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Executive Board  
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## PROJECTS FOR EXECUTIVE BOARD APPROVAL

### Agenda item 7

*For approval*

# E

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## PROTRACTED RELIEF AND RECOVERY OPERATION— INDONESIA 6195.00

### Food Assistance for the Urban Poor Affected by the Economic Crisis

Number of beneficiaries	2.4 million
Duration of project	18 months (1 April 2000 to 30 September 2001)

#### Cost (United States dollars)

Total cost to WFP	62,071,426
WFP food cost	44,340,000

### ABSTRACT

WFP closed its regular programme in Indonesia in 1996 because of significant economic progress in reaching self-reliance in cereal production and achieving low levels of absolute poverty. However, in response to severe drought and economic crisis, an emergency operation was launched in August 1998.

Relatively good rainfalls in the last cropping season improved food availability for the rural population in most parts of the country. With a population of 210 million, the country currently imports about six million tons of cereals through commercial imports and food aid.

Some improvement in the economy is being reported but its impact on the poor in the urban sector has not yet been realized and is expected to take several years. The social impact of the crisis for the urban poor continue to be of serious concern. Recent surveys suggest 49 million people are living below poverty level, consuming less than 75 percent of the minimum recommended calories. Problems of wasting, morbidity and anaemia are severe among the vulnerable, mainly due to inadequate consumption of food. Expectant mothers and children are considered to be at severe risk. There is serious concern about a future drop in intellectual development, with the risk of a "lost generation". Social, ethnic and political conflicts are leading to a large number of deaths and displacement of thousands of people in many provinces. In the absence of a food security policy and an effective social safety net, the poor and vulnerable continue to be unprotected. The protracted relief and recovery operation (PRRO) will provide food assistance to a total of 2.4 million people, primarily women and children. The WFP assistance will help to meet urgent consumption needs addressing the inheritance hunger and develop long-term protection mechanisms for the vulnerable population. In view of the inadequate capacity and operational limitations of the Government of Indonesia, non-governmental organizations (NGOs) will play a key role in implementation of the project. Selected NGOs will be responsible for identifying beneficiaries and will have full control of project resources, their distribution and reporting. WFP will play a key role in supporting NGOs in project implementation and monitoring.

The PRRO is an outcome of extensive consultations between the Government, key food aid donors and WFP. The donors have indicated their support to WFP for activities in Indonesia as proposed in the PRRO. Both the previous and the current government were and are committed to their share of project costs and other obligations, making the necessary administrative arrangements for this purpose.

## 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 point(s) 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, please contact the Documentation and Meetings Clerk (tel.: 066513-2645).



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## LIST OF ACRONYMS IN THE DOCUMENT

ADB	Asian Development Bank
BAPPENAS	National Development Planning Agency
BPS	Central Bureau of Statistics
BULOG	National Logistics Agency
DP	Displaced population
DSC	Direct support costs
EMOP	Emergency operation
FAC	Food Aid Committee
FAO	Food and Agriculture Organization of the United Nations
FFW	Food for work
GDP	Gross domestic product
IDP	Internally displaced person
ILO	International Labour Organization
IMF	International Monetary Fund
ITSH	Internal transport, storage and handling
LIFDC	Low-income, food-deficit country
LTSH	Landside transport, storage and handling
NGO	Non-governmental organization
OPK	<i>Operasi Pasar Khusus</i> (Special Market Operation)
OPSM-WFP	<i>Operasi Pasar Swadaya Masyarakat</i> (Social Welfare Market Operation)
PMU	Project Management Unit
PRRO	Protracted relief and recovery operation
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VAM	Vulnerability analysis and mapping



