

BUDGET INCREASE No. 4 TO ETHIOPIA PROTRACTED RELIEF AND RECOVERY OPERATION 200712

Responding to Humanitarian Crises and Transitioning Food-Insecure Groups to More Resilient Strategies

| | | | |
|-----------------------------------------|--------------------------------------|--------------------|-----------------------|
| Total revised number of beneficiaries | 8,548,385 | | |
| Duration of entire project | 3 years (1 July 2015 - 30 June 2018) | | |
| Gender marker code | 2A | | |
| WFP food tonnage | 1,646,326 | | |
| Cost (United States dollars) | | | |
| | Current Budget | Increase | Revised Budget |
| Food and related costs | 1,079,103,050 | (85,628,177) | 993,474,873 |
| Cash -based transfers and related costs | 67,399,910 | 77,378,181 | 144,778,091 |
| Capacity development and augmentation | 11,698,099 | 5,077,721 | 16,775,820 |
| DSC | 109,320,231 | 2,030,753 | 111,350,984 |
| ISC | 88,726,490 | (79,907) | 88,646,584 |
| Total cost to WFP | 1,356,247,780 | (1,221,429) | 1,355,026,351 |

| Cost (United States dollars) | | | |
|------------------------------|----------------|-------------------|----------------|
| | Current Budget | Increase/Decrease | Revised Budget |
| Food Transfer | 620,365,698 | (57,628,714) | 562,736,984 |
| C&V Transfer | 64,710,400 | 72,349,572 | 137,059,972 |

Focal points: Regional Director Ms V. Guarnieri

Country Director a.i. Mr S. Wanmali

NATURE OF THE BUDGET REVISION

1. This budget revision to protracted relief and recovery operation (PRRO) 200712 proposes the following changes:
 - increases the number of beneficiaries receiving relief assistance in 2017 and 2018, in response to the persisting drought conditions;
 - increases the number of children aged 6-59 months and pregnant and lactating women and girls (PLW/G) under the treatment of Moderate Acute Malnutrition Activity (MAM) in line with deteriorating nutritional situation in priority one woredas;
 - introduces a prevention of moderate acute malnutrition activity for children 6-59 months and PLW/G in line with the deteriorating nutrition situation in Somali region.
 - removes SuperCereal from the relief ration to ensure resources are sufficient to fully cover treatment of MAM in the priority one woredas;
 - reduces the planned beneficiaries under the Productive Safety Net Programme (PSNP) as the Government allocates more resources in areas covered by WFP;
 - includes new activities: supply-chain capacity development activities for the Government, a fresh food voucher for nutritionally vulnerable households to contribute to the reduction of stunting, and a weather-indexed livestock insurance programme for pastoralists;
 - increases cash transfer interventions;
 - replaces SuperCereal with SuperCereal Plus for the treatment of MAM.

2. The budget revision retains the gender analysis under the original PRRO document and is aligned with the Regional Gender Strategy and the country office Gender Action Plan (2017-2020). The PRRP contributes to Sustainable Development Goal 5 (gender's equality and women's empowerment).

JUSTIFICATION FOR THE BUDGET REVISION

Summary of Existing Project Activities

3. PRRO 200712 contributes to government programmes that address structural food insecurity and malnutrition by:
 - providing short-term food assistance for households in acute emergencies and addressing MAM among children aged 6-59 months and PLW/G;
 - supporting the Government's PSNP, and phasing long-term "chronic relief" beneficiaries to the new PSNP 4; and
 - implementing activities to prevent chronic malnutrition and stunting among children aged 6-23 months and PLW/G.

