



Secondary Impact of WFP's Voucher Programme in Palestine

Findings Report



2014



Contents

Executive Summary 3

Introduction..... 5

Assessment Context, Objectives and Methodology..... 5

Impact at the level of Households..... 7

Impact at the Level of Shops 9

 Increased Sales..... 9

 New investments..... 11

 Jobs created..... 11

 Taxes paid..... 12

Impact at the Level of Dairy Processors 13

 Increased sales 13

 Increased Employment..... 13

Impact at the Level of Farmers 14

Conclusion 15

Recommendations..... 16

Executive Summary

This report summarizes the findings of a second round of monitoring of WFP's Food Voucher Programme in Palestine (VP). It provides an assessment of the direct and secondary economic impact of the VP on the basis of primary data that was collected in 2014 from beneficiary households, participating retailers, local dairy producers whose commodities are redeemed through the electronic vouchers, and farmers supplying fresh milk to these producers. Counterfactual evidence is also provided in the report through analysis of data collected from comparison groups, namely: in-kind food assistance beneficiary households, non-participating retailers, local dairy producers whose products are not sold in the participating shops, and farmers supplying fresh milk to these producers.

The study shows that the proportion of beneficiary households with acceptable food consumption has increased from 72% in 2013 when the first round of data collection was undertaken to close to 80% in June 2014, or 8% difference. Similarly, the proportion of VP beneficiary households with borderline and poor food consumption scores has decreased by 8% (from 28% in 2013 to 20% in 2014). The study found that the VP leads to about 9% improvement in dietary diversity conditions, as measured by food consumption score (FCS), of its beneficiaries over in-kind food assistance.

The study also shows evidence of positive secondary economic impact of the VP on participating shops' sales, new employees hired and retained, and investments. This was particularly true for small shops, which the survey has shown were the most impacted in terms of improvement in sales turnover increases and investments.

- In terms of sales, the study found that, on average, each voucher dollar that get redeemed by beneficiaries generates 40 cents of additional sales at the level of participating shops in Palestine.
- With regard to investments, on average, participating shop owners reported investing US\$ 4,567 more into their shops since the beginning of the VP than non-participating shops. This means that the VP, at its current scale, has induced US\$ 771,800 of investments into the local economy since 2011.
- In terms of jobs created, the survey found that the VP, at its current scale, has led to the creation of close to 225 new jobs in Palestine (145 in the West Bank and 80 in the Gaza Strip) since 2011, a considerable achievement particularly in the Gaza Strip.

The survey found that for each dollar redeemed by beneficiaries at the retail level, the VP generates close to 4.9 cents of additional VAT revenue to the Palestinian Authority. This means that the VP at its current scale generates, on average, NIS 225,277 (US\$ 64,364) of VAT revenue for the PA per month, or NIS 2.7 million (US\$ 772,000) per year. This is in addition to the business income tax which was difficult to estimate in the survey.

Participating dairy processors reported significantly higher value of average monthly sales than did non-participating dairy processors (US\$ 174,090 compared to US\$7,644), reflecting the larger size and distribution capacity of the former group on the one hand, and the low sales of the latter group at the baseline. While 65% of participating processors attributed their increased sales to higher sales to the shops participating in the VP to greater distribution outreach to new participating shops, the proportion and value of increase in participating processors' sales that could be specifically attributed to the VP could not be measured by the survey. This is mainly due to the fact that none of the participating dairy processors was willing to divulge their sales records to these shops.

The survey found that the total number of permanent jobs created in participating processors since the baseline is 260; or about 18.6 new jobs per dairy processor. Most of these jobs have been created in small and medium dairy processors, which have witnessed an increase in employment of 41% and 44%

respectively; compared to a 17% increase in workers in large dairy processors. Employment in non-participating dairy processors has remained largely unchanged since the baseline.

Overall, the survey findings suggest that the programme's impact has not trickled down to the level of farmers. This is evident by analysis of changes in employment and wages paid in the farms of participating farmers, ownership of milking cows, milk production capacity and farm-gate milk prices. This is believed to be due to on-going structural problems in the dairy farming system.

The main recommendation is to further promote the Voucher Programme in WFP's operations in Palestine. The specific recommendations are for WFP to: (i) promote the expansion of the Voucher Programme on the basis of the positive direct and secondary impacts it has induced; (ii) to the largest extent possible, expand the retail network of shops to include small shops as this would maximize the secondary economic impact of the Programme; (iii) negotiate discounts with participating retailers to generate efficiency gains, (iv) consider scaling up significantly with the voucher programme to have a more significant impact on the level of dairy processor and farmers, and limit the addition of more food commodities within the voucher selected commodities; (v) ensure targeting medium and small size dairy producers and encourage them to deal with medium and small size farmers; and (vi) minimize uncertainty for retailers whenever possible.