## CONTEXT AND RATIONALE

1. Indonesia has been subjected to unprecedented economic, social and political pressure following the major drought that hit the country two years ago and as a result of continuing economic crisis. The strong El Niño phenomenon of early 1997 caused serious drought in many parts of the country. Concurrently, Indonesia was caught up in a regional economic crisis that led to a doubling of food prices, political turmoil and, ultimately, a decrease in real wages and incomes, mass retrenchment and increased unemployment. Several million people were pushed to the brink of starvation and below the poverty level.
2. WFP closed its regular programme in Indonesia in 1996 because of the considerable improvement in the economic and food security situation during the 1990s. However, in response to a request from the Government of Indonesia and confirmation by a joint mission of the Food and Agriculture Organization of the United Nations (FAO) and WFP of a poor harvest and a precarious food security situation, an emergency operation (EMOP 6006.00) was approved in April 1998. The operation provided 231,300 tons of rice and 17,000 tons of blended food at a cost of US\$111.60 million to assist 6.2 million people. To support the operation, the WFP office was reopened in May 1998 and the first food distribution under the EMOP started in August 1998.
3. Relatively good rainfalls in 1998 brought an end to the drought, improving the food situation for the rural population, more particularly landowners. In the urban sectors, particularly in Java, the economic crisis worsened food insecurity. Based on the recommendations of various missions, WFP reoriented its emergency operation from the rural to the urban sector. WFP's commitment was increased by an additional 69,334 tons of rice at a cost of US\$23.20 million to cover the need of the poor in urban areas.
4. According to the World Bank, there has been an upward trend in the economy in recent months and Indonesia appears to be coming to the end of the crisis. Broad macroeconomic indicators—gross domestic product (GDP), food prices, the exchange rate and interest rates—have shown encouraging improvements. Thanks mainly to the substantial rise in prices of petroleum products globally, the country's foreign exchange reserves have reached US\$16 billion (end of September 1999). The exchange rate has stabilized at 7,000 rupiah to the dollar, appreciating from 15,000 rupiah one year ago. However, while stabilization shows heartening progress, economic recovery is far from assured. The return of investors' confidence, the real engine for growth, will be determined by the economic policies of the newly-elected government and socio-economic stability. The problem of a large amount of short-term private sector external debt—costing 25 percent of the total national budget in debt servicing—remains unsolved. The average annual GDP per capita is currently US\$680 against more than US\$1,000 before the crisis, and only the most optimistic forecast that the economy could return to the 1996 level by 2005, at the earliest. According to the 1999 Human Development Index, Indonesia ranked 105<sup>th</sup> out of 174 countries, a fall of nine places compared to the previous year's pre-crisis HDI rank of 96<sup>th</sup>. The year 2000 ranking will be worse. Furthermore, Indonesia is classified by FAO as a low-income, food-deficit country (LIFDC).

### Situation Analysis

5. The social impact of the crisis continues to be a serious concern; recent statistical evidence suggests that it is more complex and heterogeneous than previously believed. As the impact of drought faded, the crisis increasingly affected people on Java and in urban



areas. The urban poor and near poor are suffering disproportionately for the first time in many years. People with few linkages to the formal economy, in the outer islands or involved with the production of export commodities, have experienced less adverse effects, as have millions of urban poor, who have started activities in the informal sector.

6. According to Central Bureau of Statistics (BPS) surveys funded by the United Nations Development Programme (UNDP) in June 1999, the number of Indonesians with an income below the poverty level has increased by 27 million from 22.5 million in February 1996 to 49.5 million after the crisis. Their daily calorie intake is below 1,600 kcal, against a daily recommended minimum of 2,100 kcal. It is reported that the poverty has increased by 144 percent in urban areas compared to 108 percent in rural areas and that the population below the poverty line in Java had risen from 23 percent in 1996 to around 40 percent in early 1999. The consequences of food insecurity are greater in cities than in rural areas. First, the urban poor must purchase all their food. Second, the most affected sectors, such as construction and manufacturing have not yet shown any sign of recovery. Third, the urban poor have limited access to alternative sources of food and are short of cash due to loss of employment.
7. The crisis continues to cause tremendous health and nutritional problems. There is serious concern about a future drop in intellectual development caused by inadequate feeding during the early years of life. The United Nations Children's Fund (UNICEF) fears that Indonesia will enter the 21<sup>st</sup> century with a "lost generation". The international non-governmental organization (NGO) Helen Keller International reports that the number of malnutrition cases has increased sharply, and now kills 450 Indonesian pre-school age children per day, or 170,000 per year. Helen Keller International has published (August 1999) the results of surveys comparing key health data collected before and after the crisis, which indicate the marked prevalence of micronutrient deficiencies and wasting. The impact of the crisis on food affordability is most severe in urban areas, leading to a high prevalence of wasting. More than 50 percent of young children in Jakarta are reported to be under-weight. The prevalence of anaemia among children in Jakarta increased from 41 percent in 1995 to 85 percent after the crisis. Similar trends are being reported for women. Both UNICEF and Helen Keller International also report that the economic crisis is causing a serious deterioration in the country's health services.
8. The increase in the prevalence of wasting and morbidity are considered to be largely the result of poorer diet quality and quantity, marked by micronutrient deficiencies. Steep increases in prices and a lower purchasing power of the population are considered the main causes of such changes. Between July 1997 and October 1999, the price of rice and other essential commodities increased by up to 208 percent (in October 1999, the price of rice in Jakarta was 2,500 rupiah per kg compared to 1,200 rupiah in January 1997). Consequently, consumption of basic food commodities and protein-rich food (such as eggs and meat) as well as micronutrients such as iron, vitamin A and zinc has decreased significantly, particularly in urban areas, where the poorest households have been hit hardest.
9. According to FAO, 1999 paddy production amounted to 49.5 million tons and the rice import requirement for the 1999/2000 marketing year is estimated at around three million tons. In addition to rice, Indonesia also imports about 3.3 million tons of wheat. The level of wheat utilization is expected to be lower than in past years due to the financial crisis and reduced demand for expensive wheat-based products.
10. WFP's assessment of the livelihood situation for the poor indicates continued low food consumption resulting in a deteriorating nutritional situation. The situation is precarious among the poor in urban areas and little improvement is seen in the sectors of employment