Conclusion and Recommendations of the Re-Assessment

4. After the El Niño weather phenomenon that left 10.2 million people in need of emergency assistance in 2015/16, Ethiopia continues to be subject to severe weather conditions. The 2017 mid-year review of the Humanitarian Response Plan (HRD) estimates that 8.5 million require humanitarian food assistance in the second half of the year. The severe water shortages resulting from the Indian Ocean Dipole (IOD) induced drought have caused high numbers of livestock deaths due to lack of pasture and high rate of disease. Additionally, the overall performance of the March to May 2017 (*belg*) rains has been below average in many areas of the country. Consequently, the southern and southeastern parts of the country and the eastern lowland areas have been experiencing drought for several months now. Availability of pasture and water is expected to further deteriorate, leading to limited access to food from own sources.
5. The nutritional situation is also likely to deteriorate in the second half of 2017. The mid-review HRD projects that 3.6 million children and PLW/G will need treatment for MAM and 375,000 for severe acute malnutrition (SAM). The number of priority one, hot-spot woredas increased from 192 (December 2016) to 228 in July 2017. Admissions for treatment of SAM in the first four months of 2017 were 20 percent above the initial projection for 2017, and MAM targets have been surpassed.
6. The 2016-drought has shown a clear need for continued capacity augmentation of the national supply chain and logistics system, to be able to effectively respond to future emergencies. During the 2016 drought, the logistics cluster identified several gaps in the national supply chain systems that initially prevented an effective and timely response. Building on this, WFP developed a capacity strengthening activity to improve coordination and institutional capacity of government bodies. Logistics experts have been seconded to key relevant government authorities such as the Ethiopian Maritime Affairs Authority (EMAA) and the National Disaster Risk Management Commission (NDRMC). Under this strategy, WFP also collaborates with the Road Transport Authority (RTA) to identify inefficiencies along the supply chain, and with the Ethiopian Railway Corporation (ERC) to support the railway operationalisation.

Purpose of Extension and Budget Revision

7. Given the persisting food insecurity levels, WFP will increase the planned number of beneficiaries under the relief intervention from 1 to 3.3 million for the second half of 2017, and from 628,000 to 1.2 million in 2018. The NGO-managed Joint Emergency Operation Plan (JEOP) and NDRMC will cover the remaining beneficiaries defined by the HRD.
8. WFP will also increase the planned number of beneficiaries under treatment of MAM in 2017. WFP, the Government, the United Nations Children's Fund (UNICEF) and other partners have agreed that the best way to handle malnutrition in the Somali region is to make sure targeted households have a predictable food transfer and that the current response for moderate and severe acute malnutrition is effective. Given the deteriorating nutrition situation, WFP will also introduce a 3-month blanket supplementary feeding programme for children 6-59 months and PLW/G in the Somali Region, in close collaboration with UNICEF and the Government.
9. The Government of Ethiopia and the Ministry of Agriculture have also allocated more resources for PSNP in areas where WFP operates. Therefore, WFP will reduce its coverage in 2018 from 2.2 million to 600,000 planned beneficiaries.
10. The Government, United Nations and WFP's cooperating partners agreed to discontinue the distribution of SuperCereal under the relief ration, and to reduce the overall coverage for the prevention of stunting in order to prioritize limited resources to the treatment of MAM in the priority one woredas. Progressively, WFP will seek to expand the fresh food voucher programme based on lessons learned from the pilot.
11. This budget revision also includes additional new activities: a fresh food voucher for nutritionally vulnerable households to contribute to the reduction of stunting; a weather-indexed livestock insurance programme for pastoralists; and supply-chain capacity development activities for the Government.

Fresh food vouchers:

12. Social protection initiatives show evidence of positive impacts on child malnutrition and food insecurity. In a country where two-fifths of children under five years are stunted, the fresh food voucher activity seeks to improve access to nutrient-dense foods, particularly protein-rich foods for the Ethiopian populations most at risk of malnutrition: PLW/G and children 6-24 months. Approximately 47,300 malnourished children 6-24 months and PLW/G will receive vouchers that will allow them to access fresh fruits, vegetables, meat and milk on the local market. The voucher value will be determined after a market supply chain assessment has been conducted in the targeted areas.
13. The activity will complement the current PSNP transfer for chronically poor during the lean season. Recognizing the need for multi-sectoral interventions to make progress in the reduction of maternal mortality and to improve nutrition, the PSNP introduced linkages to social services such as health and nutritional education for PLW/G and men, including hygiene and sanitation, maternal nutrition and appropriate infant and young child nutrition practices. WFP partners with: i) UNICEF to complement actions in nutrition education and monitoring and evaluation of outcomes, ii) NDRMC who is responsible for implementation of operational elements of food security interventions and currently responsible for the management of moderate acute malnutrition, and iii) the Ministry of Health, which is responsible for the continuum of care and management of global acute malnutrition and the lead actor in national actions to reduce malnutrition.

