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Market-based food assistance in protracted crisis: vouchers in the Occupied Palestinian Territory

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1. Introduction

Significant increases in food and fuel prices during 2007 and the first half of 2008, combined with economic hardship and conflict have contributed to food insecurity in the Occupied Palestinian Territory. Between the end of 2008 and the beginning of 2009, the WFP Occupied Palestinian Territory Country Office designed an urban food voucher programme (UVP) to provide food assistance to beneficiaries in four urban centres of the West Bank. This followed a joint rapid food security assessment, carried out in 2008 to assess the impact of the significant price increases for basic food commodities.

The findings of the assessment showed that 38 percent of the assessed population was food-insecure, 14 percent was vulnerable to food insecurity, 12 percent was marginally food-secure, and 36 percent was food-secure. Food insecurity in the Gaza Strip was more widespread, reaching 61 percent.

The root causes of food insecurity in urban areas are high competition for jobs, massive retrenchment of the private sector in the Gaza Strip, low daily wages, and salaries that are not adjusted to inflation. Domestic prices in the Occupied Palestinian Territory remain high owing to lack of control over import taxation, high dependency on imported goods, high internal transportation costs due to the border closure and back-to-back procedures, movement and trade restrictions, and additional import restrictions on moving commodities into the Gaza Strip.

This chapter has four main sections. The following section describes the main steps for setting up a voucher project, outlining the principal criteria for

selecting beneficiaries and shops, how to estimate the appropriateness of the voucher value and the commodities it gives access to, the role of cooperating partners, and monitoring requirements. Section 3 gives the initial results of the voucher project, by comparing results from the baseline against those from the mid-term review. Section 4 identifies some of the major pros and cons of the voucher project; these are specific to the Occupied Palestinian Territory but also applicable to similar contexts. Section 5 outlines the direction for future voucher interventions in the Occupied Palestinian Territory, focusing on the transition to an electronic voucher system and the introduction of conditionality to the voucher programme, through vouchers-for-work/-training activities. A final section 6 draws conclusions from the experience.

2. UVP set up and implementation methodology

2.1 Objectives of the programme

The West Bank UVP aims to improve the food security of urban households and to increase their dietary diversity by supplying them with the economic means to purchase a broad mix of commodities. It also seeks to ease the pressure on households' limited cash resources by providing a diverse range of foods.

In addition to the benefits accrued by the beneficiaries, the programme stimulates local businesses as well as local dairy and farming sectors. These objectives are in line with WFP's comprehensive strategy to increase agricultural production.

The objectives of the food voucher programme are to:

- 1 provide beneficiaries with access to bread and animal protein-rich food, especially locally produced dairy products and eggs;
- 2 use local shops as a procurement and distribution mechanism to ensure that cash is injected directly into the local economy at the micro level, so as to support local production, employment and the resilience of small business;
- 3 provide beneficiaries with choice and flexibility regarding the days, times and food items to be redeemed;
- 4 release part of the financial resources that beneficiaries are currently using on items included in the voucher scheme, allowing them to use the resulting savings on other items, such as fish and meat, or to pay back debts, etc.

2.2 Programme design and implementation

The UVP began in April 2009, aiming to provide assistance to 5,457 families in urban area of Hebron, Yatta, Nablus and Qalqiliya, totalling about 31,119 individuals. In the West Bank, WFP's cooperating partners are *Action Contre la*

Faim (ACF Spain) and Catholic Relief Services (CRS).

In the Gaza Strip, WFP Occupied Palestinian Territory started implementing the UVP within the framework of the WFP emergency operation (EMOP) for Gaza in October 2009, after a post-conflict feasibility study in May 2009, four months after the end of operation Cast Lead. WFP is working with Oxfam GB to implement the UVP as a pilot programme reaching about 2,335 families.

Table 3.1 shows the distribution of beneficiaries in West Bank and Gaza Strip.

Table 3.1 Distribution of UVP beneficiaries				
Region	Location	Partner	Households	Individuals
West Bank	Nablus	ACF Spain	2 077	10 384
	Qalqiliya	ACF Spain	776	4 247
	Hebron	CRS	1 857	11 331
	Yatta	CRS	747	5 157
West Bank Total			5 457	31 119
Gaza Strip	North Gaza	Oxfam GB	821	5 337
	Khan Younis	Oxfam GB	443	2 880
	Gaza City	Oxfam GB	1 071	6 962
Gaza Strip Total			2 335	15 179
Total			7 792	46 298

The main problem in securing food of sufficient quality and quantity in the Occupied Palestinian Territory is not related to availability but rather to the lack of economic access to food. The presence of a functioning market network therefore makes the voucher system an appropriate assistance response.

In the Gaza Strip, the Cast Lead operation in January 2009 temporarily destabilized the market network. This led to the postponement of the voucher programme, in spite of the higher food insecurity levels and worsening of poverty and employment figures that resulted from the war.

