of four Javanese cities indicate that the poor spend over 75 percent of their income on food but consume only 70-75 percent of minimum daily requirements. Half of the children under 5 are stunted, and 30 percent are underweight. Micronutrient deficiencies affect expectant mothers and more than half of the young children in these areas. Most of the social safety net programmes launched by the Indonesian Government in 1998 do not cover illegal settlers in the poorest urban areas.

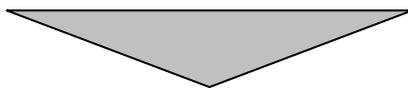
Current WFP assistance complements government efforts and plays a crucial role in improving access to food, meeting urgent food gaps for the urban poor and internally displaced persons (IDPs) and contributing to improvements in food security and stability. The new protracted relief and recovery operation (PRRO) will be crucial for the continuation of food assistance to 2.1 million people. Activities such as the Special Market Operation (OPSM-WFP), the nutrition programme (NP), assistance to IDPs, ongoing advocacy efforts and food-security policy dialogue will be continued. Additional efforts will be made to strengthen government capacity in emergency preparedness and planning.

WFP will collaborate with UNICEF to expand the NP in 40 districts. In view of the low capacity and operational limitations of the Government, non-governmental organizations (NGOs) will have: responsibility for identifying beneficiaries; full control of project resources and their distribution; and control over reporting. WFP will continue to support the NGOs through project implementation and monitoring.

The PRRO is an outcome of extensive consultations between the Government, donors, UNICEF and WFP. Food donors have indicated that they will continue to support WFP's programmes. The Government confirms its commitment to sharing project costs and other support, and recognizes the importance of WFP assistance in the recovery programme.



Draft Decision



The Board approves PRRO Indonesia 10069.0—Assistance to IDPs/Urban Poor (WFP/EB.1/2002/8/4).



CONTEXT AND RATIONALE

Context of the Crisis

1. Indonesia experienced a dramatic deterioration of its social, economic and political situation in less than two years, starting with an El Niño drought in 1997. Political violence in Aceh and severe ethnic conflict in Kalimantan, Sulawesi and Maluku have uprooted hundreds of thousands of people. Some 120,000 of the people who left East Timor in the aftermath of the territory's 1999 independence ballot still remain in Indonesia's West Timor. These crises have led to suffering, food riots and many deaths.
2. Food security, especially among the urban poor, is adversely affected by slow economic recovery, high unemployment and high costs of food and non-food items. Social safety-net programmes launched by the Indonesian Government in 1998 to address the needs of the poor exclude illegal settlers in the poorest urban areas. The Government has accelerated decentralization and revenue-sharing to allow provinces to make their own decisions regarding development and resource use. New laws give increased autonomy to some of the troubled provinces, but these provinces are unlikely to be able to assume their full responsibilities within the next two years.
3. WFP assistance under the ongoing emergency operation (EMOP) 6006.00 and PRRO 6195.00 complements government efforts and plays a crucial role in improving access to food. By meeting urgent food needs, WFP helps to avoid further escalation of the humanitarian and political crisis and contributes to improvements in food security and stability. In view of the prolonged economic difficulties and intense social problems, a new PRRO is proposed to assist food-insecure people who have no access to other safety nets and to strengthen government emergency preparedness and response capacity.

Situation Analysis

4. Political, religious, social and ethnic violence continues to cause deaths and the displacement of more than 1.3 million people. These conflicts have their origins in the ill-planned resettlement of millions of so-called "transmigrants" during the 1970s and 1980s, and are unlikely to be resolved in the near future. In politically tense regions such as Maluku, Aceh, Sulawesi, Kalimantan and Irian Jaya, minor incidents are highly likely to trigger violence. The location of political conflicts cannot always be predicted; other areas of the archipelago might well become crisis points and cause massive displacement.
5. Natural disasters such as floods, drought and earthquakes are common and add to internal displacement and food insecurity. The El Niño-caused drought, which severely affected more than 20 million people during 1997–1998 (WFP estimates), tends to occur every three to five years. There are indications of drought in 2002, which would disrupt food supplies and livelihoods in the less fertile areas of eastern Indonesia. Reduced agricultural output would affect urban areas, where staple food prices would rise.
6. While Indonesia's economy shows tentative signs of recovery, growth remains uneven. The exchange rate with the United States dollar has been volatile, fluctuating from Rp7,000 in August 2000 to Rp12,000 in May 2001 and back to Rp9,500 in September 2001. At the current exchange rate, average per capita gross domestic product (GDP) is estimated at US\$580; close to half of the population earns less than US\$350. In provinces where there is conflict, there is also negative growth. With little productive investment and low levels of investor confidence, medium-term prospects are mixed: there were hopes that



economic recovery would restore income to pre-crisis levels by 2005, but this projection has been revised to 2008.