and food prices as a result of reported changes in economic conditions. Children and women continue to be the most affected, according to health assessment data. The continued lack of employment has forced households to use up savings, borrow from others and sell tradable assets for daily subsistence. With the urban poverty level set at a monthly income of 125,000 rupiah for an average family of five, and the monthly cost of rice alone more than 130,000 rupiah per family, the entire salary is insufficient to meet even the cost of basic food. Many families have stopped sending children to school forcing them to seek any form of employment. From a survey of recipients of rice at subsidized prices under the WFP-assisted *Operasi Pasar Swadaya Masyarakat* or Social Welfare Market Operation (OPSM-WFP) programme, it was found that a major share of savings is used to buy more food, followed by meeting expenses for children's education.

11. Ongoing government interventions under the country's Social Safety Net Programme have been of considerable help in providing rice at low prices, employment opportunities and scholarships for children from poor families. However, the coverage is not adequate and the impact on the hard-hit poor is being questioned due to weak targeting and diversions/leakages. In the absence of a food security policy and a long-term plan to help the poor and the needy, the safety net measures under the government programme are limited.
12. Social, ethnic and political conflict in provinces such as Aceh, Maluku, West Kalimantan and other areas continues to produce a large number of deaths and the displacement of thousands of people. Many of them have been depending on external help and humanitarian assistance from voluntary institutions for their livelihood. The number of internally displaced persons (IDPs) in Indonesia was estimated at 570,000 in December 1999. Many will continue to require humanitarian assistance during the next few years and emergency food assistance will be required.
13. Assessments of the situation by WFP, donors and United Nations agencies indicate continued signs of unrest and a volatile security situation, triggering an increase in IDPs, particularly in Aceh and Maluku.
14. The ongoing EMOP currently provides food assistance to some 5.1 million people in urban slums in Java and rural areas elsewhere:
  - 500,000 households (2.5 million persons) through the activities of the OPSM-WFP programme;
  - 237,000 households (1.2 million persons) through assistance to primary schools;
  - 260,000 households (1.3 million persons) through rural and urban food-for-work (FFW) activities; and
  - 100,000 displaced persons in West Timor and other areas.
15. Under this protracted relief and recovery operation (PRRO), WFP direct food assistance will be further reduced and targeted to the vulnerable population, and to activities supporting rehabilitation and seeking long-term solutions. These will include assistance to: i) an average of 350,000 IDPs, with free food rations; ii) 350,000 unregistered ultra-poor households (1,750,000 persons) living in urban slums in Java, under special market operations in Jabotabek (Jakarta and surrounding areas), Surabaya and Semarang; iii) 300,000 malnourished children between the ages of 6 to 24 months considered at greatest risk, with locally-produced blended food, complementing UNICEF efforts; and iv) the Government in the formulation of food security policy and strategy.



## Government Recovery Policies and Programmes

16. To mitigate the effects of the economic crisis, the Government has launched a series of short-term interventions aimed at policy and institutional reform, at very high cost. These efforts are supported by the World Bank, the Asian Development Bank (ADB) and the International Monetary Fund (IMF). Key interventions being implemented include:
- Stabilization of the exchange rate and prices, and stimulation of domestic demand, through a combination of fiscal and monetary policies;
  - Bank and corporate restructuring to resolve bad debt, restore effective banking services, re-establish corporate creditworthiness and reactivation of productive assets;
  - Institution-building and reform intended to improve governance, and to increase transparency and efficiency; and
  - Protect the poor and preserve human assets.
17. Using a US\$600 million World Bank Social Safety Net Programme loan, the Government is implementing various programme activities up to March 2000. Aimed at protecting those suffering from the effects of the crisis, the programme is concentrated around four activities:
18. **Improvement of food security.** The main objective is to secure the supply of staple commodities by directly subsidizing prices for the most food insecure segments of the population. As part of this initiative, the *Operasi Pasar Khusus* (OPK) has been introduced by the government for the benefit of 11.2 million rural and urban poor households. Under this programme, 20 kg of rice per month is sold at a highly-subsidized rate (1,000 rupiah per kg) to eligible households. However, this operation excludes one million or more poor households, particularly in Greater Jakarta and other large cities, due to the operational limitations of the Government in covering them. It is this population that is being assisted by OPSM-WFP, in collaboration with 14 NGOs.
19. **Creation of productive employment.** The main thrust is to create opportunities in productive economic activities through labour-intensive work. This will create purchasing power to buy staple commodities and strengthen community capacity. The operation will create 58.2 million days of labour or an average daily employment for half a million people.
20. **Preservation of access to critical social services, particularly education and health.** The aim is to support basic health and education services, bringing them within reach of the people. Scholarships are provided to 4.3 million students in different types of schools all over the country.
21. **Development of small and medium enterprises.** The objective is to provide support for the creation and development of small and medium-scale economic activities, and for improved participation of cooperative institutions in order to increase people's economic participation.
22. The ongoing safety net interventions are scheduled to end in March 2000. The newly-established Government will decide on the possible future continuation of the programme.