With cessation of the conflict in January 2009, the country office's Vulnerability Analysis and Mapping (VAM) Unit carried out a post-conflict feasibility study to assess the resilience of the market network in May 2009. Results from this study, along with regular market price monitoring, provided

assurance that the market infrastructure could support a voucher programme. To discourage procurement through illegal channels, WFP Occupied Palestinian Territory took steps to ensure that commodities that are commonly sourced through the tunnels were excluded from the programme.

2.3 Cooperating partners

At the outset of the programme, WFP Occupied Palestinian Territory signed a field-level agreement (FLA) with ACF and CRS, based on an evaluation of the in-country expertise for cash and voucher projects among international and national non-governmental organizations (NGOs). The FLA stipulated the division of roles and responsibilities, and the cooperating partners committed themselves to implementing the programme in accordance with the guidelines developed by WFP. The partners are responsible for the initial beneficiary identification and ongoing verification of eligibility according to the programme's criteria, selecting shops, distributing food vouchers, monthly monitoring of beneficiaries and shops, reconciling vouchers, and paying shops.

As the programme concept was new to the cooperating partners, WFP Occupied Palestinian Territory conducted two training sessions prior to implementation: one on the methodology for implementation and identification of potential beneficiaries; and the second on how to conduct baseline surveys, carry out household visits and complete monitoring forms.

2.4 UVP food basket and monetary value of the voucher

Under the UVP, beneficiaries receive monthly vouchers worth NIS 200 (about US\$56), divided into four equal paper vouchers worth NIS 50 each. The vouchers are date-specific, providing one per week. Beneficiaries in urban centres can exchange the vouchers for commodities at retail shops close to their places of residence. Food commodities include bread, milk, lebaneh, yogurt, white cheese and eggs.

Selection of the commodities to include in the voucher food basket was based on the results of the food security survey and on local habits. For example, the commodities had to be: (i) readily available in local markets; (ii) locally produced by authorized manufacturers, to guarantee food safety; (iii) an important part of the local diet; and (iv) among the food items that the target group was sacrificing because of high food prices.

The monetary value of the vouchers depends largely on the objectives of the programme, the availability of additional complementary assistance, and food consumption expenditure patterns among the beneficiary population. The objective of the UVP was to reduce the effects of high food prices on the urban population segment that is vulnerable to food insecurity. When determining the

value of the voucher, the monetary value that other humanitarian interventions were providing and the average monthly family expenditure on dairy products and staple food were taken into account.

Beneficiaries can exchange their vouchers for any of the sanctioned food items, without quantity restrictions, but the whole value of the voucher must be spent during the week of the voucher's validity, and cannot be carried over to the following week.

The value of the vouchers in Gaza is slightly higher, at NIS 256 (US\$64) per month. The commodity basket has also been expanded to include rice, pulses, wheat flour and vegetable oil, in addition to the commodities included in the West Bank UVP. This increased value and commodity base was to align the voucher value with the value of the commodities delivered under WFP's general food distribution programmes.

2.5 Selection of shops

An appropriate and accurate shop selection process is key to the success of the UVP. An internal discussion was held to identify the methodology and criteria for shop selection.

Large shops have the capacity to supply the necessary goods, but they already have regular customers and participating in the UVP would not have had a noticeable financial added value for them. On the other hand, small shops have low capacity to stock and store food items, especially fresh ones.

Medium-sized shops were found to meet most of the criteria for delivering commodities to beneficiaries. The shops should be close to the beneficiaries' catchment areas and at reasonable walking distance from beneficiaries' households.

To avoid bias in selecting the shops, a ranking system was designed to assign a score to each surveyed shop. The ranking was based on several predetermined criteria including: (i) the shop's supply and stock capacity for meeting the additional UVP demand; (ii) shopkeepers' readiness to participate in the programme; (iii) hygiene conditions for the storage and handling of food items; (iv) availability of sufficient cold storage for perishable dairy products; (v) willingness and ability to stock dairy products produced by local companies that meet food and health regulations; and (vi) possession of a valid trading licence and a bank account.

In the West Bank UVP, 50 shops were contracted and have benefited from the programme. An average of 90 beneficiaries is assigned to each shop. A complaint form has been designed for beneficiaries who face problems with their shops.

2.6 Targeting of beneficiaries

Households' eligibility was established using a combination of geographical targeting, community-based targeting and a proxy means test formula (PMTF). This three-phased targeting approach focused on socio-economic indicators that estimate income, expenditure and asset ownership using the PMTF. The geographical targeting was based on identifying the most food-insecure urban areas with high unemployment rates, and community involvement ensured that the population's needs and priorities were adequately reflected in the final list of beneficiaries.