7. Government and private-sector debt, estimated at US\$140 billion in September 2001, exceeds 140 percent of the GDP. The Government's debt-servicing requirement for 2001 is calculated at Rp132 trillion, US\$13.7 billion, or 62 percent of the annual operating budget. Foreign-debt payments alone are projected at US\$10.9 billion in 2002 and US\$9.4 billion in 2003. Without significant reduction in debt servicing and principal payments, the 2002 state budget deficit will exceed 3.7 percent of the 2001 GDP. Pressures to contain the deficit have led to delays in releasing the development budget and cost cuts that affect central and local government initiatives.
8. During the recent crises, poverty levels rose from 12 percent in 1997–1998 to 18 percent in 1998–1999. The Government's most recent estimate of the number of people classified as poor, or unable to afford a minimum diet, is 25.1 million in rural areas and 12.4 million in urban areas, about 17.8 percent of the population of 210 million. The World Bank estimates that in addition to those classified as poor, nearly one third of Indonesians are at risk of falling into poverty during one year in three. The number of people vulnerable to food insecurity is thus far larger than those classified as being poor at any given moment. If the chronic and the transitory poor are included, nearly 40 percent of the population must be considered periodically vulnerable. Indonesia is classified by the Food and Agriculture Organization (FAO) as a low-income, food-deficit country.
9. Currently, two thirds of Indonesia's poor reside in rural areas, but given the rapid rate of urbanization it is expected that by 2010 more than half will live in the cities, where the economic crisis has hit hardest as unemployment rates have increased steeply. Many of the urban poor depend on wage employment in manufacturing and construction, which are still in recession. Average real wages for unskilled urban workers, measured in purchasing power, are only 50 to 60 percent of the pre-crisis level. Recent surveys by the Central Statistical Department (BPS) and WFP in the poorest areas of four Javanese cities indicate that the poor spend over 75 percent of their income on food but consume only 70–75 percent of the minimum daily requirement of 2,100 kcal. The rice-based diet of the urban poor is energy-deficient, very unbalanced and lacking in essential micronutrients.
10. Most of the urban poor have been living for decades in the poorest areas as illegal squatters. Their living conditions are squalid, as most houses do not have adequate space, ventilation, daylight or toilets. Unemployment has increased social tension and female prostitution. Some 5 to 7 percent of the people in the poorest areas are female heads of household. These women, lacking strong family ties and rural kinship support, struggle to fulfil their dual role as main income earners and caregivers. Most of these households are highly food insecure.
11. The economic crisis continues to have a negative impact on nutrition and health. Particularly vulnerable are women and children, who have special health education needs. Lack of access to sufficient nutritious food and inadequate nutrition education, especially among mothers, are the two most important factors contributing to malnutrition. According to UNICEF, 50 percent of children under 5 are stunted, and 30 percent are underweight; the Asian average is 13 percent (World Development Indicators 2000). Deficiency in micronutrients such as iron and vitamin A affects over 50 percent of small children and is common among expectant mothers. Child mortality is 71 per 1,000 live births; maternal mortality is 399 per 100,000 live births. Both rates are high. A report in 2000 by Helen Keller International concluded that the crisis's adverse effects on nutrition continue to be more severe in urban areas.



12. According to government projections, national paddy production in 2001 is estimated at 51 million tons, against a requirement of 53 million tons. This shortfall will have to be met either by commercial imports or food aid. Cereals provide almost two thirds of the daily calorie supply; rice is the staple food, followed by maize.

Government Recovery Policies and Programmes

13. The Indonesian Government is implementing International Monetary Fund (IMF) reforms to restore investors' confidence in the economy and to support recovery.
14. In 1999, the Government enacted law 22/1999 in an effort to decentralize responsibilities to provincial authorities and municipalities, enhancing "democracy, community participation, equitable distribution and justice and taking into account the potential and diversity of the regions". There are problems associated with this shift in power, including inadequate transfer of resources and slow decision-making. Local administrations are unlikely to be able to assume their full responsibilities within the next two years.
15. Several important social safety-net programmes were launched in 1998 to provide direct income subsidies to the poor in most parts of the country, including the subsidized sale of rice under *Operasi Pasar Khusus*, or the Special Market Operation (OPK); scholarships; and free access to health facilities for people below the poverty line of US\$10 per capita per month. The Government allocated US\$300 million for OPK in 2001 and plans to spend a further US\$400 million in 2002. This operation is currently covering 7 million households, providing 20 kg of rice per month at about half the market price; the plan is to cover 9.7 million households in 2002. The operation is poorly targeted, however, and excludes illegal squatters in the poorest urban areas, who are not registered with local administrations. Social safety-net programmes such as OPK are expected to absorb WFP beneficiaries within the next two or three years, once the economy stabilizes and a mechanism is found to cover the illegal squatters. The National Food Logistics Agency (BULOG) is responsible for storage, transport and distribution of OPK rice.
16. During 2001, the Government allocated US\$70 million for food and cash support to 1.3 million IDPs and refugees. The assistance includes 400 g of rice and Rp1,500 per person per day as "side dish" money. In 2002, the Government intends to increase the cash component to Rp2,500. Institutional and management constraints, however, mean that not all IDPs receive their entitlements because the funds are not always available. For this reason, WFP stepped in to help some 300,000 displaced people who were not covered by government assistance.
17. Until recently, the Government's food-security policy was based on promoting domestic rice production to achieve self-sufficiency. Prices were fixed and the Government intervened in markets, but the policy was abandoned in 1999. The Government now relies on market mechanisms to determine domestic food prices. A 30-percent import tax was introduced, however, to protect domestic rice producers from cheap imports.

