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BUDGET INCREASES TO PROTRACTED RELIEF AND RECOVERY OPERATIONS — ETHIOPIA 106650

Responding to Humanitarian Crises and Enhancing Resilience to Food Insecurity

Cost (United States dollars)			
	Current budget	Increase	Revised budget
WFP food cost	979,146,706	67,751,283	1,046,897,989
Total cost to WFP	1,998,242,958	34,195,009	2,032,437,968

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for approval

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.

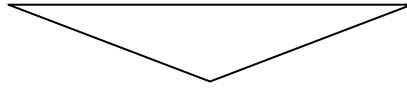
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* Regional Bureau for East and Central Africa

DRAFT DECISION*



The Board approves the budget increase of US\$34.2 million to Ethiopia PRRO 106650 “Responding to Humanitarian Crises and Enhancing Resilience to Food Insecurity” (WFP/EB.A/2011/10-C).

* 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.

NATURE OF THE INCREASE

1. This budget revision for protracted relief and recovery operation (PRRO) 106650 proposes to:
 - increase the maximum planned number of relief beneficiaries to be assisted by WFP to 3.5 million people and decrease Productive Safety Net Programme (PSNP) beneficiaries assisted by WFP by 340,000;
 - increase the food tonnage by 20,130 mt to reflect the increase in relief requirements¹ and reduction in PSNP requirements;
 - increase the food cost by US\$67.8 million to reflect higher world prices, limited food for local procurement and the additional tonnage;
 - increase external transport costs to reflect the change in tonnage and expected reduction in local procurement of cereals;
 - reduce landside transport, storage and handling (LTSH) costs to reflect reductions in local transport rates;
 - transfer costs for capacity development from other direct operational costs (ODOC) to direct support costs (DSC) to reflect current WFP financial procedures; and
 - increase the DSC budget to reflect the higher level of relief operations and higher prices of some goods and services.
2. In a previous budget revision to PRRO 106650,² WFP committed to review beneficiary requirements based on assessments in the first months of 2011.

JUSTIFICATION FOR BUDGET REVISION

Summary of Existing Project Activities

3. PRRO 106650 (2008–2011) addresses acute food insecurity. It contributes to Strategic Objectives 1 and 2 as follows:
 - Relief: General food distributions are provided for food-insecure communities affected by severe unpredictable food shortages (Strategic Objective 1).
 - PSNP: In districts where severe food insecurity can be predicted, food for work by able-bodied beneficiaries supports disaster risk reduction investments; there are free distributions for those unable to work (Strategic Objective 2).
 - Targeted supplementary food (TSF): Fortified blended food and vegetable oil are provided for acutely malnourished children under 5 and pregnant and lactating women, both identified through nutrition screening (Strategic Objective 1).
 - Urban HIV: Targeted food and nutritional support is provided for food-insecure households and women and children infected and affected by HIV and AIDS (Strategic Objective 2).

¹ This budget revision does not include an extension in time, but the increase in relief requirements because of the current drought includes an increase in the expected duration of assistance for some beneficiaries in 2011.

² WFP/EB.2/2010/9-D, paragraph 11.

4. Under PRRO 106650 WFP works to enhance government and community capacities in disaster risk management,³ particularly food logistics in support of preparedness and response capacities, and vulnerability analysis, early warning and risk planning in support of disaster prevention, mitigation and preparedness. This budget revision includes further details regarding these activities.
5. WFP's main counterpart – the Disaster Risk Management and Food Security Sector (DRMFSS) of the Ministry of Agriculture – delivers food under the relief, PSNP and TSF programmes. In 2010 a capacity development activity – the Food Management Improvement Project – began to improve the logistics capacity of DRMFSS, particularly with regard to timely food response and accountability. Actions for 2011 were formulated in consultation with government and development partners; many of them will be continued in the new capacity development component of the WFP country programme for 2012–2015:
 - designing a new food tracking system for DRMFSS;
 - improving warehouses and supporting the logistics aspects of the new National Incident Command System – a response tool now employed by DRMFSS;
 - training government staff in food management and logistics; and
 - analytical studies to inform plans for strategic sourcing of food and delivery route optimization during emergencies in order to enhance preparedness.
6. The draft Disaster Risk Management Strategic Investment Framework was formulated by DRMFSS and development partners. WFP's current investments in vulnerability analysis, early warning and risk planning include:
 - technical and financial support for surveys to be used in preparing *woreda* (district) disaster risk profiles, community-based disaster risk reduction plans and contingency plans;
 - training and technological support for hand-over of the Livelihood Early Assessment and Protection risk-financing tool;
 - continued support for the National Meteorological Agency and Ministry of Water Resources and Energy to capture data for early warning of drought and floods, particularly by installing automated weather and water-flow stations; and
 - technical support for the development of early-warning tools for urban disaster risks.
7. The cost of capacity development consultants was shifted from ODOC to DSC, in line with WFP's current financial procedures.