To minimize the exclusion error during selection, in the urban areas selected as having the highest levels of food insecurity and unemployment, community-based targeting was followed by the administration of a beneficiary's application form, based on the PMTF. The community-based approach ensured that the community was aware of the programme, and allowed a first screening of the application forms submitted. The PMTF included in the application form estimated household poverty indicators. Proxy indicators, such as age, gender, state of housing, access to land and labour availability were used to identify households' socio-economic status. The final list of beneficiaries was extracted by uploading the data from the application forms into a special database, and running the PMTF to define applicants' eligibility.

Targeting people in need is frequently more complex in urban than in rural settings, so the beneficiary selection process was complicated and challenging. Some UVP local committees were more supportive than others.

To ensure transparency, cooperating partners verified the targeted recipients after all the beneficiaries' applications had been entered into the database and the PMTF had determined their eligibility. A random sample of 30 percent of beneficiary households was visited to verify their eligibility. If more than 10 percent of the sample was found to be ineligible, all the identified beneficiaries in the cluster area were verified.

As the selection criteria are based on economic indicators, regular updating of the list of beneficiaries is important in ensuring that beneficiaries are still eligible for the voucher assistance. The beneficiary list was updated after the mid-term review, using the monitoring forms as a verification tool. The forms were entered into the database, and the PMTF was run again; beneficiaries whose socio-economic conditions had improved by more than the value of the assistance provided were deleted and replaced by new beneficiaries.

2.7 Monitoring of beneficiaries and shops

In addition to the cooperating partners' monthly monitoring, WFP conducts independent monitoring of the beneficiaries and shops. This is of crucial importance in determining partners' compliance with programme guidance. By visiting shops and checking their registries, WFP field monitors identify suspicious households that might not satisfy the UVP criteria and visits these households to check that they are eligible. Suspicious cases can include beneficiaries who obtain only one of the six voucher commodities, who work or own a business, or who hold a United Nations Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA) card.

Cooperating partners are required to monitor 10 percent of beneficiaries, 5 percent at the programme shops and 5 percent in their households. The purposes of monitoring are to: (i) ensure that the beneficiaries on the list fit the programme criteria; and (ii) check the UVP's progress. Ongoing monitoring enables adjustments to be made in the course of the programme.

Based on monitoring findings, WFP Occupied Palestinian Territory has been able to improve some aspects of the project. For example, in the initial stage, the voucher booklet was divided into eight vouchers, and beneficiaries were able to redeem the vouchers twice a week. However, because the monetary value of a single voucher was very small, beneficiaries tended to redeem both on the same day, so the voucher booklet has been modified to include only four vouchers – one per week worth twice the value of the old vouchers.

The cooperating partners are required to monitor 100 percent of the shops, which they do during voucher redemptions, to ensure that beneficiaries are treated with respect, are not being sold expired products, and are offered a reasonable variety of goods at prices that are within the ceiling.

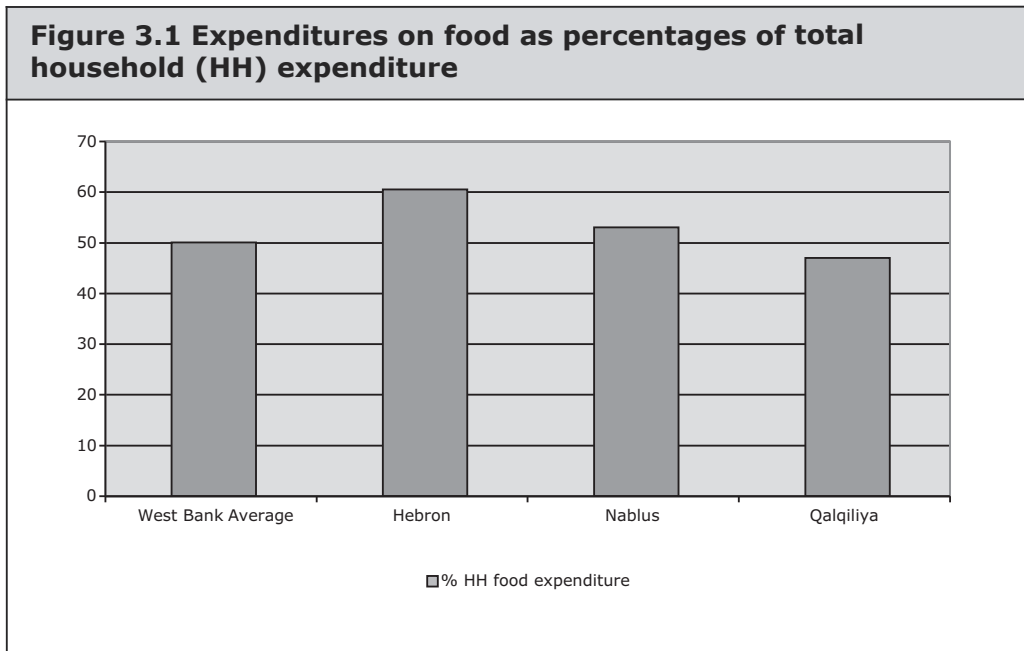
3. Evidence-based learning: comparative results from the UVP baseline and mid-term review¹

As part of the country office learning process for using vouchers as a complementary mechanism for delivering food assistance, and to build evidence for the use of cash as a means of promoting food security in the West Bank, a baseline study was carried out at the onset of the UVP, and was followed by a mid-term review in October/November 2009, approximately six months after the programme's inception.