Rationale

18. In 1996, after 33 years of partnership, WFP closed its regular programme in Indonesia. In May 1998, however, at the Government's request, the Programme reopened its office specifically to address the precarious food-security situation caused by the El Niño-prompted drought, with food assistance under EMOP 6006.00. When the food-supply situation in rural areas had improved and the Government had established support programmes, WFP assistance shifted to the urban poor affected by the economic crisis and



to victims of civil conflict. The ongoing EMOP will be completed in December 2001, and PRRO 6195.00 in June 2002. WFP assistance under these two operations amounts to US\$218.3 million. Activities under PRRO 6195.00—such as OPSM-WFP, NP, assistance to IDPs and refugees, advocacy efforts and food-security policy dialogue—will be continued under the new phase. The OPSM-WFP programme in Semarang and Bandung will be taken over by the Government in 2002. Additional efforts will be made to strengthen government capacity in emergency preparedness and response and to create community assets.

19. Slow economic recovery, exclusion of very poor illegal settlers in urban slums from government safety-net programmes and the large number of IDPs constitute the rationale for WFP's presence in Indonesia. The new PRRO will meet critical food gaps of the urban poor and IDPs, thereby contributing to stability and improved food security. Concentration of WFP resources in urban areas will allow better targeting and more efficient management. OPSM is expected to serve as a model for well-targeted food-based safety-net programmes. By demonstrating that involvement of civil society, beneficiary groups and NGOs improves the targeting and transparency of resource utilization, WFP will advocate inclusion of these elements in the Government's large OPK programme. The NP, implemented in close cooperation with UNICEF, will address problems of malnutrition among children and women and will complement OPSM at the household level. OPSM and NP cover the same target groups and complement each other by providing the food needs of entire families.
20. WFP's advice and technical support to the Government will help to improve its emergency preparedness and response capacity and will contribute to food-security policies. These efforts will ultimately help to improve the use of government resources, enhance food security for the poor and increase stability. WFP assistance under this PRRO is envisaged for 18 months, starting in July 2002. Further assistance will be subject to a mid-term review.

RECOVERY STRATEGY

Beneficiary Needs

21. Many of the country's 1.3 million IDPs suffer from shortages in food and shelter and lack of access to basic social services such as education and health. When they return to their places of origin they face further hardship and insecurity, because their houses may have been destroyed and their assets lost. WFP assistance provides humanitarian support to the IDPs and to those who resettle and rebuild houses and cultivate land.
22. The urban poor affected by the economic crisis have lost income through discontinued employment, price rises and inflation. Their consumption of basic food has consequently been adversely affected. Calorie intake and consumption of protein-rich food and basic micronutrients have declined to a level below minimum needs, with negative consequences on health and long-term growth. Children are particularly affected.

The Role of Food Aid

23. Food aid will contribute to improving food security and stability. Under OPSM, the food will cover urgent needs and constitute a temporary safety net for food-insecure urban households. Providing subsidized staple food will allow poor households to spend a higher proportion of their cash resources on food rich in protein and micronutrients, and on



education, health and basic necessities. The fortified food distributed under NP will provide nutritional support to small children of poor families. The food basket distributed to IDPs is for humanitarian purposes; in cases of resettlement, the food frees up time and resources that will help the IDPs to rebuild their lives.

24. In line with WFP policy and as part of OPSM-WFP implementation strategy, the project will generate some funds, which will be used for support activities. These include: helping poor communities build community assets and develop human resources through income-generating training; financing logistics and administrative costs for NGOs in delivery of the OPSM-WFP activity; purchasing additional rice and Delvita-fortified food; and supporting NP. Details of approval mechanisms and use of the funds will be set out in the Letter of Understanding (LOU) to be signed with the Government.
25. WFP's advisory support to the Government and advocacy efforts are long-term investments in government capacity to manage emergencies and provide a safety net for the poor.
26. Since it is targeted to people with limited purchasing power, WFP food aid is not expected to have a negative impact on domestic markets. Between 1998 and 2000, food aid constituted less than 5 percent of cereal imports, which means there is little risk of discouraging trade or local production.

Programme Approaches

27. WFP assistance to the urban poor will be limited to Jakarta and environs, known as Jabotabek, and Surabaya, the two major cities in Java, where the most food insecure urban poor are concentrated. WFP will identify the poorest quarters and illegal settlements, excluded under the government programme, selecting individual households on the basis of house-to-house surveys; the criteria are given in paragraph 51. Household income will be reviewed periodically, and beneficiaries with increased income will be disqualified. NGOs, in close collaboration with local communities represented by food aid committees (FACs), will be responsible for beneficiary selection and food distribution. It is expected that 60–70 percent of FAC members and most of the food recipients will be women, as under the ongoing PRRO. All OPSM households with children under 2, and malnourished children under 5, will be included under NP. The community-development programme will be implemented in the OPSM/NP area by NGOs and the communities, especially the women.
28. Assistance to IDPs will be based on the urgency of the situation and the Government's capacity to assist. WFP will look particularly at security concerns, availability of implementing partners, remoteness, religious sensitivities and the ability of provincial authorities to respond quickly. WFP will give priority to resettlement and will strengthen government emergency-response capacity by providing short-term expert support.

Risk Assessment

29. Three major risks have been identified, none of which can be influenced by WFP. The effects of the first two can, however, be mitigated as follows.
 - **Ongoing conflict could escalate.** This would result in an increase in the number of IDPs. Because the Government's capacity to respond quickly to such an escalation is limited, WFP would expect to cover more beneficiaries than currently planned. To this end, WFP will be prepared for rapid expansion of activities under the new PRRO and for raising additional resources through budget revision or a new EMOP.