Conclusions and Recommendations of the Re-Assessment

8. The drought in the Horn of Africa has reached the eastern and southeastern parts of Ethiopia, and in particular affects pastoral and agro-pastoral areas and the highland areas in Southern Nations, Nationalities and Peoples (SNNP) region.
9. The February 2011 Humanitarian Requirements Document⁴ showed that 2.8 million people will require relief food assistance in 2011. In the first quarter, however, the drought caused a deterioration in food security and further increases in beneficiary requirements. In

³ WFP/EB.2/2007/9-C/5, paragraphs 6, 26, 29, 30–31, 34, 48 and 54.

⁴ Government of Ethiopia and humanitarian partners. 2011. *Ethiopia: Humanitarian Requirements, 2011*. Addis Ababa.

April the Government released a revised document⁵ that reflected the increased relief requirements in pastoral and agro-pastoral areas of Somali and Oromia regions and showed that an additional 350,000 people needed food assistance. In view of the poor *gu* (long rains) season in pastoral areas and the *belg* (short rains) season in highland areas, DRMFS will in May make an early seasonal assessment of relief needs to the end of 2011. The findings are expected in early June, after which national relief beneficiary figures will be revised. In view of the time required to mobilize food resources and the impending June/July lean season, however, WFP has analysed the current food-security situation and projected relief requirements to the end of 2011 in advance.

10. An analysis of relief requirements in years of similar rainfall indicates a probable increase in both the number of people affected and the number of months of assistance in 2011.⁶ Early-warning information, analysis of similar years and market trends point to a deteriorating situation in the food-insecure highland areas of SNNP region. In March, maize prices rose by an average 43 percent when news arrived that the sweet potato harvest had failed and the *belg* maize harvest was likely to be poor.⁷ Sweet potato, typically harvested in March, bridges the lean season: the failed harvest means that the poorest households will rely on *enset*⁸ (false banana), which has limited production and poor nutritional value. By April, the Emergency Nutrition Coordination Unit had reported unusually high admissions to outpatient therapeutic feeding programmes in several *woredas*. Nutrition actors have been mapping drought-affected areas with a view to a coordinated response. The impact of the drought on chronic undernutrition is also recognized: the Government estimates global acute malnutrition rates at 25 percent in some areas.⁹ More information on food and nutrition security is expected from the ongoing rapid assessment.
11. Table 1 shows WFP's estimate of relief requirements in 2011; forecasts of beneficiaries by region and food requirements are shown in Table 2. The estimates do not include the anticipated coverage of relief requirements by non-governmental organizations (NGOs), which may reach 600,000 people per month in 2011.¹⁰

⁵ Government of Ethiopia and humanitarian partners. 2011. *Revised Humanitarian Requirements for South and Southeastern Ethiopia*. Addis Ababa.

⁶ For relief assistance, duration of assistance differs by area according to assessed needs and livelihoods and seasonal patterns; it typically lasts for three to eight months.

⁷ In 2008 the root crop failed in SNNP region, resulting in an increase in maize prices; the 2008 rainfall pattern was similar to that of 2011.

⁸ A root crop eaten mainly in SNNP region, *enset* tolerates drought better than most cereals and is an important coping food, but it provides mainly carbohydrates and has no micronutrients or protein.

⁹ Substantially higher than the 15 percent "critical" level of the World Health Organization.