The baseline showed an average household size of seven members for the sample, compared with a national average of 5.5. Household size by governorate indicated a slightly higher average household size in Hebron, at 8.2 members, compared with Nablus, at 5.6, and Qalqiliya, at 6.4.

Households in the survey sample dedicated 55 percent of their total monthly

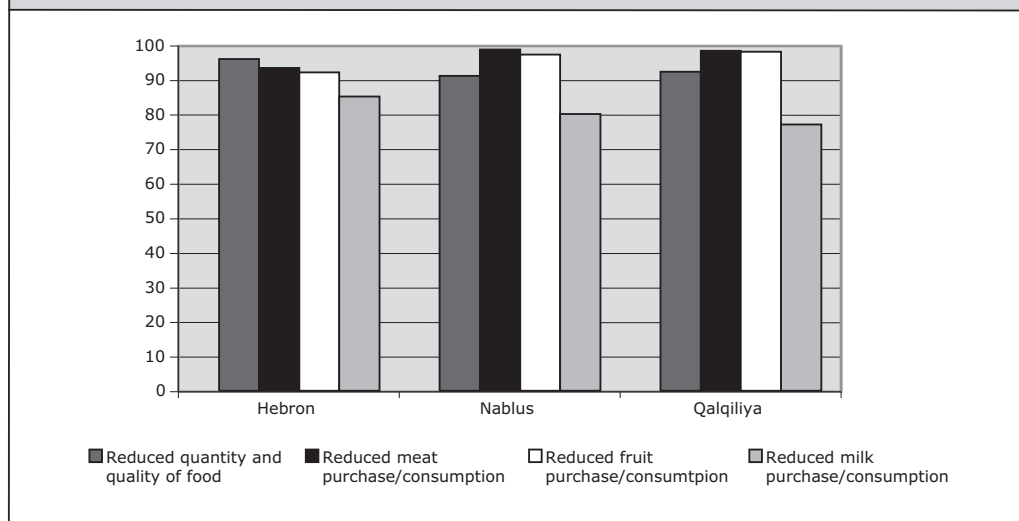
expenditures to food, compared with a West Bank average of almost 50 percent. As indicated in Figure 3.1, the percentages of survey samples' expenditures dedicated to food items were 60.5 percent in Hebron, 53 percent in Nablus and 47 percent in Qalqiliya. Regarding gender, 56 percent of total expenditures were spent on food items in male-headed households and 50.6 percent in female-headed households.



Source: WFP, 2010c.

At the household level, nearly all respondents in the baseline study reported decreased quantity and quality of the food they consumed, as shown in Figure 3.2: the quantity was reduced for 91 percent of households in Nablus, 92.2 in Qalqiliya, and 89.6 percent in Hebron; and the quality for 95.9 percent in Nablus, 100 percent in Qalqiliya, and 97 percent in Hebron.

The quantity of meat purchased/consumed was reduced for 98.6 percent of households in Nablus, 98.3 percent in Qalqiliya, and 93.3 percent in Hebron. The quantity of fruit purchased/consumed was reduced for 97.2 percent in Nablus, 98 percent in Qalqiliya, and 92 percent in Hebron. Milk quantities were reduced for 80 percent in Nablus, 77 percent in Qalqiliya, and 85 percent in Hebron.

Figure 3.2 Reductions in food purchases or consumption

Source: WFP, 2010c.

To measure progress towards meeting the programme's objectives through comparison with the baseline data, the mid-term review used existing sources of information – baselines, food security surveys, monitoring and evaluation – combined with key informant interviews and focus group discussions to examine the appropriateness of the approach, including in terms of beneficiary preferences; the effectiveness of the programme, including the value and composition of the voucher; and progress towards meeting the UVP's goals as a cash transfer modality for protecting livelihoods in a fragile urban setting.

The mid-term review was preceded by a month of primary data collection carried out by WFP's cooperating partners. Approximately 500 of the total 5,454 households were interviewed. For this, the WFP Occupied Palestinian Territory Monitoring and Evaluation (M&E) Unit adapted the M&E forms used by the cooperating partners for their monthly monitoring by including specific questions for ascertaining the level of satisfaction with the programme and the immediate effects on livelihoods.