- **Resources could decrease.** Indonesia may have a less prominent international profile when the economic and political situation stabilizes, which could translate into fewer resources. Advocacy initiatives at different levels and close coordination with donors are in hand to mitigate this risk.
- **Shift in policy could create unfavourable environment.** Over the last four years, Indonesia has had four governments. Further changes in the political climate can occur quickly and dramatically, and a sudden shift in public policy could create an unfavourable environment for WFP's operations.

Objectives and Goals

30. The aim of WFP's assistance is to contribute to national stability by preventing nutritional setbacks and an erosion in the assets of poor people. The objectives of the PRRO are to:
- meet critical food gaps of the food-insecure urban poor in Jabotabek and Surabaya and of IDPs and returnees not covered by government programmes;
 - contribute to reducing malnutrition among children 6 to 24 months in Jabotabek and Surabaya;
 - contribute to creating community assets through the community development programme and to developing human resources through training; and
 - strengthen the capacity of government institutions and local NGOs to respond to emergencies, and improve food-security policies and food-assistance programmes.

IMPLEMENTATION PLAN BY COMPONENT

Selection of Activities

31. The proposed WFP activities are the outcome of a management review and extensive consultations with donors and the Government. WFP assistance will support vulnerable people who have been excluded from government programmes. Assistance to IDPs is aimed at supplementing government efforts to meet the basic needs of refugees and to resettle them.
32. OPSM will assist those urban poor who are illegal settlers without identity cards, and therefore excluded from the Government's OPK programme. Target areas will be selected by means of household surveys. All children between 6 and 24 months and their mothers in the poorest urban areas and in 40 UNICEF-supported districts will be assisted under NP.
33. The selection of activities under the CDP will be based on the needs of the community, especially women. The creation of community assets may include primary schools, health posts and the water supply. Training courses in income-generating activities will be offered, depending on demand.
34. Poverty surveys and vulnerability assessment will form the basis for targeting. Updates of key indicators such as employment, underweight data and prevalence of micronutrient deficiencies will be closely monitored in order to improve or adjust targeting.



Beneficiaries and the Food Basket

35. The PRRO will cover 2.1 million beneficiaries, of whom 55 percent will be women. The number of beneficiaries by activities are: OPSM: 1.5 million; IDPs: 300,000; NP: 300,000. Some 80 percent of the PRRO food recipients will be women.
36. Under OPSM, in line with OPK, each beneficiary household (average five members) will be entitled to 20 kg of rice per month on a weekly basis, at the rate of 5 kg per week at about half the market price. The 20 kg represent almost 40 percent of a household's monthly rice needs and amounts to an average monthly income transfer of some Rp20,000, or 10 percent of household income.
37. NP covers children 6 to 24 months in the target areas and children under 5 who are underweight or at risk. Each child will receive 1 kg of Delvita per month. Delvita is made of soybean and malt fortified with vitamins and minerals. The daily ration of 30 g meets all essential vitamin and mineral requirements of small children.
38. The basic ration for IDPs will be 400 g of rice per person per day. In some cases, IDP returnees will receive an additional 60 g of beans and 30 g of oil per person per day. Malnourished children under 5 will be entitled to 30 g of Delvita per day. Most IDPs will receive cash contributions as side dish money from the Government, though this may be delayed and irregular.

Gender Considerations

39. Women are the major direct recipients of the WFP food, because they constitute 90 percent of recipients of OPSM rice and 75 percent of IDP recipients. Funds for community development will be targeted to women and children, who also constitute all NP beneficiaries.
40. At the village level, 70 percent of FAC members will be women. FACs will have important decision-making powers because they will be responsible for supporting NGOs in identifying and assisting beneficiaries. Several NGOs are managed by women. WFP has trained NGO staff and government counterparts in gender issues. Monitoring data by gender will be collected whenever feasible. The Gender Action Plan and LOUs between WFP, NGOs and the Government will reflect WFP's Commitments to Women.

Activity Approval Mechanism

41. Assistance to IDPs will be based on needs identified by NGOs and verified by WFP or through government/WFP assessment. Assistance through OPSM will be based on NGO household surveys confirming that beneficiaries meet the criteria. CDPs will be approved through review by a government/WFP working group and steering committee. Children under 2, all underweight children under 5 and those considered at risk will be included in NP.

Institutional Arrangements and Selection of Partners

42. The National Development Planning Agency *Bappenas*, the central planning board, will be WFP's point of contact with the Government. A steering committee will provide coordination and guidance on policy and will have responsibility for providing government contributions to the PRRO. A *Bappenas* project management unit (PMU) will coordinate PRRO activities. *Bappenas* will make adequate staff available to the PMU. BULOG, the national logistics board, will be responsible for food logistics, including receipt, storage and internal transport of WFP-supplied commodities. WFP and the Government will jointly select local and international NGOs to be responsible for implementation at the



community level. WFP will sign an LOU with each NGO, specifying each party's obligations. The LOU will be witnessed by *Bappenas*. The NGOs will identify beneficiaries, distribute resources, monitor food utilization and collect output and outcome indicators to measure results.