Introduction

The United Nations' World Food Programme (WFP) has been implementing a Voucher Programme (VP) in the West Bank and Gaza Strip since 2009. The VP aims at meeting food needs and improving dietary diversity amongst the non-refugee food insecure population by supporting beneficiary households to procure a specific part of their dietary requirement through existing market mechanisms. The intervention strategy behind the VP is based on providing beneficiaries with access to animal protein-rich food, especially locally produced eggs, bread, and dairy products, which constitute the largest proportion of the total voucher value.

The VP is implemented in partnership with Oxfam (international NGO) and MA'AN (Palestinian NGO) in the Gaza Strip, and Global Communities (international NGO) in the West Bank. It uses a network of 169 local shops (109 in the West Bank and 60¹ in the Gaza Strip) as procurement and distribution mechanisms, ensuring cash is directly injected into the local economy at the micro level. This is designed to have a positive secondary economic impact on local production, employment and small businesses. The approach of the VP also ensures that beneficiaries can exercise some choice when selecting products and gives them flexibility as to when food is collected, compared to a food distribution mechanism. The VP thereby allows beneficiaries to use the resulting savings to spend on other items, such as fish and meat, or on repayment of debts and other basic non-food expenditures.

WFP specifically aims to reduce the share of households with poor food consumption score, by preventing a decrease in the proportion of beneficiary household expenditure allocated to food, as well as promoting the procurement of locally-produced food. Accordingly, the VP promotes local production and procurement by making it conditional that items procured with the voucher are locally produced where possible.

Introduced as a pilot project in 2009 as a response to the sharp increase in food and fuel prices in 2008, the VP has been regularly reviewed and fine-tuned. In 2011, WFP switched from paper vouchers to electronic vouchers (using smart cards and terminals), a modality that supports enhanced monitoring. Beneficiary households receive one smart card that gets electronically credited with an equivalent of NIS 44 (US\$ 12.5) per person per month. Households can then redeem their cards in a pre-designated shop close to their place of residence.

The VP has also been gradually scaled-up as WFP transitions progressively under general food distribution (GFD) from food ration to food vouchers. In fact in 2012, WFP started to shift part of the beneficiaries who received food under the national Social Safety net to receive vouchers reaching about 35,000 beneficiaries in 2014. In June 2014, the caseload under the VP was 119,653 beneficiaries (21,015 households), of which 69,262 beneficiaries (12,017 households) were in the West Bank and 50,391 beneficiaries (8,998 households) were in the Gaza Strip. In addition, WFP assists 10,000 more persons (around 1,100 households) with a combined form of transfers (in-kind and voucher), as a pilot per the recommendations of a 2012 internal mid-term review. Additionally, in 2013, WFP started a conditional voucher programme in the West Bank, which could not continue due to lack of funding. In total, voucher beneficiaries represented 23% of WFP's total planned caseload in the West Bank and Gaza Strip in 2014.

Assessment Context, Objectives and Methodology

WFP Palestine developed a monitoring system to capture the secondary economic impacts of the VP. The system was piloted in 2011, and rolled out two years later in 2013. It focuses on assessing the direct impact

¹ Data was collected in June 2014, hence data does not include the scale up in the number of shops in Gaza Strip in response to the emergency voucher programme that started in July 2014 as a result to the war. The total number of shops reached 90 during the recent conflict.

of the VP on the beneficiary households as well as the changes in the dairy supply chain, which is one of the main locally-produced commodities of the VP. The monitoring system aims to quantify both the impact of the VP on the beneficiary households, as well as the trickle down economic effects of the voucher system on the various local actors of the dairy supply chain (from dairy processors, to local producers/farmers and retailers). After the pilot in 2011, quantitative data was collected for this purpose in 2013, and the first monitoring report was published in April 2013. This meant that systematic collection of baseline data was not possible due to the lag between the start of the VP and the rolling out of the monitoring system measuring the secondary impact of the programme. Hence, the monitoring system focused mostly on tracking changes and impact since the first round of data collection in 2013.

Monitoring data have been collected on the basis of experimental and quasi-experimental procedures that ensured the monitoring system's ability to measure impact through counterfactual evidence. Hence, for each of the four categories of VP target groups (beneficiary households; participating dairy processors whose products are eligible for redemption through the vouchers; participating farmers who supply fresh milk to the participating dairy processors; and participating retailers), a comparison group with similar pre-Programme attributes was identified. Data was then collected from a representative sample of all categories of target and comparison groups in 2013 and in 2014. The following table describes each of the surveyed groups and the procedure used to identify them.