¹⁰ The NGO joint emergency operation was expected to assist 1 million people in support of the National Relief Programme, but coverage will be limited to 600,000 people in 2011. Shortfalls in the DRMFS relief pipeline have led to an incomplete food basket in the areas covered; there are currently no pledged contributions from DRMFS to the National Relief Programme.

TABLE 1: RELIEF ASSISTANCE FOR 2011 AS ESTIMATED BY WFP*		
Dates of distribution	Beneficiaries	Food required (mt)
1 February/March	2 337 000	37 035
2 March/April	2 337 000	43 289
3 April/May	2 765 000	51 222
4 May/June	3 259 000	60 377
5 June/July	3 497 000	64 778
6 July/August	3 259 000	60 377
7 August/September	2 844 000	52 679
8 September/October	1 936 000	35 864
Monthly maximum beneficiaries and total tonnage	3 497 000	405 621

* Based on early-warning information, analysis of years of similar rainfall and food security and market conditions.

No relief food distributions are forecast for November and December because food needs are expected to fall substantially after the October/November main harvest.

TABLE 2: RELIEF ASSISTANCE FOR 2011, BY REGION		
Region	Beneficiaries*	Food required (mt)
Afar	113 000	15 781
Amhara	271 000	31 290
Benishangul Gumuz	30 000	3 628
Gambella	53 000	7 593
Oromia	844 000	93 260
SNNP region	475 000	25 184
Somali	1 472 000	194 221
Tigray	243 000	34 665
TOTAL		405 621

* The maximum number of people reached during the year, not the monthly numbers. The month for the maximum varies between regions, so the sum of regional maximums is different from the national maximum.

12. As the food supply situation in Ethiopia deteriorates, global food markets are also experiencing high prices; global wheat and maize prices, for example, have increased significantly over the past six months. This significantly increases the cost to WFP of providing food assistance.
13. Under the PSNP, the food requirement for annual transfers is met mainly by the Government, which uses cash to procure food: as a result, WFP's original planning figure was reduced to reflect the reduction in its expected contribution.

Purpose of the Budget Increase

14. This budget revision reflects a shift in planned activities: the reduction in WFP support for PSNP is more than offset by the increase in relief requirements. WFP's estimates in Table 1 and Table 2 are based on the current food security situation and the expected

contribution of NGOs to the national relief response. The drought is expected to increase the number of children and women needing assistance through the TSF component after nutrition screenings in May and June, but the forecast increase will not exceed WFP's planning figures for 2011 and can therefore be addressed in the current budget. The net change in beneficiary numbers for each component of the PRRO is shown in Table 3.

TABLE 3: BENEFICIARIES FOR 2011, BY COMPONENT			
Component	Current	Increase (decrease)	Revised ¹¹
Relief	1 936 000	1 561 000	3 497 000
PSNP	1 356 000	(340 000)	1 016 000
TSF	1 064 000		1 064 000
HIV and AIDS	164 000		164 000
TOTAL	4 520 000	1 221 000	5 741 000

15. WFP's monitoring and evaluation systems can deal with the increased number of beneficiaries. Although the number of beneficiaries and volume of food distributed will increase, the number of final delivery points will be the same so the current field monitors will be able to cover distributions.
16. A reduction in some distribution costs and the shift of consultants' salaries to DSC have reduced ODOC. The increase in DSC incorporates the consultants' salaries, additional international staff for capacity development and support, an increase in staff-related costs and higher prices for some goods and services.

Risk Assessment and Contingency Planning

17. **Contextual risks.** If the main (*meher*) season is worse than the current forecast, relief food requirements will be higher than the 2011 estimates in this budget revision. To mitigate this risk, WFP will continue its engagement in early warning and emergency food needs assessments to ensure that planning figures are updated promptly. If necessary, WFP will implement a further budget revision.
18. **Programmatic risk.** In drought-affected areas such as Somali region, insecurity could constrain assessments, distributions and monitoring. WFP will work with the Government and the United Nations Department of Safety and Security to secure access to people in need of food. WFP's capacity development under the Food Management Improvement Project has increased logistics capacity, warehousing and the pre-positioning of food.
19. **Institutional risk.** To meet PSNP food needs in 2011 and because of delays in procurement, the Government has borrowed from its Emergency Food Security Reserve Administration (EFSRA); WFP has also borrowed from EFSRA. As a result, EFSRA stocks are low and only limited borrowing for relief needs will be possible. This risk will be mitigated by informing donor partners as to the status of the food pipeline and the urgency of addressing shortfalls, taking into account the time needed for delivery. WFP will use its advance funding mechanism when feasible to address shortfalls.