43. The Ministry of Health (*Depkes*) will provide policy guidance on the NP and will assist in coordination with local authorities. UNICEF will assist implementing partners by strengthening their ability to carry out nutrition education and monitor the impact of the nutrition programme. *Menko Kesra/Bakornas/Depsos* will give policy guidance and coordinate IDP matters.
44. About 20 of the 25 NGOs that have proved their capability in project management in the ongoing operations will be contracted as implementing partners for OPSM and NP.
45. Extensive consultations have been held with the Government and donor representatives on the future of WFP in Indonesia. WFP meets bi-weekly with donors and NGOs to discuss food aid and related matters. Food insecurity in the cities and humanitarian crises faced by IDPs remain common concerns of donors, who have urged WFP to continue its operations and have reaffirmed their support.
46. WFP assistance is planned in coordination with the World Bank, UNDP, UNICEF, UNHCR, UNOCHA, FAO, bilateral donors and NGOs. It contributes to poverty reduction and conflict resolution, two of the four core issues identified by the Common Country Assessment and the United Nations Development Assistance Framework in Indonesia.

Key Programme Components

📁 *Internally Displaced People*

47. WFP and the Government have developed a joint strategy and institutionalized cooperation among ministries and institutions involved in assistance to IDPs, including the Coordinating Ministry of People's Welfare (*Menko Kesra*), the Ministry of Social Affairs (*Depsos*), the National Relief Coordinating Board (*Bakornas*) and provincial governments.
48. WFP food assistance will be given to people displaced by internal social or political conflicts in Maluku, Sulawesi, Kalimantan, East Java, West Timor and new locations as required. IDPs, whose number fluctuates daily, will receive food during the period of displacement; returnees will be assisted for 3 to 12 months until the next harvest. Food may also be used to support rehabilitation of communities through a standard food-for-work ration instead of free distribution. WFP will support repatriation of East Timorese refugees by offering food packages similar to those provided to IDPs. WFP will not provide maintenance assistance to refugees in camps, in line with UNHCR policy.
49. Local and international NGOs will be responsible for the distribution of rations, which they will pick up from the nearest BULOG warehouses (Dolog stores). BULOG's operational costs, such as inter-island transport and storage at Dolog stores, will be covered by the Government, but transport from Dolog stores to distribution points and related handling and distribution costs at the camps will be paid for from the project's landside transport, storage and handling (LTSH) subsidy.

📁 *Social Welfare Market Operation*

50. Under OPSM, about 300,000 households in the poorest quarters of Jabotabek and Surabaya will be entitled to purchase 5 kg of rice per week, or up to 20 kg per month, at a subsidized price of Rp1,000 per kg, about half the market price in August 2001. Local



NGOs will be responsible for selecting beneficiaries and distributing food. Under the ongoing PRRO 6195.00, WFP has signed agreements with 20 NGOs to continue their collaboration during the new PRRO.

51. Households will be selected through regular surveys conducted by NGOs, assisted by FACs representing beneficiaries and heads of villages. Eligible families are those that meet one of the first five criteria, which are the same as for OPK. They are that the family:
 - be below the poverty line, with the main income earner a victim of mass retrenchment;
 - be unable to afford two meals per day;
 - be unable to afford protein-rich food once a week;
 - be unable to pay primary-school fees;
 - be unable to afford basic medical treatment or prescribed drugs; or
 - not receive entitlements under OPK, but meet one of the above criteria.
52. Under OPSM, preference will be given to households headed by women. Beneficiaries will receive ration cards containing family-specific information. In addition to selecting beneficiaries, NGOs will be responsible for delivering rice from Dolog stores to distribution points, selling rations to beneficiaries, transferring proceeds to a generated funds account and reporting.

📁 *Community-development Projects*

53. A small proportion of the funds generated under OPSM will be used to finance CDPs, which will be identified and implemented by local NGOs in cooperation with communities and FACs, 70 percent of whose members must be women. CDPs will be implemented mainly in poor urban areas already covered by OPSM and the NP, with the aim of complementing them by creating community assets and providing training in income-generating activities. By addressing concurrently the needs of different household members—for example short-term food, special nutritional requirements of women and children, and long-term development—a significant improvement in household food security should be achieved.
54. Proposals for CDPs must comply with the following criteria:
 - Projects must be relevant to the beneficiary community and specifically to women and children.
 - They must be technically and economically feasible.
 - Their administrative costs must not exceed 8 percent of the budget.
 - They must have a developmental impact on the target population.
 - They must not duplicate or overlap projects of other institutions.
 - They must have 5 to 10 percent of their costs covered by the community, in cash or in kind.



📌 **Nutrition Programme**

55. NP will be implemented in the poorest urban areas of Jabotabek and Surabaya covered by OPSM and in 40 districts where UNICEF implements its Country Programme.¹ NP targets children under 2 and their mothers. In the 40 districts, WFP will collaborate with UNICEF, which prefers Delvita to the traditional blended food Vitadele, used previously. A Memorandum of Understanding that includes details of the arrangements, contributions, roles and responsibilities has been signed.
56. WFP will purchase the locally produced fortified food Delvita and deliver it to NGO warehouses in Jabotabek and Surabaya and to 40 sub-district capitals. In the 40 UNICEF districts, NP will be implemented through the government health infrastructure. Sub-district health posts, (*puskesmas*) will be responsible for transporting the Delvita from the district capitals to village health centres (*posyandus*). Run by volunteers under the semi-government family welfare movements (PKK), *posyandus* provide basic health services such as growth monitoring, immunization, vaccination and vitamin-A supplementation for children, and will distribute Delvita. In poor urban areas, this task will be assumed by *pondoks*, nutrition centres established for implementing the NP and run by NGOs.
57. Delvita will be provided free under OPSM to malnourished children from very poor households and to IDP children. Normal OPSM beneficiaries and those in UNICEF areas will pay nominal prices. Nutrition and health services are free. NGO nutrition staff and PKK volunteers will offer nutrition classes and cooking demonstrations and will monitor children's growth every month. Village-level centres will be equipped with scales, growth-monitoring charts and eating utensils. WFP has already developed teaching materials and a curriculum for nutrition classes. Technical and managerial training of NGO staff is envisaged.
58. WFP will cover NGO costs related to the NP at Rp8,000 per beneficiary per month. In the 40 UNICEF districts, programme-related costs of sub-district health posts will be covered from the district budget with support from UNICEF. A nutrition survey is being undertaken to provide baseline nutrition data for measuring the impact of the NP.

