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First Regular Session**

**Rome, 31 January–2 February 2005**

# REPORTS OF THE EXECUTIVE DIRECTOR ON OPERATIONAL MATTERS

Agenda item 8

*For information\**



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## ETHIOPIA PRRO 10362.0: UPDATED ANNEX



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## NOTE TO THE EXECUTIVE BOARD

**This document is submitted for information to 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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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



## EXECUTIVE SUMMARY

In October 2004, the Board reviewed and approved protracted relief and recovery operation Ethiopia 10362.0. Particular concerns were expressed regarding exit strategies, capacity-building strategies, WFP's contribution to the monitoring and evaluation system, imported versus local purchase of food and costs and efficiencies of the programme.

Labour Intensive Productive Assets are the recovery component of the operation and will be WFP's support to the Government's productive safety-net programme. WFP fully supports various shifts in programming for the chronically food-insecure population, including in particular a deliberate transition from relief to productive investment, a strong preference for local purchase, a methodical shift from in-kind food transfers to cash-based grants, extensive capacity building and integration of the safety nets with food-security programmes.

The World Bank has agreed with the Government that by the end of 2006 a minimum 50 percent of resource transfers to safety-net beneficiaries will be through cash grants, though the current resource status indicates that the figure could be higher.

A well designed safety net following these principles should result in major growth and vitality of the local economy, with more robust and diverse livelihood options, and an increasing ability to phase down and out of food aid.

## DRAFT DECISION\*

The Board takes note of the document "Ethiopia PRRO 10362.0: Updated Annex" (WFP/EB.1/2005/8-B).

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\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.



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## BACKGROUND

1. In October 2004, the Board reviewed and approved protracted relief and recovery operation (PRRO) Ethiopia 10362.0. The documentation was completed in April 2004, so a number of significant subsequent developments could not be integrated, including several joint donor/United Nations/government missions, the first *Programme Implementation Manual* in August 2004, the World Bank's project appraisal document in November 2004 and the revised *Programme Implementation Manual* in December 2004.
2. Comments were made regarding the relationship of the recovery part of the PRRO with these subsequent developments. Particular concerns were expressed regarding exit strategies, capacity-building strategies, WFP's contribution to the monitoring and evaluation (M&E) system, imported versus local purchase of food and the costs and efficiencies of the programme. The Secretariat agreed to provide this information supplement for the Board's First Regular Session in 2005.

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## INTRODUCTION

### The PRRO's Contribution to the Productive Safety-Net Programme (PSNP)

3. Labour Intensive Productive Assets (LIPA) are the recovery component of the PRRO, and will be WFP's support to the Government's PSNP. WFP fully supports various shifts in programming for the chronically food-insecure population, including the following:
  - **Deliberate transition from relief to productive investment.** Historically, Ethiopia has used emergency resources to address the requirements of chronically food-insecure populations. The relief resources saved lives but did not address the underlying causes of food insecurity. The PRRO will direct increased resources to productive investment addressing the underlying causes of food insecurity. There will also be relief provisions in the PRRO, but they will be applied only to agreed humanitarian needs.
  - **Strong preference for local purchase.** Local purchases of food aid will be preferred, except when they contribute to driving up local prices to an undesirable extent. WFP will try to ensure that an increasing proportion of donor pledges are flexible enough to enable purchases on local or international markets, depending on local market conditions.
  - **Methodical shift from in-kind food transfers to cash-based grants.** Overall food transfers should decline relative to cash transfers. WFP will support the phase-down and phase-out of food-based programming in all areas where cash-based programming can be implemented. In particular, WFP will support information collection and facilitate capacity-building interventions to inform prudent but deliberate transitions from food to cash transfers.
  - **Capacity-building in community-based planning, technical standards and results-based M&E.** WFP will commit skills and resources to assist the Government in strengthening its capacity in areas where it has jointly developed competencies. The main contributions will be to (i) targeting and identification of beneficiaries, (ii) community-based planning, (iii) work norms and technical standards for interventions and (iv) results-based M&E systems. WFP will also participate in all other collaborative design and capacity-building interventions, including market



surveys and gender and HIV/AIDS mainstreaming. WFP will continue to support the Government's logistics capabilities, although success in achieving programme objectives will reduce the importance of this contribution.

- **Integration of safety nets with food-security programmes.** The Government's *Programme Implementation Manual* emphasizes that graduation from food insecurity will only be possible if the PSNP is deliberately linked with other food-security programming interventions. WFP supports such linkages, particularly integration of recovery activities of the PRRO into *woreda* (district) development plans. Within this framework, WFP will continue to support partnerships with other agencies, including the World Bank's Food Security Programme, the Food and Agriculture Organization of the United Nations (FAO), and non-governmental organizations (NGOs) working in food-security programmes in the areas where WFP is supporting PSNP.