Table 1: Surveyed participating and non-participating groups

Category	No.	Study Group Description	No.	Comparison Group Description
Households Category	97	Households were randomly selected from the VP's beneficiaries database. 35 households are from the Gaza Strip, and 62 are from the West Bank. The surveyed West Bank households include 32 households that benefit from the VP implemented by Global Communities and 30 households that benefit from the VP implemented by the Ministry of Social Affairs within the framework of the Social Safety Nets Programme.	134	Households sample was drawn from the list of beneficiaries of WFP's in-kind food assistance and national social safety net programme in the West Bank and Gaza Strip. The sample was stratified in the same manner followed in the study group. The decision to consider in-kind food assistance beneficiaries as a comparison group for the VP beneficiary households was made primarily to make comparisons between the impact of voucher and in-kind assistance Programmes, and thereby provide input into assessing the effectiveness of the two Programme modalities.
Shops Category	60	A representative, two-stage stratified random sample was drawn from the list of all participating shops (169; 109 in the West Bank and 60 in Gaza Strip). The sample included 30 shops in the West Bank and 30 shops in the Gaza Strip.	57	For each participating shop in the sample, a non-participating shop from the same catchment area and with a similar measure of size and business profile (number of workers, goods on offer, refrigerators, size, etc.) was selected.
Dairy Processors Category	14	Given the fact that the VP does not stipulate specific local brands of dairy products for redemption, a working definition had to be established for a participating dairy processor /factory. For this purpose, a mapping exercise was conducted to identify dairy processors whose products are available and sold on a regular basis in all participating shops. Based on this mapping exercise, the following working definition was formulated for participating dairy processors: any processor that has products on a regular basis in at least 10% of the participating shops. This definition applied to a total of 14 local dairy processors, all of which were surveyed.	14	The mapping exercise revealed the existence of a total 14 local dairy processors who either do not market their products through participating shops, or do so in a very small number of participating shops (1-5 shops). These processors, for Programme monitoring purposes, were identified as non-participating dairy producers, and all of them were surveyed as a comparison group for dairy processors dubbed as participating processors.

Category	No.	Study Group Description	No.	Comparison Group Description
Farmers Category	52	Participating dairy processors were asked for a list of the cow breeders from which they source their fresh milk. In all, 52 farmers were identified, and all of whom were surveyed.	42	Non-participating dairy processors were asked for a list of the cow breeders from which they source their fresh milk. In all, 42 farmers were identified, and all of whom were surveyed.

This report presents the findings of the second round of VP monitoring, which took place in June 2014 with the intent of assessing VP’s performance against its outcome- and impact-level indicators, including measuring the VP’s secondary economic benefits through comparisons with baseline indicators and presentation of counterfactual evidence. Monitoring data analyzed in this report was collected through structured interviews with the same VP target groups and their comparison groups surveyed in 2013 in the first round of Programme monitoring (depicted in the previous table) to enable the measurement of changes from the baseline that could be attributed to the VP.

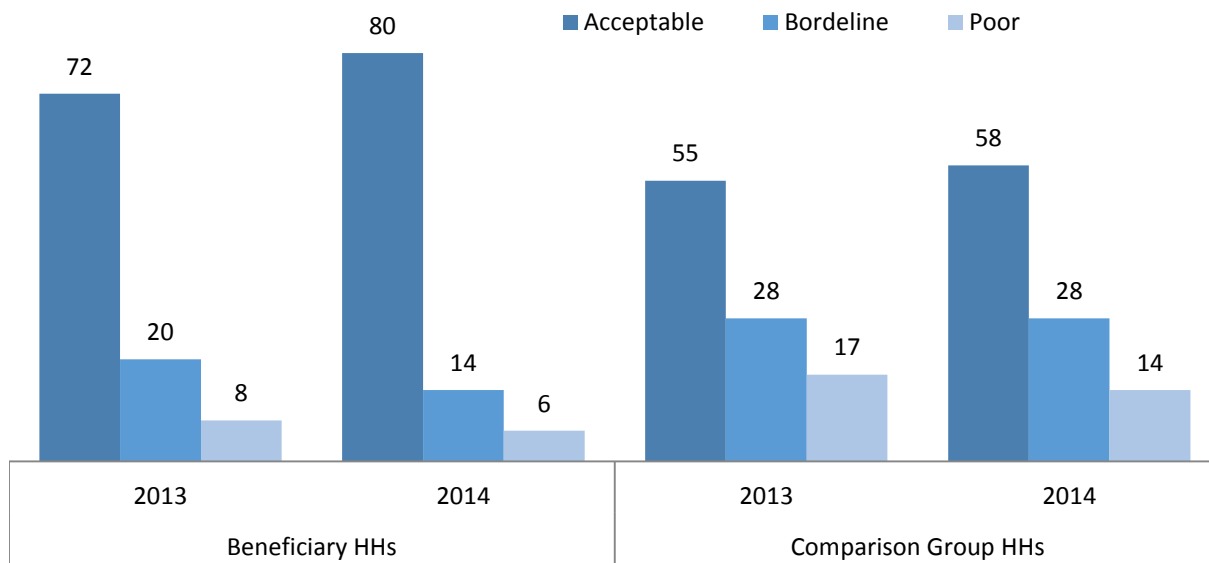
The report is organized in six sections. Following the sections on introduction and monitoring methodology, the findings at the level of households are presented. Here discussed are changes in household food consumption of households and comparing them with non-beneficiary households. The fourth section discusses the secondary economic impact of the VP by analyzing the impact of the Programme on participating shops, dairy processors and farmers and providing counterfactual evidence on impact analysis where relevant. Finally, a summative conclusion and recommendations of the monitoring exercise is presented in the sixth section of this report.