📌 **Advocacy and Capacity-building**

59. WFP will continue to lobby on behalf of the hungry poor and will aim to ensure that their food concerns are reflected in planning at the national level. In collaboration with the Government, the World Bank, FAO and UNICEF, WFP will continue to highlight the role of food assistance in dealing with household vulnerability, food insecurity and coping strategies. It will use vulnerability analysis and mapping (VAM) techniques to identify people at risk and to increase awareness of their situation.
60. WFP will provide technical expertise to strengthen the Government's emergency preparedness and response capacity and to coordinate central and provincial food logistics. Improvements in VAM tools are expected to improve government targeting of food resources and the cost-effectiveness of food assistance.

¹ These districts include some of the most densely populated provinces, accounting for close to half of the rural population and just under two thirds of the rural poor.



Capacity-building

61. WFP has provided training workshops and experience for government and NGO staff and communities to strengthen institutional capacity in food-aid management and planning. Advisory services and technical assistance are envisaged for government departments responsible for the planning and management of emergencies. WFP coordinates its activities with the World Bank, partner United Nations agencies and donors, promoting the flow of information on food-security issues. These efforts will be intensified during the new phase.

Logistics

62. WFP imports long-grain white rice in conformity with the national standard, which allows a maximum of 15 percent broken grains. Jakarta and Surabaya are the anticipated ports for first delivery of cereals. BULOG will be responsible, on behalf of the Government, for food logistics, including customs clearance, prompt unloading, transport to warehouses, storage management and inventory control. BULOG will make available to Dolog or sub-Dolog warehouses nearest to project sites the quantities of rice requested by WFP. The costs of services such as customs clearance, unloading and transport to Dolog warehouses in the provinces will be borne by the Government. WFP-imported rice will be merged with national stocks. The same quantity and quality will be made available at district warehouses nearest to WFP distribution sites as requested by WFP. For OPSM, however, WFP intends to use its own imported rice as much as possible and will request BULOG to supply WFP rice at district and sub-district level. Beans and oil supplied under the PRRO will be delivered to implementing partners. With regard to ancillary commodities, BULOG's role is to facilitate import and customs clearance. WFP and BULOG will reconcile receipts and releases every three months based on bills of lading, superintendence reports, WFP release requests and store release vouchers or documents such as certificates of uplifts. WFP staff will regularly visit BULOG warehouses to check the quality of WFP stocks and monitor the quality of rice issued to implementing partners. WFP will seek the services of a specialist superintending agency to verify the accuracy of warehouse measuring equipment, stock quality and the condition of WFP commodities.
63. Delvita will be purchased locally and supplied to the warehouses of implementing partners in Jabotabek and Surabaya and to sub-district capitals in the 40 UNICEF districts.
64. The Government has confirmed its commitment to meet costs of receipt, handling and internal transport of WFP commodities to BULOG warehouses, and staffing and management support costs. Approximately US\$2.5 million has been budgeted for this purpose for fiscal year 2002, and a similar amount has been promised for 2003. WFP will cover LTSH costs for food assistance to IDPs. To make programming easier and to appeal to donors, LTSH will be calculated on tonnage delivered, rather than on IDP allocations. Storage and handling costs for commodities provided under the PRRO are estimated at US\$23 per metric ton. WFP will manage and pay subsidies to NGOs based on reviews of costs. Funds from subsidized sales of rice under OPSM will be kept in a separate account and administered by WFP. Use of this fund will be jointly decided by WFP and the steering committee, chaired by *Bappenas*. Part of the fund will be used to cover estimated NGO costs of OPSM (Rp200 per kg) and NP (Rp8,000 per beneficiary).

Monitoring and Evaluation

65. The country office has developed operational guidelines for all activities, providing detailed information on implementation procedures; criteria for selecting beneficiaries; criteria for selecting NGOs; roles and responsibilities of agencies such as the Government,



WFP and NGOs; indicators for monitoring; and procedures and formats for reporting. WFP staff will spend 60 percent of their time in the field providing on-the-job training and monitoring NGO staff and government counterparts. Most project areas will be visited at least once every six months. NGOs with poor records will be closely monitored. Information collected from these visits will be used in decision-making and planning.

66. WFP will monitor household livelihoods through surveys financed by the Dutch Quality Improvement Funds, which will demonstrate the impact of WFP activities by assessing socio-economic data, food-consumption patterns and nutrition information in order to identify changes in utilization and expenditure patterns and nutritional status. Findings will be shared and used to strengthen implementation and ensure greater accountability in the use of WFP resources. WFP will continue to administer the generated fund.
67. In the project area, baseline socio-economic and nutritional data are being established. Checklists and other reporting forms are in place and will be updated as necessary. WFP staff will collect gender-disaggregated data on beneficiaries and other information related to the project. Reports about the distribution of rice under OPSM will be generated weekly; other activities are reported monthly.