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## EXIT STRATEGY

4. WFP's exit strategy will:
  - reduce and eliminate the use of emergency food for chronically food-insecure people;
  - procure as much food locally as the markets will bear;
  - support investments in productive assets, employing proven programming approaches;
  - link the safety net with wider food-security programmes through strategic partnerships and an integrated *woreda* development plan; and
  - replace food transfers with cash transfers, in partnership with donors providing cash.
5. A fundamental intention of PSNP is to replace annual emergency flows with a predictable multi-year resource flow. The PRRO replaces the annual WFP emergency operation (EMOP). EMOPs will only be utilized in exceptional circumstances and if there are requirements in excess of the long-term averages used in planning the PRRO. The PRRO will receive annual pledges within its multi-year framework and will provide the foundation for multi-year programme planning. Chronically vulnerable populations will therefore have a predictable resource flow for investing in longer-term productive assets.
6. The World Bank's project appraisal document identifies several established programming approaches, a number of which have been jointly developed by the Government and WFP; all of them will be supported by WFP to strengthen Government capacity as required. The approaches include:
  - Community ownership through locally owned planning and review processes. For over a decade, a number of agencies have supported development, training and dissemination of community-based planning approaches for watershed development. The Natural Resources Department of the Ministry of Agriculture and Rural Development has recently harmonized these approaches and produced a standard approach with accompanying manuals. Experience shows that these inclusive planning approaches enhance local ownership, improve the quality of the intervention and contribute to longer-term sustainability.
  - Definition and enforcement of technical standards so that the intervention meets minimum standards and can provide productive returns to the community. Through the Ministry of Agriculture and Rural Development, WFP has supported the Government for over ten years in developing detailed technical work norms, including manuals. These technical materials have been adopted by the PSNP. WFP will



continue to support the Government in refining, disseminating and applying these technical standards as requested, particularly in the transitional phase of the programme.

- A multi-year planning and resource framework is essential for sustainable investment. The PRRO will receive annual pledges from donors within its multi-year framework and will provide the foundation for multi-year programme planning.
  - The Government's *Programme Implementation Manual* for PSNP states that graduation from food insecurity is only possible if a safety net exists that is linked to broader food-security programming interventions. WFP will support PRRO activities in the broader development framework of *woreda* development plans and will support an integrated approach to food-security planning at the *woreda* level.
7. The World Bank has agreed with the Government that by the end of 2006 a minimum 50 percent of resource transfers to safety-net beneficiaries will be through cash grants, though the current resource status indicates that the figure could be higher. Further goals will be negotiated in the course of ongoing joint donor/Government missions and evaluations. Insofar as these negotiations require a reduction in beneficiary coverage and reduced requirements for food aid from the amounts indicated in the PRRO, WFP will decrease the relevant budgets. Only the amounts of food aid agreed to be essential to meet transfer objectives will be utilized. If food pledges are received in excess of transfer requirements, they will be carried forward to be utilized in subsequent periods. The shift from food to cash transfers is expected to increase local market demand; if demand is sustained, it should result in positive local market development. WFP will support local price monitoring, supporting calls for related shifts from food to cash transfers or vice versa. The Food Security Coordination Bureau has agreed that WFP will participate in beneficiary reviews to assess where food transfers can be phased out.
8. A well designed safety net following these principles can be expected to induce growth through more productive local assets, with additional improvements in terms of accessibility, quantity and quality related to water supply, sanitation, health, nutrition and education, leading to improved quality of life. Over time, this should result in a major increase in the vitality of the local economy, more robust and diverse livelihood options and increasing ability to phase down and out of food aid.

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## CAPACITY-BUILDING PROGRAMMING SUPPORT

9. Capacity constraints in terms of skills will be a significant limiting factor in programme effectiveness, particularly in the initial period. Considerable capacity-building is therefore required. WFP will continue to participate in the various joint donor/government working groups that will assess progress and recommend interventions. To the extent that additional work and support are requested, WFP will give all possible assistance.
- The Government is working with WFP on (i) targeting, (ii) participatory planning, (iii) work norms and technical standards for labour-based public works and (iv) a results-based approach to M&E. Gender issues have been mainstreamed. Related resources have been requested and provided to government and joint donor/Government teams working on related aspects of safety-net planning. WFP is supporting the Government's strategy for mainstreaming HIV/AIDS into all its programme interventions; the lessons learned and related resources will be available for application in the safety-net programme.