The partners' monitors then entered the primary data they had collected into the online database shared with WFP and cooperating partners. This approach made the best use of cooperating partners' human resources, thereby avoiding additional spending on external enumerators, capitalizing on the monitors' knowledge of beneficiaries and project areas, and ensuring that primary data were to-hand for the consultants' fieldwork.

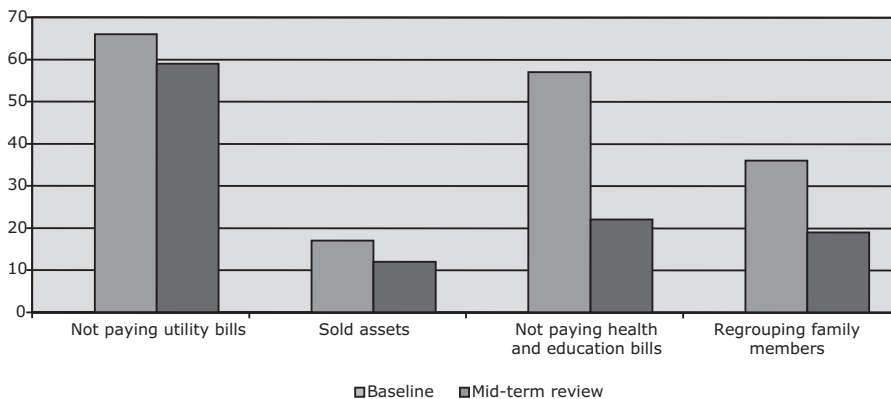
3.1 Initial impact of food voucher assistance on beneficiaries' livelihoods

The UVP proved successful both in changing participating households' eating habits in respect to animal proteins and in redistributing family expenditure allocations on food and non-food items.

Baseline data reveal that before project implementation, 30 and 15 percent of surveyed households were eating dairy products and eggs, respectively, less than once a week. At the time of the mid-term review, fewer than 1 percent of beneficiaries showed inadequate consumption of these items. While 24 percent of beneficiaries had poor consumption at the baseline, six months later this figures had declined to 5 percent, while good consumption increased from 47 to 83 percent.

Regarding substitution effects, the programme proved effective in reducing beneficiaries' food expenditure in favour of increased spending on utility, health and education bills, by 12 to 17 percent. Of even greater interest, the UVP also contributed to decreased use of detrimental coping mechanisms, as shown in Figure 3.3. The percentage of households not paying utility bills decreased from 66 to 59 percent, while those selling assets declined from 17 to 12 percent. Significantly fewer households were not paying health and education bills, at 22 compared with 57 percent, and fewer households were regrouping family members than at the time of the baseline, at 19 instead of 36 percent.

Figure 3.3 Comparison of coping mechanisms at baseline and the mid-term review



Source: WFP, 2010c.

The project also ranked high in beneficiary satisfaction, especially the greater choice of quantities that could be redeemed, the inclusion of perishable food items such as dairy products, and the flexibility in timing and procedures for redeeming the vouchers.

The regular monitoring report suggests that 98 percent of interviewed beneficiaries consumed the food they obtained with the vouchers, 1.3 percent shared part of it, and 0.63 percent traded it for other food; 26 percent of UVP customers asked to exchange the vouchers with other food commodities, but this was not allowed.

These results suggest that sales of food aid are much reduced when food is provided through vouchers, as beneficiaries are entrusted and empowered to purchase according to their specific household food needs.

Some 93 percent of beneficiaries rated the quality of the food obtained with the vouchers as good, 6 percent rated it as fair, and only 1 percent were dissatisfied. Regarding the availability of food at the shops, 98 percent rated this as good, 1.4 percent fair, and only 0.16 percent were dissatisfied.

Almost all – 99 percent – of the beneficiaries rated the waiting time and voucher verification at the shops as good, 1 percent fair, and none of them were dissatisfied.

These findings demonstrate that users' satisfaction with the quality and quantity of food obtained with the vouchers is consistently high; as both beneficiaries and other consumers use the same market supply network, problems such as long storage or low-quality food items – for example, infested or contaminated wheat flour – are less likely to occur.

Nevertheless, in the West Bank programme, some beneficiaries complained about the limited value of the voucher and the low number of sanctioned food commodities. Some would have preferred traditional food aid or cash, if the list of commodities provided by the vouchers could not be expanded to include more basic food items.

3.2 Effects on the micro-economy and local production

Although these were secondary objectives, the UVP had very positive effects on both participating retail shops and dairy production.