Livestock Insurance:

14. WFP's largest relief operations in Ethiopia are concentrated in the pastoral and agro-pastoral areas of Somali, Afar, Oromia and SNNP regions, where it is also the main implementing partner for the PSNP. These regions were the ones most affected by the recent food crisis caused by El Niño, highlighting the need for longer-term solutions to address the impact of climate change on the food security of vulnerable pastoralist households. With the livestock insurance program, WFP aims to provide 100,000 households with satellite-based drought-indexed insurance by 2021. The program will provide insurance payouts to vulnerable pastoralists at the onset of severe droughts and loss of pasture, enabling them to purchase supplementary livestock feed and veterinary inputs in order to keep their core-breeding animals alive.
15. Households will access the programme through the Insurance for Assets (IfA) mechanism. Similarly, to the R4 (crop insurance programme) and building on the PSNP public works interventions, IfA will enable pastoralists to access insurance coverage by working additional days on resilience building assets. Non-PSNP pastoralists will have the option of accessing insurance coverage by purchasing it in cash. Assets created under IfA as well as the participants will be reported in the same way as PSNP assets and participants and will therefore follow the PSNP guidance.
16. This insurance initiative will be part of a comprehensive risk management toolbox for Ethiopian pastoralists, including women headed households. The toolbox consists of drought early warning systems, drought grazing conservation, controlled destocking, supplementary livestock feeding programmes, preventive veterinary care and climate services. Federal and regional governments will be key actors to support the customization of the livestock insurance program in a way that meets the needs of pastoralists, the integration with the PSNP and other government-led efforts in the sector of risk management will support the sustainability of the program.

M&E:

17. WFP and its partners will establish a robust M&E set of indicators and tools for the two new activities to capture, document and share results and lessons learned. In addition to the process, output and outcome monitoring and review, all new activity will undergo an impact evaluation. In particular, WFP will leverage new technology capabilities to monitor activities implemented in hard-to-reach communities. The project logical framework has been revised to reflect these new M&E requirements. Furthermore, partners will be introduced to gender transformative monitoring and use of participatory methodologies to ensure women and girls' equal participation into the monitoring and evaluation processes.

Response Capacity:

18. To augment Government's capacity to better respond to future emergencies, WFP plans to:
 - strengthen the commercial road transport sector in close cooperation with the RTA, including tailor-made fleet management systems, as well as training programmes for Ethiopia's commercial road transport sector;
 - tackle the congestion at the Port of Djibouti and the inefficient inland logistical operations in cooperation with the EMAA. WFP will continue to carry out assessments of systems and processes causing inefficiencies along the supply chain and advice on interventions required to bring change. WFP will deliver trainings on port operations,

planning and coordination to Ethiopian government technical staff and humanitarian partners in Addis Ababa and in Djibouti.

- support the ERC to assess, identify and prioritize actions to enhance and maximize the utilization of the new Ethiopian railway, as well as exploring possibilities for access to the railway on behalf of humanitarian organizations;
- continue to invest in the Food Management Improvement Project's (FMIP) electronic commodity tracking and reporting system, the Commodity Allocation Tracking System (CATS), and the physical commodity management reports and forms also known as the Commodity Management Procedure Manual (CMPM), tools developed to support and improve the tracking of commodities moving through NDRMC.
- provide technical assistance to the Government and humanitarian organizations to establish logistics emergency preparedness capacities to respond to recurrent drought emergencies and other shocks;
- expand the existing NDRMC logistics hubs into Humanitarian Staging Areas (HSA) in key logistics locations in the country;
- deliver emergency preparedness trainings in partnership with government authorities and humanitarian organizations;
- create rosters of technicians and logistics officers and deliver emergency simulation exercises;
- provide supply chain services, such as storage, transport, operation support, to humanitarian organizations and donors.