## Rationale

23. WFP assistance under the PRRO is planned for 18 months from April 2000. The provision of WFP support is expected to play a key role in overcoming urgent food



consumption deficits, improving the nutritional situation and quality of life for the most affected people, and protecting productive capacity for the hungry poor. It will help prevent erosion of assets and further deterioration in nutritional status.

24. While overcoming the urgent consumption deficit for the most affected population, WFP assistance under OPSM-WFP intends to develop a model for the Government to promote continuation of a targeted safety net programme in cooperation with civil society, ensuring better targeting and increased accountability of future operations.
25. The development of a food security policy will guide the Government in continuing to protect the hungry poor after termination of the WFP intervention.
26. The distribution of locally-produced blended food and micronutrients, in combination with nutritional education, will provide additional food supplements and help mothers better understand nutrition requirements and dietary implications. Community development activities undertaken using funds generated from the OPSM-WFP (through the sale of rice) will enhance income-generating opportunities and support increased income. WFP assistance in local production of blended food is expected to ensure availability of blended food at very competitive prices and accessible to the poorest.
27. These various efforts together will address the acute problem of malnutrition and help improve the overall food security situation among the target beneficiaries.

## RECOVERY STRATEGY

### Beneficiary Need

28. The loss of employment and continued lack of alternative income sources are the main concerns for the urban poor affected by the economic crisis. Food prices remain high and a diversified diet is beyond reach for the majority of the poor. The main preoccupation has been to secure cash to purchase rice, the consequence of which has been an increase in nutrition-related diseases due to the reduction in consumption and a cutting down on spending in, for example, health and education services. Therefore, the majority of the poor desire access to cheaper rice and employment to support basic needs.

### The Role of Food Aid

29. WFP assistance is intended to meet an urgent consumption need, help rebuild self-reliance, restore positive coping mechanisms and retain capacity for the affected population in urban slums. It is also expected to contribute to maintain community assets, diversify skills and enhance opportunities for employment. Furthermore, it is also expected to address nutritional problems by improving knowledge on nutrition, and strengthen local production and marketing of blended food. WFP assistance in food security policy will help coordinate resources from the international community and the Government to target assistance to the poor. Assistance to IDPs in Ambon, Aceh, West Kalimantan, West Timor and other locations will be purely humanitarian—saving lives.

### Intervention Approaches

30. WFP food assistance for the urban poor will be limited to the island of Java, where 60 percent of the country's 210 million people live; they are considered to be the most adversely affected by the crisis. While ensuring efficient targeting and full accountability,



WFP assistance will be provided to the urban poor in slums and semi-urban areas in Jabotabek region, Surabaya and Semarang. More than 75 percent of the recipients of WFP assistance will be women and children.

### Risk Assessment

31. Key factors that may hinder project implementation or achievement of long-term goals under the PRRO include the following:
- Timely inputs from the Government for landside transport, storage and handling (LTSH), and monitoring and supervision, must be fully assured, since any delay in the release of government contributions could result in delayed implementation of the project.
  - The project depends heavily on the management capabilities of NGOs, whose activities are still relatively new in Indonesia.
  - The Government sets food security issues as a priority in its development plan.
  - Donors may be reluctant to provide food assistance to Indonesia, as the country moves along the path of recovery.

### Objectives and Goals

32. The overall objective of WFP is to prevent food shortages from developing into a famine situation for segments of the population. More specifically, WFP assistance will have four main objectives:
- Provide food **to meet the urgent food consumption needs** of vulnerable people most affected by the economic crisis and to avoid a re-emergence of “inherited hunger” in selected urban centres in Jabotabek, Surabaya and Semarang.
  - Provide **humanitarian food assistance** to IDPs and displaced populations (DPs) affected by ongoing political and social conflict.
  - Help **reduce** the problem of malnutrition among children between the ages of 6 to 24 months in Jabotabek, Surabaya and Semarang.
  - **Advocate** on behalf of the hungry poor by assisting the Government in formulating a food security policy and strategy.
33. The proposed activities will support WFP’s goals of saving lives in an emergency situation, improving the nutrition level and quality of life for vulnerable groups at critical times in their lives, and enabling the poor to develop their potential and promote self-reliance.