¹¹ The number of relief beneficiaries reflects the maximum estimated monthly number in June 2011; the lowest number of beneficiaries per month is expected towards the end of the calendar year.

FOOD REQUIREMENTS

20. This budget revision includes the increased food costs and takes into account price increases in local and international markets. A maize shortage, for example, has increased the local cost of fortified blended food by 35 percent, so the budget reflects reduced local procurement of cereals and more international procurement. Increased costs for previously budgeted food accounts for 84 percent of the cost increase; 16 percent relates to the additional tonnage.
21. Although the food tonnage has increased, the LTSH budget has been reduced from US\$239/mt to US\$162/mt for 2011: this is attributed to cheaper local transport in 2011 than in 2010 and a review of transport costs, particularly the hubs-and-spokes system used for deliveries in Somali region.
22. Taking into account the decrease in PSNP requirements covered by WFP, the increase in relief requirements to be covered by WFP leads to a net tonnage increase of 20,130 mt (see Table 4).

TABLE 4: FOOD REQUIREMENTS FOR 2011, BY COMPONENT				
Component	Food type	Food requirements (mt)¹²		
		Current	Increase (decrease)	Revised total
Relief	Cereals	261 360	67 050	328 410
	Pulses	26 136	6 718	32 854
	Vegetable oil	7 841	2 021	9 862
	Blended food	27 443	7 053	34 496
PSNP	Cereals	136 547	(55 498)	81 049
	Pulses	13 655	(5 550)	8 105
	Vegetable oil	3 662	(1 665)	1 997
TSF and HIV and AIDS		80 365	0	80 365
TOTAL PRRO (includes TSF and HIV and AIDS)		557 009	20 130	577 139

¹² Amount of food required for assistance in 2011. Rations remain the same as in the original PRRO document.

ANNEX I-A

BUDGET INCREASE COST BREAKDOWN			
Food¹	Quantity (mt)	Value (US\$)	Value (US\$)
Cereals	11 552	52 162 544	
Pulses	1 168	1 386 659	
Oil and fats	357	4 741 059	
Mixed and blended food	7 053	9 461 022	
Total food	20 130	67 751 283	
Subtotal food			67 751 283
External transport			852 898
LTSH			- 37 917 812
ODOC			-1 683 426
DSC ² (see Annex I-B)			2 955 010
Total WFP direct costs			31 957 953
Indirect support costs (7.0 percent) ³			2 237 057
TOTAL WFP COSTS			34 303 130

¹ This is a notional food basket for budgeting and approval. The contents may vary.