| TABLE 1: BENEFICIARIES BY ACTIVITY [OR COMPONENT] - 2017 | | | | | | | | | | |
|----------------------------------------------------------|---------------------------|-----------------|---------------|-----------|----------------------------|---------------|-----------|----------------|---------------|-----------|
| Activity | Category of beneficiaries | Original (2017) | | | Increase / Decrease (2017) | | | Revised (2017) | | |
| | | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total |
| Productive Safety Net (PSNP) | Chronic food insecure | 965,692 | 948,183 | 1,913,875 | 0 | 0 | 0 | 965,691 | 948,184 | 1,913,875 |
| Food | | 905,177 | 888,698 | 1,793,875 | 0 | 0 | 0 | 905,177 | 888,698 | 1,793,875 |
| Cash | | 60,514 | 59,486 | 120,000 | 0 | 0 | 0 | 60,514 | 59,486 | 120,000 |
| Relief | Acute food insecure | 514,044 | 504,706 | 1,018,750 | 1,150,186 | 1,131,064 | 2,281,250 | 1,664,230 | 1,635,770 | 3,300,000 |
| Food | | 433,324 | 425,426 | 858,750 | 1,150,186 | 1,131,064 | 2,281,250 | 1,583,510 | 1,556,490 | 3,140,000 |
| Cash | | 80,720 | 79,280 | 160,000 | 550,018 | 539,982 | 1,090,000 | 630,738 | 619,262 | 1,250,000 |
| Nutrition Assistance | Nutrition insecure | 553,541 | 906,593 | 1,460,134 | 482,923 | 660,837 | 1,143,760 | 1,036,465 | 1,567,429 | 2,603,894 |
| Treatment of moderate acute malnutrition | | 401,900 | 658,234 | 1,060,134 | 328,726 | 322,744 | 651,470 | 730,626 | 980,978 | 1,711,604 |
| Prevention Acute Malnutrition - Blanket Supplementar y | | 0 | 0 | 0 | 250,000 | 495,000 | 745,000 | 250,000 | 495,000 | 745,000 |
| Prevention of chronic malnutrition (stunting) - food | | 151,641 | 248,359 | 400,000 | -113,735 | -186,275 | -300,010 | 37,907 | 62,083 | 99,990 |
| Prevention of chronic malnutrition (stunting) - cash | | 0 | 0 | 0 | 17,932 | 29,368 | 47,300 | 17,932 | 29,368 | 47,300 |
| TOTAL | | 2,033,277 | 2,359,482 | 4,392,759 | 1,713,829 | 1,871,181 | 3,585,010 | 3,666,386 | 4,151,383 | 7,817,769 |
| TOTAL Adjusted** | | 1,900,427 | 2,141,900 | 4,042,327 | 1,601,851 | 1,698,628 | 3,299,016 | 3,426,832 | 3,768,559 | 7,194,107 |

** Total adjusted beneficiaries figure is reached after deducting the overlap of 24 percent of nutrition beneficiaries with Relief or PSNP.

TABLE 1: BENEFICIARIES BY ACTIVITY [OR COMPONENT] - 2018

| Activity | Category of beneficiaries | Original (2018) | | | Increase / Decrease (2018) | | | Revised (2018) | | |
|--------------------------------------------------------|---------------------------|-----------------|---------------|-----------|----------------------------|---------------|------------|----------------|---------------|-----------|
| | | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total | Boys / Men | Girls / Women | Total |
| <i>Productive Safety Net (PSNP)</i> | Chronic food insecure | 1,102,493 | 1,082,507 | 2,185,000 | -796,711 | -782,289 | -1,579,000 | 305,782 | 300,218 | 606,000 |
| Food | | 1,031,893 | 1,013,107 | 2,045,000 | -879,002 | -862,998 | -1,742,000 | 152,891 | 150,109 | 303,000 |
| Cash | | 70,600 | 69,400 | 140,000 | 82,291 | 80,709 | 163,000 | 152,891 | 150,109 | 303,000 |
| <i>Relief</i> | Acute food insecure | 316,883 | 311,117 | 628,000 | 288,626 | 283,374 | 572,000 | 605,509 | 594,491 | 1,200,000 |
| Food | | 252,299 | 247,701 | 500,000 | 50,455 | 49,545 | 100,000 | 302,754 | 297,246 | 600,000 |
| Cash | | 64,576 | 63,424 | 128,000 | 238,178 | 233,822 | 472,000 | 302,754 | 297,246 | 600,000 |
| <i>Nutrition Assistance</i> | Nutrition insecure | 281,995 | 461,853 | 743,848 | -63,139 | -103,409 | -166,548 | 218,856 | 358,444 | 577,300 |
| Treatment of moderate acute malnutrition | | 206,174 | 337,674 | 543,848 | -5,249 | -8,599 | -13,848 | 200,925 | 329,075 | 530,000 |
| Prevention Acute Malnutrition - Blanket Supplementary* | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prevention of chronic malnutrition (stunting) - food | | 75,821 | 124,179 | 200,000 | -75,821 | -124,179 | -200,000 | 0 | 0 | 0 |
| Prevention of chronic malnutrition (stunting) - cash | | 0 | 0 | 0 | 17,932 | 29,368 | 47,300 | 17,932 | 29,368 | 47,300 |
| TOTAL | | 1,701,371 | 1,855,477 | 3,556,848 | -571,224 | -602,324 | -1,173,548 | 1,130,147 | 1,253,153 | 2,383,300 |
| TOTAL Adjusted** | | 1,633,692 | 1,744,632 | 3,378,324 | -556,071 | -577,505 | -1,133,576 | 1,077,621 | 1,167,127 | 2,244,748 |

*No planned beneficiaries for blanket supplementary in 2018 with the assumption that the caseloads for transitory nutrition insecurity reduce over April 2017 to June 2018.