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## IMPLEMENTATION PLAN

### Key Programme Components

34. WFP assistance will include the following activities:



### ***Social Welfare Market Operation (OPSM-WFP)***

35. Rice will be sold to the selected urban poor in Java considered most affected. This activity will be implemented in Jabotabek, Surabaya and Semarang. Beneficiaries will comprise 350,000 households affected by the economic crisis with monthly incomes below 175,000 rupiah (US\$25 at the current exchange rate); food-insecure households consuming less than 1,600 kcal will benefit from the operation. Each beneficiary will have a ration card with information on family background and household income, which will be reviewed periodically; beneficiaries whose income increases beyond the baseline figure will be disqualified from the operation.
36. WFP assistance will be provided to those households meeting any one of the following criteria:
- Main earner has been a victim of mass retrenchment and is still without alternative employment;
  - Unable to consume a meal at least twice a day;
  - Unable to consume protein-rich food at least once a week;
  - Unable to pay the required primary school fees for education of their children;
  - Can no longer afford basic medical treatment prescribed by health officers;
  - Not receiving assistance under any ongoing government safety net programme.
37. Preference will be given to families with severely malnourished children and households headed by single women.
38. Beneficiaries will be able to purchase rice at 1,000 rupiah/kg (through an estimated subsidy of about 60 percent, based on the October 1999 market price for rice) at the rate of five kg per week per household, or a maximum of 20 kg per household per month. About five percent of the total resources under this activity may be allocated to supply free food or food for work (FFW) to the absolute dispossessed. The funds generated will be managed by WFP through a trust fund account, which will be used within the time frame of the project to support nutrition education and community development activities aiming at strengthening community organization, increasing income and long-term self-reliance, and to purchase more rice, details of which will be reflected in the Letter of Understanding.
39. This activity will be implemented by NGOs, which will be involved in the selection of beneficiaries through house-to-house surveys; food logistics; administration of sales of rice and blended food, and their accountability; and organization of nutrition education and community development activities. WFP will provide continuous training and management support to these NGOs to strengthen their capacity.

### ***Internally Displaced Persons (IDPs)***

40. Under the coordinated system of assisting IDPs, NGOs and the Government systematically register numbers, and food and other assistance is provided to displaced groups. Those living in camps and dependent on external assistance for survival will be given rice at the rate of 12 kg per person per month, supplementing other assistance such as oil and pulses or cash from the Government or NGOs, as in the ongoing operation. The IDPs, whose number fluctuates daily, will need food assistance for a period of dislocation, which could range from 3 to 18 months. The operation will be coordinated by the Ministry of People's Welfare and Poverty Eradication, and will be implemented in cooperation with NGOs.



41. WFP-supplied rice will be issued to NGOs at the closest National Logistics Agency (BULOG) warehouse; the NGOs will transport the rice to final delivery points for distribution to beneficiaries. The costs of the BULOG operations will be paid as part of the Government contribution to the project. The cost of internal transportation and distribution of rice from stores to IDP camps will be paid by WFP; this is currently estimated at US\$14/ton.

### ***Nutrition Programme: Supply and Production of Blended Food***

42. Along with rice, vitamins and blended food fortified with minerals will be distributed at a nominal charge for up to six months to households with children aged from 6 to 24 months that are severely and moderately malnourished (60–80 percent weight for height) or considered at risk. Simultaneously, mothers will be provided with nutrition education and the opportunity to participate in income-generating programmes through community development activities. It is estimated that the activity will assist 100,000 children at a time, covering a total of 300,000 children during the period of the project.
43. WFP will provide technical assistance to a few selected local factories to establish blended food production capacity, enhancing local production at a competitive price and helping to increase the access of low-income groups to blended food.

### ***Food Security Policy***

44. In cooperation and coordination with bilateral donors, the World Bank and other interested parties such as FAO, UNICEF and Helen Keller International, WFP will assist the Government in developing a food security policy and strategy which will outline future operations. A task force will be formed among the inter-ministerial group representing the coordinating Ministry of People's Welfare and Poverty Eradication, the United Nations, the World Bank and bilateral donors to work out the details. The task force will look into three key dimensions of food security: access, supply and nutrition, with a particular focus on addressing the current problems of food insecurity and protecting the vulnerable.

### ***Beneficiaries, Needs and the Food Basket***

45. The project will benefit 2.4 million people, more than 75 percent of whom will be women and children. The main beneficiaries of WFP assistance will be the ultra poor affected by the economic crisis who are without any regular source of income, or earning less than 175,000 rupiah (about US\$25) per month, or consuming less than 1,600 kcal per day. They have lived for years in the slums of Jakarta, Surabaya and Semarang, have no legal authority to live in these locations, are not taken into account by the municipal authorities and have no entitlement to government assistance or are unable to pay immediately the 20,000 rupiah necessary to participate under the OPSM-WFP programme.
46. Rice is the main staple in Indonesia. It is the only commodity that can be distributed in practice, taking into account the government's logistics network facilities and the stock reserve it maintains.

### ***Selection of Activities***

47. The proposed WFP programme activities are the outcome of joint consultations among the Government, donors, WFP, the World Bank, United Nations agencies and NGOs. The project has elements of strong joint partnership to address the negative effects of economic crisis for a brief period with long-term impact.



48. The areas for assistance are selected and continue to be chosen geographically, on the basis of poverty data and vulnerability assessment being carried out by the Government and the vulnerability analysis and mapping (VAM) activities of WFP.
49. The community development activities to be funded through the generated funds (under OPSM-WFP) will be selected on the basis of their positive outcome/impact on household food security for the poor, in particular women.