- Development and dissemination of technical manuals and information technology bulletins. WFP has been requested to disseminate copies of manuals and related resources; it will continue to do this during the PRRO. The materials will be available to all actors through PSNP.
- The Ministry of Agriculture and Rural Development has with WFP support developed skills and routines in training of trainers; it has a history of support for skills training at the *woreda* and *kebele* (rural community) levels. These skills and methods will be applied to the PRRO within PSNP and could be made available for extension to additional regions and areas.
- WFP has a network of sub-offices in the main food-insecure regions. It also has 40 full-time field monitors and will provide ten full-time technical programme assistants based in the sub-offices to provide assistance to ongoing and incoming government plans for on-the-job training and support to regional, *woreda*, *kebele* and community officials.
- WFP will provide assistance in the transition from food to cash transfers, including participation in design, implementation and application of market surveys for food and livestock, and the twice-a-year survey and review of beneficiary lists. This will probably involve WFP in the development of further implementation guidelines.

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## MONITORING & EVALUATION

10. WFP is committed to a results-based approach to M&E.
11. WFP will participate in further refinement of a common M&E system to be applied to the full food-security programme, including the safety-net component. This will include (i) participation and support for baseline data collection, (ii) articulation of sampling methodologies, (iii) specification of information-collecting instruments, (iv) related database development and deployment, and (v) collation, analysis and summary of related reports. In addition to measurement of outputs and outcomes, WFP will help to incorporate indicators to measure HIV/AIDS, gender and environmental considerations.
12. WFP country office and sub-office staff will be available to support other objectives, monitoring (i) market prices for food and livestock, (ii) compliance with food versus cash transfer guidelines, (iii) timeliness of cash and food transfers, and (iv) vulnerability, to enable timely corrective action.
13. WFP will also support and participate in joint evaluation missions as agreed in PSNP.

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## LOCAL PURCHASE

14. Ethiopia is classified as a low-income food-deficit country: FAO estimated that between 2000 and 2004 the annual average cereal import requirement was 811,000 mt. Although there is a production shortfall relative to needs at a national level, certain parts of the country are characterized by surplus production, even in poor production years such as 2002/03. Given the under-developed state of grain markets in terms of poor infrastructure, absence of a market-information system, higher transaction costs and lack of standards, such localized surpluses have contributed to depression of grain prices. This in turn has negatively affected farm input utilization – fertilizer and improved seed – and agricultural productivity.



15. To help people needing external assistance to meet minimum food needs while stimulating production and markets in surplus-producing areas, in 1996 the Government requested donors to procure relief food locally. Since then, a number of donors and humanitarian agencies have been procuring food aid from the local market.
16. Studies indicate that local purchase of food aid has had a positive impact on domestic agricultural production and markets.<sup>1</sup> The amount and type of local purchase depends on the quantity and quality of cereals available. Since 1997, the annual cereal availability study has been undertaken by the delegation of the European Commission in collaboration with WFP; the next survey is scheduled for early 2005. The study has been instrumental in guiding local purchase operations for maize, sorghum and wheat during the last seven years.
17. WFP has been instrumental in supporting local purchase in Ethiopia: between 2000 and 2004, an average of 67,000 mt of food was purchased there; in 2004, 119,000 mt were purchased and delivered. The extent of local purchase for this PRRO will largely depend on three factors: (i) supply, (ii) competitiveness of prices against WFP's agreed procurement protocols and (iii) the availability of contributions in cash.
18. WFP's operational procedures for purchase of foodstuffs set out the objectives and general rules. The main objective is to ensure that appropriate commodities are available to beneficiaries in a timely cost-effective fashion. WFP food purchases should also be fair and transparent. As a general rule, WFP uses competitive tenders in procuring food commodities; unless there are special circumstances that mean tendering is not feasible, tenders are required for all food purchases. Tenders are usually undertaken on a "selective" basis rather than by public advertisement. Taking into consideration donor purchase conditions and cost-effective procurement, preference should be given to purchases from developing countries. The largest possible number of suppliers on the roster of reputable suppliers should be included, to obtain a sufficiently wide range of offers.
19. In Ethiopia, local purchase is generally considerably cheaper than in-kind commodities.