** Total adjusted beneficiaries figure is reached after deducting the overlap of 24 percent of nutrition beneficiaries with Relief or PSNP.

19. Revised rations pertain to relief—for both in-kind and cash transfers. SuperCereal has been removed from the in-kind basket and from calculation of the cash transfer value. The BSFP ration has also been included.

| TABLE 2: REVISED DAILY FOOD RATION/TRANSFER BY ACTIVITY (g/person/day) | | | | | |
|-------------------------------------------------------------------------------|-------------------------|-------------------------------|-----------------------|-------------------------|----------------------|
| | Relief (in-kind) | Relief (cash) US\$ | BSFP (in-kind) | Relief (in-kind) | Relief (cash) |
| | Current | Current | | Revised | Revised |
| Cereals | 500 | 9.248 | | 500 | 9.248 |
| Pulses | 50 | 1.36 | | 50 | 1.36 |
| Oil | 15 | 0.82 | | 15 | 0.82 |
| SuperCereal | 150 | 2.2 | | | |
| Super Cereals Plus | | | 200 | | |
| Total | 715 | 13.6 | 200 | 565 | 11.42 |
| Kcal/day | | | 787 | | |
| % kcal from protein | | | 16-33g protein 17% | | |
| % kcal from fat | | | 10-20g fat 23% | | |
| No. of feeding days per year | 360 | 360 | 90 | 360 | 360 |

FOOD REQUIREMENTS

20. This BR decreases the food requirements for PSNP and nutrition support, but increases the cash requirements for relief and PSNP.

| TABLE 3: FOOD/CASH AND VOUCHER REQUIREMENTS BY ACTIVITY | | | | |
|----------------------------------------------------------------|-------------------|-------------------------------|-------------------|------------------|
| Activity | Cash (USD) | Food requirements (mt) | | |
| | | Current | Increase/decrease | Revised total |
| Relief | 63,408,640 | 968,816 | 216,524 | 1,185,340 |
| PSNP | 4,740,000 | 652,211 | (307,197) | 345,014 |
| Nutrition/TSF | 2,560,932 | 99,487 | 2,989 | 102,476 |
| BSFP | - | - | 13,496 | 13,496 |
| Climate Insurance | 1,640,000 | - | - | - |
| Total | 72,349,572 | 1,720,514 | (74,188) | 1,646,326 |

RECOMMENDATION OF THE EXECUTIVE DIRECTOR

The proposed additional commitment of food, resulting in the revised budget for project 200712 is recommended to the Executive Director for approval

David M. Beasley
Executive Director, WFP

Date

| PROJECT COST BREAKDOWN | | | |
|---------------------------------------------------|---------------------------|-----------------------------------|-------------------------|
| | Quantity (<i>mt</i>) | Value (<i>USD</i>) | Value (<i>USD</i>) |
| Food | - | - | |
| Cereals | (42,537) | -\$39,064,738 | |
| Pulses | (44,674) | -\$36,609,016 | |
| Oil and fats | 4,179 | \$2,658,378 | |
| Mixed and blended food | (8,844) | \$15,386,662 | |
| Total | (74,188) | -\$57,628,714 | |
| External transport | | -\$14,709,142 | |
| Landside transport, storage and handling | | -\$13,054,172 | |
| Other direct operational costs – food | | -\$236,148 | |
| Food and related costs ¹ | | | -\$85,628,177 |
| Cash | | \$72,349,572 | |
| Related costs | | \$5,028,609 | |
| Cash and related costs | | | \$77,378,181 |
| Capacity development and augmentation | | | \$5,077,721 |
| Direct operational costs | | | -\$3,172,275 |
| Direct support costs (see Annex I-B) | | | \$2,030,753 |
| | | Total Direct Project Costs | -\$1,141,523 |
| Indirect support costs (7.0 percent) ² | | | -\$79,907 |
| | | Total WFP costs | -\$1,221,429 |