Security Measures

68. There are currently no significant security concerns in Jakarta or Surabaya (Phase I). Serious political and ethnic violence, however, continues in Nusa Tenggara Timor (NTT)/West Timor, Maluku, Aceh, Irian Jaya and Kalimantan. The United Nations and NGOs have evacuated staff on several occasions from Aceh, Maluku and NTT. In Kupang/West Timor (Phase IV), WFP maintains only a skeleton staff. Postings or visits by WFP staff to insecure places will be strictly guided by United Nations security policies. Security levels are regularly monitored and updated.

Exit Strategy

69. WFP has reviewed Indonesia's socio-economic prospects and prepared an exit strategy for the country's assistance. In the worst-case scenario, Indonesia's recovery may be delayed for a decade or more; provincial social tensions may lead to significant increases in the number of IDPs. The Government faces such tremendous budget pressures that it may be unable to address the needs of the rising number of hungry poor. WFP assistance will consequently be needed for many more years, with resources concentrated on IDPs, residents of poor urban areas and disaster victims.
70. The most likely scenario, however, is that recovery will begin in the next few years, significantly reducing the number of food-insecure households. Social and ethnic conflicts will abate and government resources will be freed up for financial reforms and investments in infrastructure. In this scenario, WFP will need to continue assistance to Indonesia for another two to three years, after which the Government will take over food assistance to the needy. WFP's current strategy is to continue its activities for 18 months after June 2002, and base extension of the PRRO on a review of the situation in early 2003.

Contingency Mechanism

71. *Bappenas* has secured counterpart funding for the PRRO from its next national budget, which starts in January 2002. An agreement between WFP and *Bappenas* guaranteeing funding for BULOG to release and transport up to 20,000 tons of rice from the project to meet crises will be extended for the new operation. Provision of LTSH funds by WFP will



ensure that NGOs deliver rice from Dolog stores for immediate distribution to displaced populations.

72. WFP has prepared a contingency plan for Aceh and intends to prepare similar plans for other problem areas, including Irian Jaya, envisaging food commodities, staff and other support. To ensure prompt release of funding for IDPs, WFP will work closely with *Bakornas*, *Depsos*, *Bappenas*, BULOG and other stakeholders to ensure rapid response to requirements.

BUDGET PROPOSAL AND INPUT REQUIREMENTS

Food-aid Requirements

73. The food commodities required are detailed in the table below:

FOOD AID REQUIREMENTS BY ACTIVITY (mt)				
Activity	Rice ¹	Delvita ²	Beans	Oil
OPSM-WFP	108 000			
IDP	64 800	540	2 920	1 460
NP		2 700		
Total	172 800	3 240	2 920	1 460

¹ Rice may be substituted by wheat at an approximate ratio of 1:2.

² Delvita will be purchased from the OPSM-generated funds.

Staffing

74. WFP will provide resident international officers, consultants and national staff to manage and monitor the PRRO and advise the Government on WFP assistance. It will maintain its main office in Jakarta and sub-offices in Surabaya and Kupang and elsewhere as the operation requires.
75. In line with its emphasis on capacity-building, WFP will provide technical advice to the Government in disaster response and relief planning and food logistics for IDPs.
76. WFP staff and support costs other than those funded under the PSA budget (Country Director, 2 national officers and 3 General Service staff) will be covered under direct support costs (DSC). Detailed staffing requirements are given as part of DSC in the annexes.

Non-food items

77. Various non-food items required for the OPSM and NP, such as scales and growth charts, will be financed from funds generated under the OPSM and through UNICEF. NFI requirements for IDPs and refugees will be supplied from external sources. In case of any large increase in numbers of IDPs, NFI and logistics support will be obtained through an appeal and through the WFP regional warehouse in Cambodia.

Technical Assistance

78. Budgetary resources have been set aside to support technical assistance for the project.



Contingencies

79. The budget provides for unexpected increases in staff costs or other expenses.

RECOMMENDATION OF THE EXECUTIVE DIRECTOR

80. The PRRO is recommended for approval by the Executive Board, within the budget provided in the Annexes.



ANNEX I**PROJECT COST BREAKDOWN**

	Quantity (tons)	Average cost per ton	Value (US\$)
WFP COSTS			
A. Direct operational costs			
Commodity ¹			
– Rice	172 800	205	34 905 600
– Beans	2 920	460	1 343 200
– Vegetable oil	1 460	553	807 380
Total commodities	177 180	209	37 056 180
External transport		55.15	9 772 160
Landside transport			4 075 140
Total LTSH		23	4 075 140
Other direct operational costs			345 500
Total direct operational costs			51 248 980
B. Direct support costs (see Annex II for details)			
Total direct support cost			4 916 300
C. Indirect support costs (ISC) (7.8%)			
			4 380 892
TOTAL WFP COSTS			60 546 172

¹ This is a notional food basket used for budgeting and approval purposes. The precise mix and actual quantities of commodities to be supplied to the project, as in all WFP-assisted projects, may vary over time depending on the availability of commodities to WFP and domestically within the recipient country.