The mid-term review results show that sales of dairy products increased, leading to profit increases of 10 to 20 percent for all the shops interviewed. Some shopkeepers reported being able to increase their trade volumes, diversity of stocks, equipment and even the size of their shops. Nearly all shops increased the number of people they employed, temporarily or permanently: about 43 percent hired an additional 1.1 permanent workers, and 52 percent an additional 1.3 temporary workers for the first days of voucher distribution. Many shops reported

expanded or new credit lines with suppliers, and discounts on dairy products.

Under the programme, each beneficiary is assigned to a single shop for exchanging vouchers. This model could lead to monopolistic behaviour by shopkeepers, as the vouchers are worthless outside their shops. Abandoning the model could allow more shops to participate in the programme, thereby increasing competition and using the normal market network for auto-regulation of prices. However, the resulting trade-offs between greater competition/consumer benefits and increased administrative costs would have to be taken into account. A compromise may be to allow beneficiaries to exchange their vouchers at a few shops in their own areas, rather than in the full list of participating shops. This may be sufficient to foster healthy competition among shops while remaining manageable administratively.

The programme also indirectly helped to regulate the fiscal situation of some participating shops, which acquired trading licences in order to participate.

Figure 3.4 Some of the commodities in the voucher basket



According to monitoring reports, more than 90 percent of dairy products purchased with the vouchers are produced locally, compared with roughly 80 percent of dairy products purchased by non-beneficiaries. The impact of the programme on dairy producers was mixed, depending on the producer's scale of operations.

The largest benefits went to medium- and large-scale dairy factories managing 35 mt/day, which attribute the processing of an additional 2 mt of milk per day to the project. This is largely due to increased sales of white cheese, a relatively expensive product that is not a major part of poor households' diets. Small-scale dairy factories managing less than 400 litres/day have not benefited significantly, as they were already producing at capacity and could not increase their output in response to the project.

The largest factory in the Occupied Palestinian Territory produces 75 mt/day and has been able to absorb the increased demand into its normal production levels, so it has not been affected by the programme at its current scale. The effects of the UVP do not seem to have trickled down to small-scale milk suppliers, but this might be partly owing to the small scale of the pilot.

The market supply chain responded well to the increased demand, and regular price monitoring, combined with the price ceilings imposed on participating shops, averted any possible inflation directly attributable to the programme. The small scale of the pilot could have compounded any harm done to the economy, especially for non-participating shops.

The programme's positive results at both the household and the economy levels, as shown by the mid-term review, reinforce the country office's belief in the value of using food vouchers where markets are functioning, food is largely available, and poor economic access is the missing element in the food security equation.

3.3 Lessons learned

- For transferring food vouchers, information technology such as bar-code stickers or pre-paid cards might be preferable to hard-copy vouchers, because it would ease the financial reconciliation process and reduce handling and future storage needs.
- Alternative modalities for food voucher transfers could increase accountability and reduce the administrative burden on shopkeepers, although most shopkeepers in the Occupied Palestinian Territory UVP have kept registers and verified beneficiaries' data efficiently.
- The PMTF ensures far more transparency and objectivity than traditional targeting criteria, but its strict cut-off points limit flexibility in forecasting the incomes of households that are close to the poverty line.

- The food voucher programme promotes regulation and accountability in the private sector, for example, by encouraging shopkeepers and suppliers to obtain valid trading licences and pay any arrears to the government.

4. Risks, opportunities and challenges of the UVP

The prolonged military occupation of the West Bank and the economic embargo on the Gaza Strip have severely reduced the territory's prospects for economic development and self-sufficiency. Nevertheless, despite high dependency on imports through and from Israel, markets are functioning and food is largely available in the shops.

This section analyses the economic, financial and managerial opportunities, risks and challenges involved in carrying out a food voucher programme in contexts similar to that of the Occupied Palestinian Territory.

4.1 Economic, financial and managerial risk

Most of the risks identified are external and covariate. Although some are directly associated with the nature of the conflict, their effects are likely to arise in other contexts similar to the Occupied Palestinian Territory.

The West Bank closure regulates the mobility of goods and people and the functioning of the market network. Suppliers face delays at checkpoints, back-to-back procedures, damage to perishable products such as vegetables and fruit, and reduced marketing opportunities due to low purchasing power, all of which put market integration at risk.

Wholesalers, intermediaries and retailers are all affected differently by the effects of high transportation costs, high losses and long detours. The costs of these are transferred to end-consumers as price mark-ups.

Financial risks are related to the sudden inflation that could be triggered by such factors as international market price surges, tightening of the border closure, sieges of urban centres and recurrent climatic shocks. A surge in inflation would have immediate effects on any food voucher scheme, reducing the vouchers' value to beneficiaries.

If the rate of inflation is confined within a certain range – the range would depend on specific conditions in the country – the programme could include a financial contingency buffer² for increasing the value of the vouchers to offset devaluation of the assistance provided to beneficiaries. For example, if inflation is sustained over a set number of months, the country office should provide traditional food aid assistance to the target group. In most cases, the complementarities between food aid and food voucher assistance allow the country office to have both transfer mechanisms in place; this ensures that if

either mechanism fails, the other can be increased to avoid breaks in food assistance.