### ***Activity Approval Mechanism***

50. A working committee made up of representatives of WFP, the Ministry of People's Welfare and Poverty Eradication and a few selected NGOs will review project proposals submitted by NGOs and make recommendations for approval and funding of community development activities by the joint WFP/ministry management committee. A food aid committee (FAC) comprising 5–8 members will be formed in each village, depending on the number of beneficiaries covered. The committee will comprise a community leader (formal or informal or both) and 75 percent female and 25 percent male beneficiaries as members. This committee will be responsible for supervising project implementation, monitoring the sale of rice and distribution of blended food, and assisting NGOs in the identification of community development activities. This arrangement is currently in operation under the ongoing emergency operation (EMOP) and has proved highly effective in ensuring greater participation of beneficiaries, project identification and project implementation, including increased involvement of women in project management. NGOs will be responsible for forming the committees and supporting their effective functioning. The committees will meet monthly to respond to queries from beneficiaries and discuss monitoring findings, and strengthen targeting and other issues related to project implementation.

### ***Institutional Arrangements and Selection of Partners***

51. The Ministry of People's Welfare and Poverty Eradication, as a focal point for the social safety net and poverty alleviation, will be the main coordinating link between the WFP and the Government on policy issues and project management.
52. The National Development Planning Agency (BAPPENAS) will be responsible for inter-ministerial coordination and ensuring the contribution of the Government to the project. The Ministry of Health will provide policy guidance on health and nutritional issues and assist in the local production of blended food. In view of the inadequate government capacity and its operational limitations, NGOs will play a key role in project implementation. WFP and the Government will jointly select NGOs, and those selected will be responsible for identifying beneficiaries, and will have full control of project resources, their distribution to beneficiaries and reporting to WFP. The Project Management Unit (PMU) and WFP will play a key role in supporting NGOs in project implementation and monitoring. BULOG will be responsible, on behalf of the Government, for all matters related to food logistics, such as receipt, storage and internal handling.
53. NGOs currently collaborating with WFP in project implementation under the current EMOP and which have proved to have good potential in project implementation will be selected for partnership under the PRRO. Similar to the current operation, all NGOs will sign standard agreements. The operational guidelines being followed will be further revised, taking into account experience acquired prior to the start of the PRRO.



54. WFP has been extensively involved in the training of NGO staff and strengthening their capacities in project implementation. Consequently, operational losses have been maintained to a significantly low level of around 0.3 percent under the current OPSM-WFP operation. Some of these NGOs have experienced manpower in community development and have been very efficient in ensuring community participation, targeting of beneficiaries and smooth distribution and accountability of project resources.
55. WFP has made an arrangement with Helen Keller International to support NGOs in strengthening their know-how and capacity to implement nutrition education and monitor the impact of blended food programme among target groups.
56. The PMU within the Ministry of People's Welfare and Poverty Eradication will be responsible for coordinating project implementation. The ministry will make adequate staff available to the PMU to ensure proper coordination, monitoring and reporting.
57. A committee chaired by the Secretary-General of the ministry will review progress in project implementation and its impact on a quarterly basis. The committee will comprise representatives from WFP, BAPPENAS, BULOG, the Ministry of Health and selected NGOs.
58. The Government is fully committed to meeting all costs of receipt, internal transport and handling of WFP-supplied commodities up to BULOG warehouses, and staffing and management support for implementation of the project. The Government agrees that NGOs will be most suitable for implementation of WFP-assisted activities and has given assurances of full cooperation with NGOs. Within the context of a food security policy/strategy, the Government intends developing a safety net programme to assist the vulnerable after the end of WFP assistance.
59. Extensive consultations have been held with key food aid donor representatives in Jakarta regarding the continuation of the WFP programme. The donors expressed concern over the precarious food security situation in urban centres and the continuing humanitarian problems for IDPs, and confirmed their commitment to continue supporting the WFP operation.
60. WFP has maintained a close working relation with the World Bank, various United Nations agencies such as UNDP, UNICEF, FAO and the International Labour Organization (ILO) and international NGOs. WFP assistance fits well with and complements the ongoing priorities set by UNICEF on women and children's issues and the safety net programme being supported by the World Bank.
61. Within the framework of their assistance, the Asian Development Bank (ADB), the World Bank and UNICEF are willing to support/promote the local production of blended food and purchase commodities locally, with WFP taking the lead in helping to increase local capacity. Both the World Bank and the ADB are presently importing blended food for their projects at prices several times higher than the possible price of locally-produced blended food.
62. WFP will continue to work very closely with UNICEF and Helen Keller International in setting up standard operational guidelines on nutrition-related issues, monitoring the impact of WFP assistance and improving targeting.



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## CAPACITY-BUILDING

63. The government is to introduce a new policy on food security, which will be instrumental in addressing the needs of the poor in times of crisis. WFP beneficiaries are expected to acquire better knowledge on nutrition and opportunities for increased income. New additional capacity will be created in the local production of blended food, and the price of locally-produced blended food will be reduced from around US\$900/ton to less than US\$400/ton.
64. With extensive ongoing training from WFP, NGO capacity in project execution will be increased and future emergency responses will be strengthened. The potential of communities to cope with future crisis will be enhanced.