Impact at the level of Households

The impact of the VP on beneficiary households is mainly measured through calculation of the changes in household food consumption score (FCS). The FCS is a composite score based on dietary diversity, food frequency, and relative nutritional importance of different food groups. Information is collected through household interviews where the household is asked about frequency of consumption (in days) of 8 food groups over a recall period of the past 7 days. The consumption frequency of each food group is multiplied by an assigned weight that is based on its nutrient content. Those values are then summed obtaining the FCS. The FCS is then used to categorize the households into consumption groups: acceptable consumption, borderline consumption and poor consumption.

The survey results show that proportion of VP beneficiary households with acceptable consumption has increased from 72% in 2013 to close to 80% in June 2014, or 8% difference. The proportion of households among the comparison group with acceptable consumption has also increased to 58% in 2014 from 55% in 2013, or a 3% difference. Similarly, the proportion of VP beneficiary households with borderline and poor consumption scores in 2013 has decreased by 8% (from 28% in 2013 to 20% in 2014), compared to a 3% decrease among the comparison households group as depicted in Figure 1 below.

Figure 1: Percentage distribution of VP beneficiary households and comparison group households according to their FCS in 2013 and 2014



Given that not all of the difference in FCS between the VP beneficiary households and the households in the comparison group in 2014 (that is, the difference in FCS between the two groups in 2014) can be explained as being an effect of the VP (because the study group and comparison group did not start out at the same point in 2013), the "normal" difference in the FCS between the two groups was calculated assuming that both groups had the same FCS scores in 2013. This calculation, exhibited in Table 2, and Figures 2 and 3 below, shows that the VP's increases the proportion of households with 'Acceptable' FCS by 4.6% and decreases the proportion of households with poor and borderline food consumption scores by 4.5% more than in-kind food assistance Programmes. In aggregate terms, this means that the VP leads to about 9% improvement in dietary diversity conditions, as measured by FCS, over in-kind food assistance Programme.

Table 2: Changes in percentage of households with "acceptable" and "Borderline and Poor" FCS in 2013 and 2014

FCS Group	Time	VP Beneficiary HHs	Comparison Group HHs	Normal Difference
Acceptable Consumption	2013	72	55	17
	2014	80	58	-21.6
	Change	8	3	4.6
Borderline & Poor Consumption	2013	28	45	-17
	2014	20	42	-21.5
	Change	-8	-3	-4.5

Figure 2: Normal difference illustrated for households with “Acceptable” FCS in 2013 and 2014

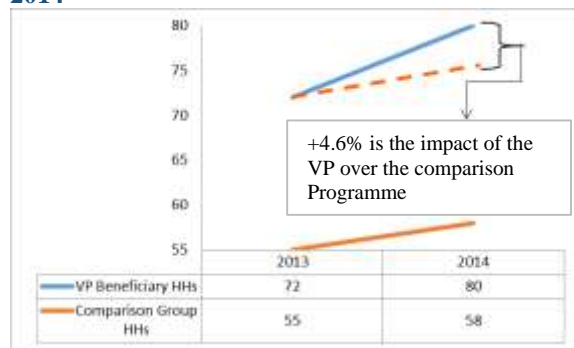
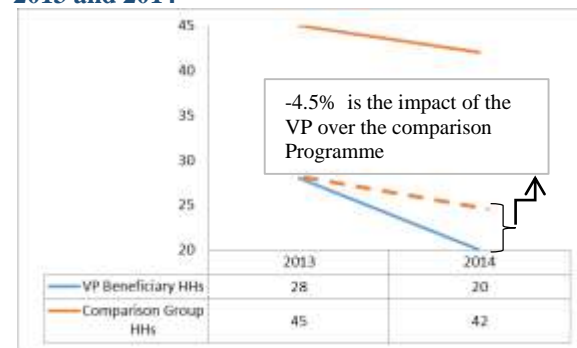


Figure 3: Normal difference illustrated for households with “Borderline” and “Poor” FCS in 2013 and 2014