<b>TABLE 1: IN-KIND PRICES VS. LOCAL PURCHASE (FROM PRRO BUDGET CALCULATIONS, US\$ PER TON)</b>			
<b>In-kind</b>	<b>Wheat</b>	<b>Beans</b>	<b>Blended food</b>
Commodity	174.00	617.00	310.00
Ocean freight	97.50	160.00	64.00
LTSH	118.18	118.18	118.18
<b>Total</b>	<b>389.68</b>	<b>895.18</b>	<b>492.18</b>
<b>Local purchase</b>	<b>Cereals</b>	<b>Beans</b>	<b>Blended food</b>
Commodity	194.00	190.00	400.00
Ocean freight	–	–	–
LTSH	71.17	71.17	71.71
<b>Total</b>	<b>265.17</b>	<b>261.17</b>	<b>471.71</b>
Local as % of in-kind	68	29	96

<sup>1</sup> *Availability of Cereals in 1998 for Local Purchase by Donors*. Ministry of Economic Development and Cooperation, Grain Market Research Project and European Economic Commission Local Food Security Unit (1998). Addis Ababa.





20. Resources committed for local purchases have been a more significant constraint than availability of local production. Local purchases by the Government, WFP and NGOs have averaged 190,000 mt in the last five years; WFP's proportion was just over one third in this period, although in 2002 and 2004 it was about two thirds. In 2003, given the low availability of cereals on the local market, WFP agreed with collaborating agencies to procure more food internationally, enabling the Government and some NGOs that had no international procurement facilities to obtain better access to the local market.

<b>TABLE 2: LOCAL PURCHASES FOR HUMANITARIAN OPERATIONS IN RECENT YEARS IN ETHIOPIA (mt)</b>						
<b>WFP</b>						
<b>Year</b>	<b>Cereals</b>	<b>Pulses</b>	<b>Vegetable oil</b>	<b>Blended food</b>	<b>Miscellaneous</b>	<b>Total</b>
2000	18 347	8 213	–	3 049	–	<b>29 609</b>
2001	44 925	7 059	–	4 654	540	<b>57 178</b>
2002	68 356	1 972	–	2 308	400	<b>73 036</b>
2003	49 390	1 829	–	6 417	491	<b>58 127</b>
2004	106 153	5 714	–	6 912	283	<b>119 062</b>
<b>Total</b>	<b>287 171</b>	<b>24 787</b>	<b>–</b>	<b>23 340</b>	<b>1 714</b>	<b>337 012</b>
Average	57 434	4 957	–	4 668	343	<b>67 402</b>
<b>WFP, NGOs and the Government</b>						
<b>Year</b>	<b>Cereals</b>	<b>Pulses</b>	<b>Vegetable oil</b>	<b>Blended food</b>	<b>Miscellaneous</b>	<b>Total</b>
2000	206 211	10 897	376	10 560	–	<b>228 044</b>
2001	234 373	7 059	–	5 640	540	<b>247 612</b>
2002	96 972	2 113	–	4 370	400	<b>103 855</b>
2003	181 785	2 566	–	12 622	609	<b>197 582</b>
2004	169 403	5 714	2 413	6 912	283	<b>184 725</b>
<b>Total</b>	<b>888 744</b>	<b>28 349</b>	<b>2 789</b>	<b>40 104</b>	<b>1 832</b>	<b>961 818</b>
Average	177 749	5 670	558	8 021	366	<b>192 364</b>
WFP share	32%	87%	0%	58%	94%	<b>35%</b>

21. WFP will continue to host its regular logistics and procurement coordination meetings in Addis Ababa, which are well attended by donors, NGOs and government officials. The meetings allow information sharing among buyers and focus on: (i) procurement planning, so that all buyers do not enter the market at the same time, (ii) availability and price variation, and (iii) problems with suppliers such as delays in delivery, new suppliers on the market and issues of food quality.



22. WFP supports a cash-first strategy in the safety-net programme whereby cash will be the preferred modality of entitlement transfer, even in some of the food-deficit areas. To this end, the Government emphasizes building the capacity of cooperatives to enable them to supply food resources at affordable prices. WFP will investigate modalities to support this; possibilities include: (i) identification and responses to constraints in cooperative marketing, (ii) inclusion of cooperatives in WFP's approved supplier lists and (iii) sharing lessons learned in terms of procurement, quality control and transport.



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## ACRONYMS USED IN THE DOCUMENT

EMOP	emergency operation
FAO	Food and Agriculture Organization of the United Nations
LIPA	Labour Intensive Productive Assets
LTSH	landside transport, storage and handling
M&E	monitoring and evaluation
NGO	non-governmental organization
PRRO	protracted relief and recovery operation
PSNP	Productive Safety-Net Programme