Regarding inflationary pressure as a direct effect of the UVP, the mid-term review showed that the scale of the pilot did not translate into price increases; on the contrary, some retailers were able to obtain discounts from suppliers because of their increased orders.

Managerial risks include the higher risks of fraud and mismanagement associated with any cash transfer. Hard-copy paper vouchers are easy to forge; to deter this risk several security variables – a serial number, the beneficiary's name and ID, the shop's name, the validity period, etc. – should be printed on each voucher. The design of a multi-variable cliché increases the cost of printing, and any changes to the variables in the cliché come at a cost.

To reduce the risk of voucher misuse, such as the exchange of vouchers for non-food items or food commodities not included in the voucher food basket, sanctions could include the removal of offending beneficiaries from the programme and contract foreclosure for shops not adhering to the criteria.

4.2 Opportunities in the West Bank

Despite these risks, a number of opportunities make voucher transfers in the West Bank a viable mechanism for providing food assistance, relieving cash-stripped populations, and supporting livelihoods and the local economy.

Economic, financial and managerial opportunities

The West Bank's infrastructure and transportation system are very good. The supply chain of wholesalers, intermediaries, retailers and importers is integrated, despite the constraints of the closure, and food is physically on the market. The restrictions on movement imposed by the closure reduce the importance of market hubs in the main urban centres, but have also led to the formation of cluster markets in peri-urban and rural areas. This makes consumers' physical access to food less problematic, and allows goods to reach more distant locations. The inclusion of local products in the voucher scheme supports local production, especially in the dairy sector but also at the food processing and manufacturing levels. Project recipients exchanging their vouchers for sanctioned basic commodities have an immediate improvement in their purchasing capacity, and can purchase other basic necessities, both food and non-food, thus injecting the saved income into the economy.

Financial opportunities include the availability of good infrastructure and information technologies in the Occupied Palestinian Territory, which can be used for the financial transactions associated with the voucher programme, such as bank transfers for repaying shops and payments by cheque; ultimately, this

will also allow the migration to electronic voucher delivery, as discussed in section 5.1.

Sectoral literature shows that cash and voucher transfers are generally more cost-efficient than food transfers, which require intensive logistics support as outlined in the next section, 4.3.

The comparative advantages of managing food vouchers over food aid assistance include the avoidance of intermediate steps such as transportation of food, customs clearance, insurance, warehouse and storage costs. The risk of pipeline breaks, due to delays in shipments, the testing of commodities and/or infestation or poor-quality consignments, is also avoided.

However, although food voucher programmes are generally easier to manage, they require intensive monitoring, especially at the shop and market levels.

4.3 Start-up challenges

The country office faced a number of obstacles during the first months of implementing the UVP; a one-day workshop was organized with cooperating partners four months into the programme's life, to allow learning from these early challenges. The results of this workshop are summarized in Box 3.1.

Box 3.1 Results of initial UVP review

Assessment and feasibility

1. An exact cost comparison between traditional food distribution and food vouchers was not carried out, because the high volatility in food and fuel prices during 2008 might have distorted the findings.
2. The accuracy of cost comparisons between in-kind and cash transfers is limited by the different objectives and food baskets of general food distributions compared with food vouchers.
3. The lack of lessons learned and consultative options from existing or previous voucher programmes in the Occupied Palestinian Territory – such as those by the International Committee of the Red Cross (ICRC) and Oxfam – made appraisal of WFP's UVP more challenging.

Programme design

1. Urban targeting proved challenging, as the main selection criteria were based on poverty level and unemployment. Pilot use of the PMTF using assets as a proxy for income was useful in the West Bank, where economic conditions are more stable, but less appropriate in the Gaza Strip.

Box 3.1 Results of initial UVP review (cont.)

2. The voucher programme budget was calculated in United States dollars, while the vouchers' nominal price was calculated in the local currency; discrepancies between the currencies owing to monthly fluctuations of the dollar exchange rate increased the costs for WFP.
3. In the Gaza Strip, many of the selected shops did not have bank accounts and faced difficulties in opening them. This problem was solved by making payments with cheques.
4. The budget underestimated the cooperating partners' costs for carrying out the voucher reconciliation and payments to shops. This process requires the photocopying of all supporting forms, vouchers, registries, etc., which adds to the human resources, printing and storage costs.
5. The risk of commodities entering through the tunnels between Egypt and the Gaza Strip led to the removal of some food items from the voucher list in Gaza.