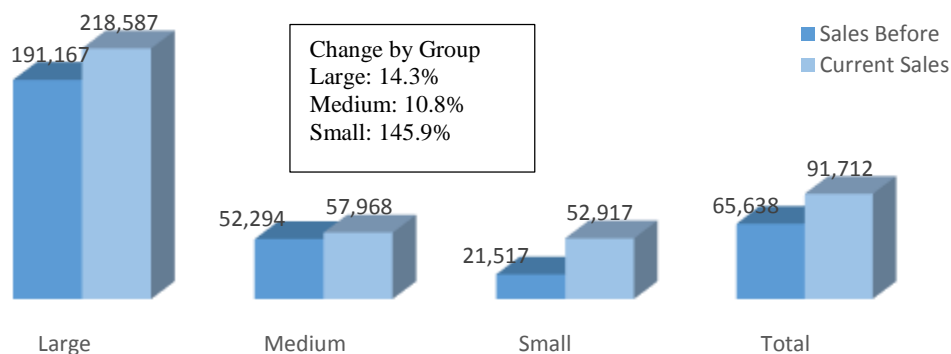
Impact at the Level of Shops

The secondary economic impact of the VP is quite evident from the analysis of changes in participating shops’ sales, new employees hired and retained, investments, and clients, as well as in changes in business income taxes paid by them. We present in the following paragraphs the survey findings in this regard, highlighting differences between participating and non-participating shops.

Increased Sales

One of the main economic benefits of the VP highlighted by the owners of participating shops is increased sales turnover, directly induced by the Programme. Owners of participating shops surveyed reported an average increase of 39.7% in their monthly sales compared to the volume of sales reported by them prior to the Programme². The highest increase in sales turnover was reported by owners of small shops, who indicated that their sales have nearly tripled since their participation in the VP as can be seen in Figure 4.

Figure 4: Change in participating shops’ average monthly sales in NIS (before Programme, and 2014 compared)



When comparing the change from the baseline in average monthly sales between participating and non-participating shops and normalizing the differences in average sales at the baseline between the two groups

² While baseline data was not collected from shops, in 2013 shop owners in both shop categories were asked about the value of their monthly sales prior to the beginning of the Programme.

of shops, we find that participating shops have witnessed an average increase in monthly sales of NIS 38,574 (US\$ 11,021) compared to non-participating shops. Of this value, the VP has been directly responsible for NIS 27,408 (US\$ 7,831), representing the average monthly value of vouchers redeemed by beneficiaries from participating shop.

The NIS 11,166 (US\$ 3,190) representing the difference between reported average monthly sales and average monthly value of vouchers redeemed by beneficiaries from participating shops can thus be said to represent the secondary economic impact of the VP. This means that, on average, each voucher dollar redeemed by beneficiaries generates 40 cents³ of additional sales for participating shops.

Table 3: Changes in average monthly sales from the baseline as reported by participating shops' owners, and normalized differences showing the impact of the VP

Sample type	Region	Avg. Monthly Sales (NIS) Pre-Programme	Avg. Monthly Sales as reported in June 2014 (NIS)	Change from 2013 %	Change in comparison to pre-Programme %
Study	West Bank	63,724	86,433	16.3	35.6
	Gaza Strip	67,552	97,367	21.5	44.1
	Palestine	65,638	91,712	18.8	39.7
Comparison	West Bank	61,650	44,318	-21.7	-28.1
	Gaza Strip	47,100	39,808	26.4	-15.5
	Palestine	54,375	41,875	0.7	-22.9
		Average Reported Monthly Sales (NIS)			
		Participating Shops	Non-Participating Shops	Difference	
Palestine	Baseline	65,638	54,375	11,263	
	June 2014	91,712	41,875	49,837	
	Change Value	26,074	-12,500	38,574	
	% Change	39.7%	-22.9%	--	
West Bank	Baseline	63,724	61,650	2,074	
	June 2014	86,433	44,318	42,115	
	Change Value	22,709	-17,332	40,041	
	% Change	35.6%	-28.1%	--	
Gaza Strip	Baseline	67,552	47,100	20,452	
	June 2014	97,367	39,808	57,559	
	Change Value	29,815	-7,292	37,107	
	% Change	44.1%	-15.5%	--	

³ Analysis shows different levels of secondary impact on participating shops' sales between the West Bank and Gaza Strip. In the former, the analysis shows that for each dollar redeemed by beneficiaries, 83 cents of additional sales are generated. In the latter, additional sales per voucher dollar redeemed are estimated to be around 24 cents, reflecting a lower purchasing power among Gaza strip beneficiaries.

New investments

Most participating shops reported new capital expenditures in their stores after their participation in the Programme, noting that these investments were only possible as a result of the increase in their sales. New investments involved shop expansion; procurement of additional cooling units, transport vehicles and other equipment; and internal decorations.

On average, participating shop owners reported investing US\$ 7,474 into their shops since the beginning of the VP, and the majority of them attributed this investment either entirely or to a large extent to the increased sales and business activity induced by the VP. Non-participating shops have also reported investing an average of US\$ 2,907 into their shops, US\$4,567 lower than average investment values reported by participating shops. Assuming that the difference between participating and non-participating shops in the average value of business investments made since the beginning of the Programme can be attributed to the Programme, this means that the VP, at its current scale, has induced US\$ 771,800⁴ of investments into the local economy since it was first introduced.