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## LOGISTICS ARRANGEMENTS

65. WFP will supply the commodities to the Government at agreed points of delivery which, within external logistics constraints, will be such that the food assistance can be most efficiently transported to the target groups once it enters the country. Anticipated ports of first delivery for cereals are Jakarta and Surabaya. Blended food will be supplied from the newly-established production facilities in Jakarta, Surabaya and Semarang.
66. BULOG will be responsible for receiving delivery of rice provided under the PRRO and transporting the commodities from the port of first entry to delivery points at district and sub-district level, as per the project requirement. BULOG will be reimbursed by the Government for its contribution to receipt, handling, storage and internal transportation of food.
67. WFP-supplied rice, in conformity with the national minimum standard (25 percent broken long-grain white rice), will be merged with the national stock and the same quality/quantity of rice will then be made available by BULOG at the district warehouses nearest to the distribution sites. When rice of a quality other than the national standard is supplied and subsequently merged with the national stock, an acceptable exchange ratio, based on the principle of “no loss-no gain” will be agreed between WFP and the Government.

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## MONITORING AND EVALUATION

68. The project will be monitored and supervised by the PMU within the Ministry of People’s Welfare and Poverty Eradication and WFP. An efficient monitoring system has been established by WFP for monitoring the project, which will continue to ensure timely reporting of inputs/outputs and other key indicators on a weekly basis and overall impact of the operation on beneficiaries. WFP will have several food monitors and international programme advisers who will systematically visit all distribution centres and check on the operations and advise/support NGOs in project implementation. Although the original perception was that NGOs in Indonesia are relatively new and inexperienced, the experience from the ongoing operation has proved that they have great potential in the implementation of humanitarian assistance and in contributing to improved food security.



69. The impact of WFP assistance related to the various activities will be assessed in conjunction with Helen Keller International and independent consultants.
70. Vulnerability information, such as data on poverty by village, which is available within the Central Bureau of Statistics and WFP, will be the basis for targeting. Various key indicators, such as employment, body weight, micronutrient situation and morbidity, will be monitored regularly with the help of Helen Keller International to update existing data in order to improve targeting.
71. WFP staff will regularly visit distribution sites and check on various data such as productive activities, gender segregated data, income, food prices and consumption patterns. They will also check on the actual number of beneficiaries, accuracy in reporting, etc. and guide NGOs/communities in project implementation. Check lists and various reporting formats to collect and analyze such data for regular reporting have been established.
72. Regular reports will be prepared, giving information on food utilized, beneficiaries covered by activity and gender, funds generated and details of various community development activities supported. A master data base on each of the beneficiaries by area/NGO will be maintained and compared with the information collected.

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## SECURITY MEASURES

73. The security situation in Jakarta, Surabaya and Semarang is normal. However, the security situation in areas such as Nusa Tenggara Timur, Maluku, Aceh and Kalimantan, where political and ethnic violence is taking place, continues to change, from normal to very serious, with more recent reports of frequent violence and mass killing of people, and threats to humanitarian staff. On several occasions, NGOs have evacuated their staff to new locations in order to improve security for their staff. Currently, in these troubled areas, WFP has staff in Kupang and Atambua. Any visits to non-secure locations and WFP staff postings will be subject to United Nations security guidance, which will be regularly monitored and updated.

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## EXIT STRATEGY

74. WFP assistance is planned for a period of 18 months. It is expected that by the end of this period the economic situation will have improved, with increased job opportunities and better access to food. Furthermore, it is expected that with the establishment of its new food security policy and strategy, the Government will be better prepared to assist the urban poor currently not covered under its Social Safety Net Programme. The project is also expected to increase self-reliance and improve capacity among communities through a combination of community development and increased income-generating activities.
75. It is hoped that the problems of IDPs will be short-lived and resolved through changes in the socio-economic situation. The need for WFP's coordination/advisory role in humanitarian food assistance will diminish with economic progress and the reduction of humanitarian assistance. Safety net interventions will be part of the government's food security policy to be funded from its own resources.



## CONTINGENCY MECHANISM

76. The focal ministry has already made administrative arrangements with BAPPENAS to extend funding under the EMOP until June 2000 and to secure the government contribution for the PRRO within the next budget starting April 2000. This means that, in a worst case scenario, the OPSM-WFP may be continued under the current EMOP up to the end of June 2000 and the PRRO may begin in July 2000.
77. If IDP numbers increase suddenly, the rice available for the OPSM-WFP could be advanced and a new EMOP could be proposed to cover increased needs for IDPs. However, if there is a decrease in the number of IDPs, both rice and blended food would be reallocated for other interventions to support an increase in activities that would primarily benefit women.
78. The provision of internal transport, storage and handling (ITSH) funds from WFP for assistance under the IDP operation will ensure delivery of rice to NGOs for immediate distribution to the displaced population.