Service providers

1. Fewer than 10 percent of shops in the West Bank did not maintain their registry books properly.
2. Fewer than 10 percent of shopkeepers in the West Bank did not properly check the voucher information against the registry book information.
3. Approximately 60 percent of shops in the West Bank and 90 percent in the Gaza Strip did not possess valid trading licences at the onset. To be selected, these shops renewed their licences.
4. Fewer than 10 percent of shops in the Gaza Strip did not have electricity generators in place.

Monitoring and evaluation

1. The monitoring requirements for this type of programme are time-intensive: the monitoring of beneficiaries through interviews in the shops sometimes entails waiting for long periods before a beneficiary comes to the shop.
2. Fluctuations/seasonality in prices of food commodities require increased monitoring of market prices so that voucher values can be adjusted when inflation exceeds 10 percent.

5. Evolution of the UVP

5.1 E-vouchers: migrating to an electronic transfer mechanism

Since the outset of the programme, WFP Occupied Palestinian Territory has used paper vouchers to transfer the cash value to beneficiaries. From April to November 2009, it printed a total of 36,922 voucher booklets, each including four vouchers. As part of the ongoing UVP lessons learned process, the country office is exploring the available technologies for electronic voucher transfers, such as those using mobile phones, swipe cards, computers or telephone lines. The main goal of switching to an electronic delivery system is to ease, improve and control the delivery of assistance, as well as reducing the total cost of the process without affecting the value of the assistance.

The country office established a technical committee to study the different options available in the Occupied Palestinian Territory. This committee has recommended using magnetic cards – swipe cards – to deliver assistance electronically by providing beneficiaries with cards to use at selected shops for obtaining weekly amounts of selected food items. The magnetic cards will be issued and distributed only once. The WFP Occupied Palestinian Territory Finance Unit will issue a serial number/pin code for each card, and the country office will periodically load e-values on to the magnetic cards. Each beneficiary will be able to redeem the food commodities by showing her/his swipe card and identity card to the shopkeeper, who will verify the data by swiping the card in the terminal at the shop; the value of the goods obtained will be debited from the magnetic card, and a receipt printed showing the latest transaction details and the balance left on the card.

A database will be designed to control the whole process and connect the shops to the WFP server, thereby allowing WFP and its partners to repay shops easily and extract the required monitoring forms electronically instead of calculating the amounts manually. The whole UVP process could be controlled electronically, including records of the redeemed and unredeemed e-values, and the prices and quantities of commodities obtained with them.

5.2 Vouchers for work/training: moving to rural areas

As part of the next cycle of assistance in the West Bank, WFP intends to introduce conditional food vouchers, such as vouchers for work/vouchers for training (VFW/VFT). Through VFW and VFT, WFP Occupied Palestinian Territory aims to promote the long-term resilience and protection of farming livelihoods, increase agricultural productivity, and build the capacity of women farmers by providing them with income-generating opportunities through food processing

and conservation training modules.

Implementation of a voucher programme in rural areas will need further assessment and analysis of the market system. However, the mid-term review found that markets in rural areas are integrated and could respond to an increase in consumer demand. In addition, the infrastructure and transport system in rural areas are developed, allowing goods to move smoothly along the supply chain from producer to consumer. The rural voucher pilot will target approximately 25,000 beneficiaries in its first year, with the possibility of expanding to 40,000 in the second year, based on a review of the progress indicators and programme implementation.

6. Conclusions

The first year of implementing the food voucher pilot programme produced positive results in both meeting the programme's food security objectives and spurring the micro-economy. The mid-term review results served to guide design of the next phase of food voucher interventions and objectives, by providing information about the areas and expansion of the caseload. The Occupied Palestinian Territory UVP has proved effective in meeting WFP food consumption objectives while supporting the local economy, in line with country office strategic objectives and WFP's Purchase for Progress (P4P) policy. Both beneficiaries and the Palestinian Authority see the provision of food vouchers in lieu of food aid as a sign of trust and empowerment. This dimension has contributed to WFP's reputation, increasing its visibility and recognition from officials in the Palestinian Authority. Adopting this new food assistance transfer modality seems a good way for WFP to assume a role in the Occupied Palestinian Territory.

The voucher programme is designed not only to provide an additional food transfer, but also to: (i) promote national production, through its inclusion of food products of Palestinian origin, such as dairy products, eggs and olive oil, and food products that are manufactured/processed in the West Bank, including bread and milled wheat flour; and (ii) to support the micro-economy, such as through participating local grocery stores. Both these objectives have an impact on supporting livelihoods and employment. Given the encouraging progress of the UVP, the country office is contributing to WFP's learning process on cash and voucher assistance and will promote new initiatives to strengthen corporate expertise, such as by including conditionality in the voucher assistance scheme through VFW and VFT activities.

- ¹ The figures in this section are excerpted from the UVP mid-term review report.
- ² A financial contingency buffer can be calculated as 10 percent of the total voucher value.