ANNEX II

DIRECT SUPPORT REQUIREMENTS (US\$)

Staff

International professional staff	2 691 000
International GS staff	144 000
National professional officers	202 500
National GS staff	622 500
Overtime	3 000
Incentives (hazard)	3 000
International consultants	90 000
National consultants	110 000
UNVs	175 500
Staff duty travel	230 000
Staff training and development	40 000
Subtotal	4 311 500

Office expenses and other recurrent costs

Rental of facility	200 000
Utilities (general)	10 800
Office supplies	25 000
Communication and IT services	50 000
Equipment repair and maintenance	15 000
Vehicle maintenance and running costs	40 000
Hospitality	1 500
Other office expenses	153 500
Subtotal	495 800

Equipment and other fixed costs

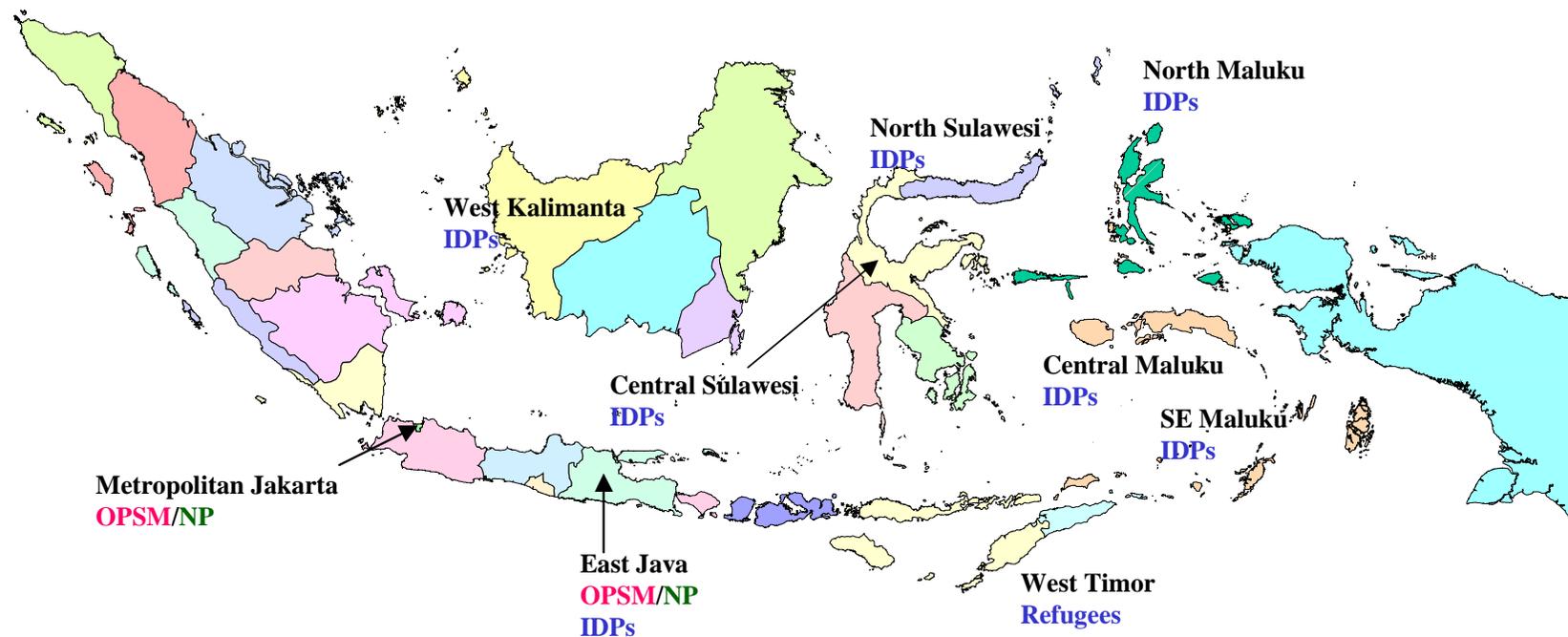
Furniture, tools and equipment	19 000
Vehicles	72 000
TC/IT equipment	18 000
Subtotal	109 000

TOTAL DIRECT SUPPORT COSTS	4 916 300
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WFP Indonesia, PRRO 10069.0 (2002–2003)



Summary:
IDPs and refugees: ~300,000
OPSM subsidized rice: ~1,500,000
Nutrition programme: ~300,000
Total: ~2,100,000

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

<i>Bakornas</i>	National Relief Coordinating Board
<i>Bappenas</i>	National Development Planning Agency
BPS	Central Bureau of Statistics
BULOG	National Food Logistics Agency
CDP	Community Development Programme
Delvita	Fortified food made of soybean, malt and minerals
<i>Depkes</i>	Ministry of Health
<i>Depsos</i>	Ministry of Social Affairs
DSC	Direct support cost
EMOP	Emergency operation
FAC	Food aid committee
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
IDP	Internally displaced person
ITSH	Internal transport, storage and handling
LIFDC	Low-income, food-deficit country
LTSH	Landside transport, storage and handling
LoU	Letter of Understanding
<i>Menko Kesra</i>	Coordinating Ministry of People's Welfare
NFI	Non-food items
NGO	Non-governmental organization
NP	Nutrition programme
NTT	Nusa Tenggara Timor
OPK	<i>Operasi Pasar Khusus</i> (Special Market Operation)
OPSM-WFP	<i>Operasi Pasar Swadaya Masyarakat</i> (Social Welfare Market Operation)
PKK	Semi-government family welfare movements
<i>Posyandu</i>	Village health centres
PMU	Project management unit
<i>Puskesmas</i>	Sub-district health posts
PRRO	Protracted relief and recovery operation
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNOCHA	United Nations Office for Humanitarian Affairs
UNICEF	United Nations Children's Fund
VAM	Vulnerability analysis and mapping