Table 4: Total capital expenditures in US\$ as reported by participating and non-participating shops

Sample type	Region	New tools/ Equipment	Shop Expansion	Internal Decoration	New vehicles	Others	Total (US\$)
Participating Shops	West Bank	80,429	22,429	32,000	70,000	35,714	240,571
	Gaza Strip	79,714	66,857	18,571	30,714	12,000	207,857
	Palestine	160,143	89,286	50,571	100,714	47,714	448,429
Non- Participating Shop	West Bank	12,286	55,714	15,429	24,286	0	107,714
	Gaza Strip	16,857	8,571	10,386	0	22,143	57,957
	Palestine	29,143	64,286	25,814	24,286	22,143	165,671

Jobs created

Owners of all participating shops reported retaining more employees in 2014 than they did prior to the commencement of the VP, and most attributed this to their need to for additional help as a result of increased business activity. More specifically, as shown in Table 5, the survey revealed that 77 full-time jobs have been created within the participating shops since the beginning of the Programme, thereby increasing their work force size by 42.8%. In contrast, non-participating shops laid off 1.7% of their workforce, and attributed this mostly to declining business activity.

Table 5: Change in number of employees in shops

Sample type	Region	No. of workers pre- Programme	Number of workers in 2014	No. of new jobs created	% Change from 2013	% Change from pre- Programme
Participating Shops	West Bank	87	118	31	5.4	35.6
	Gaza Strip	93	139	46	10.3	49.5
	Palestine	180	257	77	8.0	42.8
Non- Participating Shops	West Bank	78	69	-9	3.0	-11.5
	Gaza Strip	94	100	6	1.0	6.4
	Palestine	172	169	-3	1.8	-1.7

⁴ This is calculated as follows: US\$ 4567 of VP-induced investments per shop x 169 shops = US\$ 771,823.

Normalizing differences in workforce size between participating and non-participating shops at the baseline reveals that the VP led to the creation of a total of 80 jobs at the level of the 60 participating shops surveyed, or 1.33 jobs per participating shop. By extrapolating this finding to all participating shops we can conclude that the VP, at its current scale, has led to the creation of close to 225 new jobs (145 in the West Bank and 80 in the Gaza Strip), a considerable achievement particularly in the Gaza Strip where unemployment is extremely high.

Taxes paid

All food items redeemable through the WFP's food vouchers in Palestine are subject to a form of consumption tax known as value-added tax (VAT). From the perspective of the VP beneficiary, it is a tax on the purchase price. From that of the owners of participating shops, it is a tax only on the value added to a product, from an accounting point of view, by the stage of distribution it has reached by being on display in the shop. The purpose of VAT is to generate tax revenues to the government similar to the corporate income tax or the personal income tax. The rate at which VAT is charged is 16% of the sale price.

The standard way in which a value-added tax is implemented involves assuming a business owes some fraction on the price of the product minus all taxes previously paid on the good. By the method of collection, VAT can be accounts-based or invoice-based. Under the invoice method, which is the most widely used method of collection by retailers in Palestine, suppliers charge a 16% VAT rate on their sales and pass the retailers an official invoice that indicates the amount of tax charged and collected. Retailers also charge a 16% VAT on their own sales (output tax) and consider the tax on the supplier invoices as input tax. Accordingly, they deduct the sum of taxes they have paid from their own VAT liability; i.e. the VAT they have collected. The difference between output tax (collected from the consumers) and input tax (paid by the retailers) is paid to the government (or a refund is claimed, in the case of negative liability).

Assuming that participating shops enjoy a profit margin of 15%⁵, and considering the survey findings presented earlier that the VP has led to increasing average monthly sales (including the 16% VAT) of participating shops by NIS 38,574 (US\$ 11,021), we can then conclude that the VP, at its current scale, generates an average of NIS 1,333 (US\$ 381) of additional VAT revenue for the government from each participating shop each month. In other words, for each dollar redeemed by beneficiaries at the retail level, the VP generates close to 4.9 cents of additional VAT revenue to the Palestinian Authority. The basis for this calculation is depicted in the table below.

Table 6: Average monthly VAT revenue generated by the VP from each participating shop

	NIS	US\$
Average monthly sales generated by the VP per participating shop (voucher value + additional sales directly induced by Programme)	38,574	11,021
Output tax collected on sales (16%)	5,321	1,520
Net Shop Revenue from Sales	33,253.45	9,501
Cost of Goods Sold (assuming 15% margin)	24,927.62	7,122
VAT portion of cost of goods sold (input tax) 16%	3,988.42	1,140
Difference between input and output tax	1,333	381
Proportion of VAT paid to government to average value of vouchers redeemed monthly per shop (NIS 27,408)	0.049	0.049

⁵ Estimated on the basis of discussions with retailers surveyed, and corroborated by WFP's analysis of the dairy value chain which has shown that profit margins for dairy products at the retail level range between 15-17%.

This translates to an average total of NIS 225,277 (US\$ 64,364) of additional VAT revenue per month, or NIS 2.7 million (US\$ 772,000) per year at its current scale⁶. This is in addition to the business income tax which was difficult to estimate in the survey.