## GENDER CONSIDERATIONS

79. Activities benefiting women are a key consideration for the proposed WFP assistance; approximately 90 percent of the recipients of WFP-supplied rice in the urban areas will be women. All beneficiaries will have ration cards. The funds for community development will be targeted to benefit women. The blended food will be distributed to children between the ages of 6 and 24 months who are malnourished and are considered at risk. Mothers with malnourished children will be special targets for nutrition education—current statistics suggest that among the malnourished or those at risk, about 60 percent are girls. Both male and female IDPs will receive food rations. Considering the above scenario, approximately 75 percent of beneficiaries will be women and children. The food security policy will give special consideration to the role of women in household food security.
80. At the community level, committees consisting of 75 percent women will be responsible for identifying activities for WFP assistance and for supporting project implementation. Women managers and other female staff run NGOs which will be collaborating with WFP. WFP will continue to support training for NGO staff and FAC members, with the emphasis on gender issues and leadership (particularly for female FAC members), under the guidance of a full-time specialist in gender issues. Gender segregated data on beneficiaries and resource allocation will be collected. Letters of Understanding between WFP and NGOs will reflect details to ensure WFP's global commitment to women.

## BUDGET PROPOSAL AND INPUT REQUIREMENTS

### Food Aid Requirements

81. The commodities required for the PRRO are detailed in the table below:

Activity	Rice* (tons)	Blended food (tons)
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OPSM-WFP	126,000	5,400
IDPs	37,500	1,950
<b>Total</b>	<b>163,500</b>	<b>7,350</b>

\* Rice may be substituted by wheat for local exchanges on a “no loss-no gain” basis.

### Staffing

82. WFP will provide the services of resident international officers, national staff and visiting consultants to assist and advise the Government and implementing agencies at the central level in Jakarta and in the provinces with regards to planning, implementation and overall management of the operation. All WFP staff and other support costs for the Indonesia operation will be covered under direct support costs (DSC). Detailed staffing requirements are given as part of DSC in Annex II.

### Non-food Inputs

83. The non-food items required for the project will be secured from bilateral donors and United Nations agencies under cost-sharing arrangements.

### Technical Assistance

84. Adequate budgetary provisions have been made to support technical assistance needed to support the operation in achieving the project’s planned objectives.

### Contingency Provision

85. There are provisions in the budget for contingencies such as an increase in staff costs or other expenses.

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## RECOMMENDATION OF THE EXECUTIVE DIRECTOR

86. 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 (US dollars)	Value (US dollars)
<b>WFP COSTS</b>			
<b>A. Direct operational costs</b>			
Commodity <sup>1</sup>			
– Rice	163 500	257.52	42 105 000
– Blended food	7 350	304.08	2 235 000
<b>Total commodities</b>	<b>170 850</b>		<b>44 340 000</b>
External transport		53.152	9 081 153
ITSH (to be applied only to 39,450 tons)		14	552 300
Other direct operational costs			13 000
<b>Subtotal direct operational costs</b>			<b>53 986 453</b>
<b>B. Direct support costs (see Annex II for details)</b>			<b>3 593 720</b>
<b>C. Indirect support costs (7.8 percent of total direct costs)</b>			<b>4 491 253</b>
<b>TOTAL WFP COSTS</b>			<b>62 071 426</b>

<sup>1</sup> 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 <i>(US dollars)</i>
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<b>Staff costs</b>	
International	2 151 683
National professional officers	114 000
International consultants and SSA	88 460
Local staff and temporaries	439 500
Overtime	2 700
<b>Subtotal</b>	<b>2 796 343</b>
<b>Technical support services and training</b>	
Project monitoring and evaluation	58 195
<b>Subtotal</b>	<b>58 195</b>
<b>Travel and DSA</b>	
International	22 222
Blanket travel	26 570
In-country travel	148 160
Counterpart travel	16 000
<b>Subtotal</b>	<b>212 952</b>
<b>Office expenses</b>	
Rental of facility	235 440
Utilities	5 400
Communications	100 800
Newspaper and periodicals	4 500
Office supplies	34 240
Equipment repair and maintenance	12 000
Hospitality	2 500
Bank charges	4 500
<b>Subtotal</b>	<b>399 380</b>
<b>Vehicle operations</b>	
Fuel and maintenance	42 400
<b>Subtotal</b>	<b>42 400</b>
<b>Equipment</b>	
Communications equipment	2 000
Computer equipment	3 000
Furniture and equipment	2 000
<b>Subtotal</b>	<b>7 000</b>
<b>Other</b>	
Advocacy	18 000
Security (FSO)	30 000
Security—International staff	24 450
Shipment of goods to sub-offices	5 000
<b>Subtotal</b>	<b>77 450</b>
<b>TOTAL DIRECT SUPPORT COSTS</b>	<b>3 593 720</b>