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

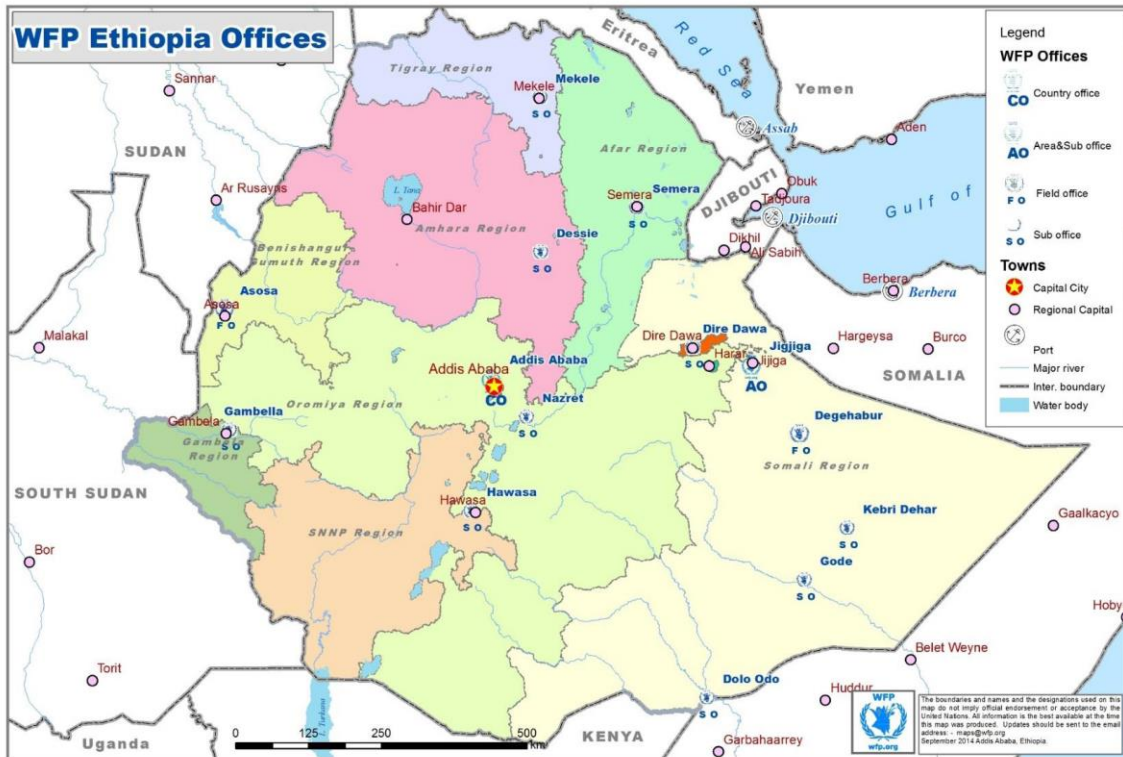
² The indirect support cost rate may be amended by the Board during the project.

ANNEX I-B

| DIRECT SUPPORT REQUIREMENTS (USD) | |
|------------------------------------------------------------|--------------------|
| WFP Staff and Staff-Related | |
| Professional staff * | \$574,964 |
| General service staff ** | \$376,789 |
| Danger pay and local allowances | - |
| Subtotal | \$951,753 |
| Recurring and Other | \$340,300 |
| Capital Equipment | \$41,500 |
| Security | 0 |
| Travel and transportation | \$365,200 |
| Assessments, Evaluations and Monitoring¹ | \$332,000 |
| TOTAL DIRECT SUPPORT COSTS | \$2,030,753 |

¹ Reflects estimated costs when these activities are performed by third parties. If WFP Country Office staff perform these activities, the costs are included in Staff and Staff Related and Travel and Transportation.

MAP



ACRONYMS USED IN THE DOCUMENT

| | |
|-------|----------------------------------------------|
| EMAA | Ethiopian Maritime Affairs Authority |
| JEOP | Joint Emergency Operation Program |
| MAM | Moderate Acute Malnutrition |
| NDRMC | National Disaster Risk Management Commission |
| PRRO | Protracted Relief and Recovery Operation |
| PSNP | Productive Safety Net Programme |