Impact at the Level of Dairy Processors

The 14 dairy producers benefiting from the VP in the West Bank and Gaza Strip substantially differ from one another in terms of, inter alia, production capacity, capacity utilization, technology, organizational experience, distribution channels, level of vertical integration and sales turnover. They also differ from one another in terms of the number of participating shops to which they sell their products, and the proportion of their total sales to these shops.

Increased sales

Participating dairy processors reported a 58% increase in their average monthly sales from pre-Programme (28.3% increase since 2013), while non-participating dairy processors reported an increase of 78.4%. In absolute terms, however, the increase in sales witnessed by participating dairy processors was 23 times higher than the increase witnessed by non-participating processors as shown in the table 7 below reflecting the larger size and distribution capacity of the former group on the one hand, and the low sales of the latter group at the baseline.

Table 7: Average change on monthly sales for dairy processors before and after the reference period

Sample type	Region	Avg. monthly sales (NIS) pre-Programme	Current avg. monthly sales (NIS)	% Change from 2013	% Change from pre-Programme
Participating Dairy Processors	West Bank	1,502,727	2,268,500	23.2	51.0
	Gaza Strip	39,040	120,000	57.9	207.4
	Palestine	1,045,325	1,654,643	28.3	58.3
Non-Participating Dairy Processors	West Bank	34,080	63,556	46.3	86.3
	Gaza Strip	34,111	56,000	28.9	64.3
	Palestine	34,102	60,857	25.2	78.4

When asked to explain the reasons for their increased sales, participating dairy processors pointed to several factors, including increased market demand due to the VP, enhanced marketing and distribution strategies to participating and non-participating shops, increased production capacity, and introduction of new products (dairy and non-dairy). However, close to 65% of them also attributed their increased sales to higher sales to the shops participating in the VP to whom they used to distribute, and 53.6% attributed it to greater distribution outreach to participating shops. The proportion and value of increase in participating processors' sales that could be specifically attributed to the VP could not be measured by the survey, however, as none of the participating dairy processors was willing to divulge their sales records to these shops. In the absence of such information, monitoring and measuring the impact of the VP on dairy processors will continue to be a challenge that is difficult to overcome.

Increased Employment

The substantial increase in sales witnessed by participating dairy processors has reflected in noticeably greater employment by these processors. The survey found that the total number of permanent jobs created

⁶ Calculated by multiplying the estimated value of VAT paid by each participating shop during the year on VP-related sales (i.e. NIS 1,333 or US\$ 381 per month) by the 169 shops participating in the Programme.

in participating dairy processors since the baseline is 260, including 7 jobs that were created during 2014; or about 18.6 new jobs per dairy processor. Most of these jobs, however, have been created in small and medium dairy processors, which have witnessed an increase in employment of 41% and 44% respectively; compared to a 17% increase in workers in large dairy processors.

Table 8: Total number of workers in participating and non-participating dairy processors at baseline and in June 2014

Sample type	Region	Number of workers at baseline	Number of workers in June 2014	Total No. of New Jobs created since baseline	Change during the reporting period %	Overall % Change
Participating Dairy Processors	West Bank	879	1115	236	2.8	26.8
	Gaza Strip	42	66	24	4.8	57.1
	Palestine	921	1181	260	2.9	28.2
Non-Participating Dairy Processors	West Bank	63	46	-17	-29.2	-26.9
	Gaza Strip	23	39	16	44.4	69.5
	Palestine	86	85	-1	-7.6	1.2-

Employment in non-participating dairy processors has remained largely unchanged since the baseline as the above table shows. This is quite logical given the relatively small increase in the value of monthly sales of these processors and the capacity underutilization reported by these processors at the baseline.

Impact at the Level of Farmers

Overall, the survey findings suggest that the programme's impact has not trickled down to the level of farmers. This is evident by analysis of changes in employment and wages paid in the farms of participating farmers, ownership of milking cows, milk production capacity and farm-gate milk prices. This is believed to be due to on-going structural problems in the dairy farming system.

With regard to the changes in the number of employees they retain, the survey results showed no significant changes among the two farmer groups surveyed (participant and non-participant). With regard to workers' wages, the survey results show that the wages of the farmers supplying to participating dairy processors has increased by 51.8% compared to an increase of 42.5% for the farmers supplying to non-participating dairy processors. While these differences look substantial, they are not statistically significant. When asked to explain the reason for this substantial increase, farmers explained that as the profitability of their enterprises has been dwindling in the past few years, many of their unpaid family members have sought work outside the farm, thereby forcing the farmer to hire paid laborers.

Additionally, the survey has shown that both participating and non-participating farmers witnessed a decrease in their current ownership of cows compared to the situation before the implementation of the voucher programme. The decrease in cows' ownership is estimated at 16.7% for the former group and 12% for the latter group. This decrease has had caused an average 20% decrease in daily milk production by participating farmers, and 14.6% for non-participating farmers.