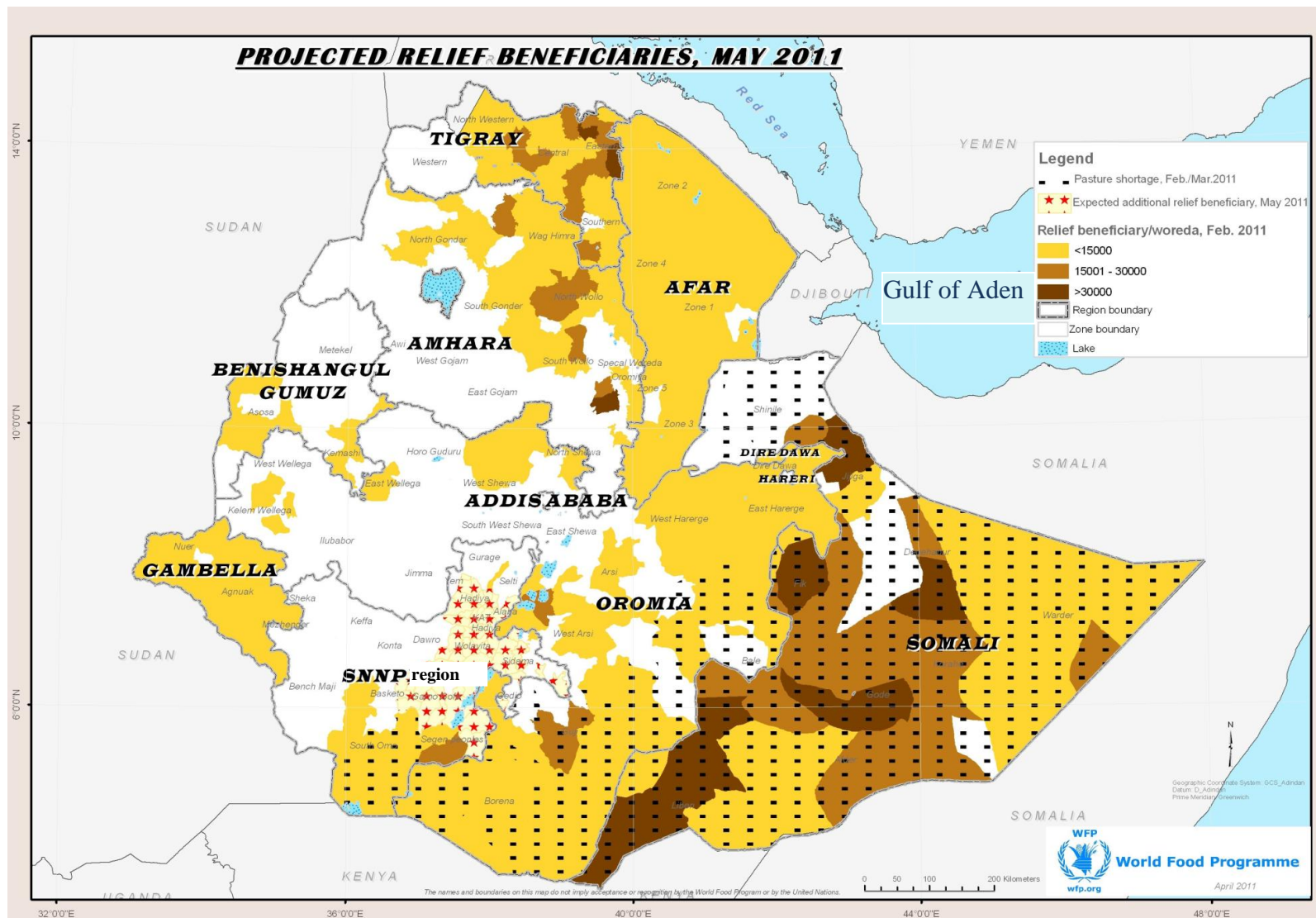
² Indicative figure for information purposes. The direct support costs allotment is reviewed annually.

³ 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	729 590
Local staff - national officers	142 080
Local staff - general service	272 020
Hazard pay and hardship allowance	7 380
International consultants	389 150
Commercial consultancy services	200 000
Staff duty travel	206 600
Subtotal	1 946 820
Recurring expenses	
Utilities	45 000
Office supplies and other consumables	44 850
Vehicle running costs and maintenance	490 940
Subtotal	580 790
Equipment and capital costs	
Communications equipment	220 000
Local security costs	207 400
Subtotal	427 400
TOTAL DSC	2 955 010

MAP OF PROTRACTED RELIEF AND RECOVERY OPERATION 106650 ETHIOPIA



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.

ANNEX II



ACRONYMS USED IN THE DOCUMENT

DRMFSS	Disaster Risk Management and Food Security Sector
DSC	direct support costs
EFSRA	Emergency Food Security Reserve Administration
LTSH	landside transport, storage and handling
NGO	non-governmental organization
ODOC	other direct operational costs
PRRO	protracted relief and recovery operation
PSNP	Productive Safety Net Programme
SNNP	Southern Nations, Nationalities and Peoples (region)
TSF	targeted supplementary food