The profit margin of the two groups of farmers has also decreased when compared to their profit margins before the implementation of the programme. This decrease is estimated at 61.2% for participating farmers and 56% for the non-participating farmers. Farmers attribute this decrease to increases in feed prices and their inability to negotiate higher prices for their milk with dairy processors, many of whom are establishing their own cow farms to cut down their costs, hence applying vertical integration and adversely affecting

medium and small size farmers. This is considered one of the main bottlenecks faced by medium and small size farmers.

When asked if the voucher programme has had any positive impact on their business, 28.8% of the study group farmers answered in the affirmative indicating that the programme has contributed to sustaining demand for their milk by participating dairy processors. In comparison, only 4.8% of the comparison group farmers said that the voucher programme has had a positive impact on their farm operations, most failing however to explain how. The overall conclusion for discussions with farmers, however, is that both categories of farmers feel that the voucher programme has had a minor impact on their business.

Conclusion

The VP aims at meeting food needs and improving dietary diversity amongst the non-refugee food insecure population in Palestine by supporting beneficiary households to procure a specific part of their dietary requirement through existing market mechanisms. The VP uses a network of 169 local shops as procurement and distribution mechanisms, ensuring cash is directly injected into the local economy at the micro level. This is designed to have a positive secondary economic impact on local production, employment and small businesses. Through the collection of primary data from beneficiary and non-beneficiary households as well as from participating and non-participating local businesses, this report has shown that VP has made considerable achievements vis-à-vis its objectives at the level of, both, beneficiary households and local economy.

At the level of VP beneficiaries, the survey has shown that the proportion of beneficiary households with acceptable food consumption has increased from 72% in 2013 to close to 80% in 2014, or 8% difference. Similarly, the proportion of VP beneficiary households with borderline and poor food consumption scores has decreased by 8% (from 28% in 2013 to 20% in 2014). The survey found that the VP leads to about 9% improvement in dietary diversity conditions, as measured by FCS, of its beneficiaries over in-kind food assistance.

The survey has also shown evidence of positive secondary economic impact of the VP on participating shops' sales, new employees hired and retained, investments, and clients, as well as in changes in business income taxes paid by them. This was particularly true for small shops, which the survey has shown were the most impacted in terms of improvement in sales turnover increases and investments.

In terms of sales, the survey found that, on average, each voucher dollar redeemed by beneficiaries generates 40 cents of additional sales at the level of participating shops in Palestine. With regard to investments, on average, participating shop owners reported investing US\$ 4,567 more into their shops since the beginning of the VP than non-participating shops. This means that the VP, at its current scale, has induced US\$ 771,800 of investments into the local economy since it was first introduced in 2009.

In terms of jobs created, the survey found that the VP, at its current scale, has led to the creation of close to 225 new jobs in Palestine (145 in the West Bank and 80 in the Gaza Strip), a considerable achievement particularly in the Gaza Strip.

Finally, the survey found that for each dollar redeemed by beneficiaries at the retail level, the VP generates close to 4.9 cents of additional VAT revenue to the Palestinian Authority. This translates to an average total of NIS 225,277 (US\$ 64,364) of additional VAT revenue per month, or NIS 2.7 million (US\$ 772,000) per year at its current scale. This is in addition to the business income tax which was difficult to estimate in the survey.

While the survey found some positive changes at the level participating dairy processors and farmers businesses since the baseline, these changes could only partially be attributed to the VP.

Recommendations

The main recommendation is to further promote the Voucher Programme in WFP's operations in Palestine.

Recommendation 1: Promote the expansion of the Voucher Programme on the basis of the positive direct and secondary impacts it has induced. Vouchers have proven to be more effective in improving dietary diversity conditions of beneficiary households than other food assistance modalities, while giving retailers the additional resources and confidence needed to expand operations to ensure that excess demand from beneficiary households is met systematically.

Recommendation 2: To the largest extent possible, expand the retail network of shops to include small shops as this would maximize the secondary economic impact of the Programme.

Recommendation 3: The first and second rounds of data collection have shown that the VP has had minor impact on dairy processors and farmers. Unless the Programme is scaled up significantly and the value of the electronic voucher allocated to dairy products remains in the realm of 40% or higher, it is unlikely that the Programme will have a significant impact on these producers. Hence, WFP is strongly encouraged to limit the addition of more food items within the approved voucher commodities, that would decrease the value spent on dairy products. Also it is preferable, to target medium and small size dairy producers and encourage them to deal with medium and small farmers.

Recommendation 4: Minimize uncertainty whenever possible. Retailers have made capital investments that need to be recouped over a 3-5 year period. Ensuring a stable, predictable and transparent environment for retailers will allow them to continue providing the VP beneficiaries with quality goods at competitive prices, and continue investing as required. Hence, it will be important for retailers to be informed in advance of any changes in the voucher transfer amounts or possible pipeline breaks.