



**Strategic and
Operational Update
March 2015**

Quick Facts about the refugee camps

⇒ General food distributions (GFD) provide food to households to make up for household **food access shortfalls**, i.e. the difference between their food consumption requirements and what they are able to provide for themselves without adopting distress (damaging coping) strategies.

⇒ In both Dadaab and Kakuma, **all refugees receive GFD** rations to cater for their daily nutritional and caloric intake.

⇒ Currently, Refugees spend an average of **60-70 percent of their income to buy** meat, milk, vegetables, sugar, and **other food not provided by WFP**.

⇒ Regular Joint Assessment Missions (JAMs) are conducted by the UN High Commissioner for Refugees (UNHCR) and WFP to assess the food and non-food needs of the refugees.

Vouchers for food assistance in Kenya's refugee camps

Since 1991, Kenya has hosted refugees in camps in the arid areas of Dadaab (Garissa county) near the border with Somalia, and Kakuma (Turkana county) near the border with South Sudan. The Government of Kenya's encampment policy prevents local integration of refugees, prohibiting them from engaging in economic activities outside the camps thereby limiting their access to sustainable livelihood opportunities.

WFP delivers food assistance to the refugees through the General Food Distribution (GFD), and provides special nutrition products to pregnant women, nursing mothers, and young children to prevent malnutrition.

Why introduce vouchers?

Refugees depend upon WFP's in-kind food assistance, a ration composed of dried grains, pulses, vegetable oil, salt and CSB. Since this has been the case for many years it is not surprising that market assessments conducted in 2014, in Dadaab and Kakuma, found that refugees sell part of their GFD ration to diversify their diets. The assessment revealed that the terms of trade are poor and to the detriment of food consumption, particularly in Kakuma.

To begin learning about how to use the camp markets to more effectively diversify the food available to refugees, WFP launched its first voucher pilot in Dadaab to a caseload of 10,000 women and their households. The Fresh Food Voucher (FFV) Pilot for pregnant and nursing mothers was launched in response to Joint Assessment Mission (JAM) recommendations, and tested and proved that markets were responsive. The pilot showed that access to

fresh foods available in the markets can improve dietary diversity, that refugees appreciate the flexibility to choose what they eat, and that a guaranteed demand for fresh foods allowed retailers to expand their businesses, providing more livelihood opportunities for refugees and host communities.

A new voucher programme

The Fresh Food Voucher Pilot showed that the camp markets can provide suitable, cost-efficient substitutes for at least part of the cereals that WFP distributes in the GFD



ration.

Indeed, the camp markets supply cereals for about 20 percent less than what it typically costs WFP to deliver them in-kind.

By substituting part of the value of GFD cereals with vouchers **WFP could transfer more value to the refugees**, and achieve results that the pilot showed were possible: **choice**, stronger markets

Quick Facts about the new voucher programme

⇒WFP Kenya has dubbed the new voucher programme **BAMBA CHAKULA**, literally translating from Swahili to "Get your food".

⇒The voucher value will start at \$1 per person per month. This amount is a **responsible introduction of demand** into the refugee camps.

⇒This means that approximately **\$345,000** and **\$180,000** will be pumped into the Dadaab and Kakuma camps respectively, every month.

⇒About **250 retailers** in Dadaab and **150** in Kakuma are expected to participate in the new voucher programme.

⇒Refugees that are registered by UNHCR but do not hold documentation will also be able to receive mobile food vouchers, with a SIM card that enables them to access WFP's food voucher only.



*Fartun Abdi redeems her fresh food voucher at a local market.
Dadaab. WFP/Rose Ogola*

(less expensive food), and more livelihood opportunities (**self-reliance**).

Although it will take time, investments in strengthening the markets could yield longer-term efficiencies in reducing food prices, and increasing livelihood opportunities, gradually increasing the potential for refugees to be able to meet more of their own needs, and rely less on assistance.

Why vouchers, not cash?

Refugees have expressed a strong preference for vouchers over in-kind food assistance (though they would also be satisfied with cash). Vouchers are however a better modality than cash in the highly volatile security context of the camps, where even minor incidents quickly escalate to fighting, deaths, and displacement (as witnessed in Kakuma last year). The Government of Kenya is responsible for security in the camps, and has expressed a strong preference for vouchers over cash.

Another important benefit of vouchers over cash in the camp context is that although the markets are dynamic and responsive, they are constrained by physical space and supply cuts during rainy seasons when roads wash out. WFP will work with government counterparts to increase adherence to food safety standards. Additionally, WFP, with its significant supply-chain expertise will build the capacity of the markets. The contractual relationship that WFP has with retailers for redeeming vouchers enables WFP to work with them to improve the quality of food they sell, and the reliability of their supply chains.

Who will receive the vouchers?

With the new voucher programme WFP will expand the targeted population from the initial pilot group (pregnant women and nursing mothers) to all registered refugees and asylum-seekers eligible for GFD in the camps. This is about 500,000 people, or 100,000 households.

WFP will begin with a conservative voucher value equivalent to about 10% of the cereal ration, and increase it gradually and responsibly, according to market capacity. The vouchers will be tied to the GFD distribution cycles.

WFP plans to roll-out the first voucher cycle in June 2015, starting in Kakuma, then expanding within a few months to Dadaab.

Here are the three outcomes expected from using vouchers and why

Dietary diversity:

By delivering vouchers, combined with nutrition messaging, WFP can improve the effectiveness of its food assistance programmes through more diverse diets and better food consumption scores.

The voucher value, however, at least at the outset of the scale up, will be very small and will not likely have any effect at all on beneficiaries' dietary diversity.

WFP does not expect to see significant improvements in the dietary diversity of refugees until the voucher value has reached a level that would allow 1-2 meals of fresh food (meat, vegetables) per week, combined with strong nutrition messaging.

WFP expects to achieve this level of voucher value within 2-3 years, again depending on

how well the markets manage to respond to the demand. WFP will not increase the voucher value if the new demand causes price increases, because price rises will increase food insecurity of the refugees and the already highly food insecure host communities surrounding the camps.

Stronger markets:

The almost immediate positive effect on the markets of the FFV pilot in Dadaab was perhaps one of the most tangible results of the pilot.

There was plenty of fresh food available, and for the most part, refugees (customers) were satisfied with the quality. Over the lifetime of the pilot, fresh food prices dropped. These are all clear indicators of stronger markets. However, when WFP experienced some system problems and had to unexpectedly stop the voucher programme for 1 month (December 2013), the negative effect on the markets was equally immediate and dramatic. Food expired on the shelves, and traders were hesitant (or had limited cash) to stock up when the vouchers resumed in January, so January saw food shortages and high prices.

The voucher programme will need a robust system and a steady cash pipeline to achieve market outcomes, with transfer value increases (which translate into increases in demand) that are planned and gradual. A stop-start programme or a rapid scale up will not be cost-effective or achieve the market outcomes that are possible with vouchers.

Livelihood opportunities:

Livelihood opportunities for refugees and host communities were another clear result demonstrated through the FFV pilot, and again, with a steady cash pipeline, and a steady increase in the value of the vouchers, WFP expects to see more **job opportunities for refugees and host communities**, both of whom are involved in the retail businesses in the camps, and the wholesale and transport businesses that supply the camps.

WFP expects to attract about 400 retailers that are based inside the camps to participate in the new voucher programme. WFP is designing the programme to include as many retailers as possible, to ensure the benefits of the programme are felt by all of the communities in the area.

Why electronic vouchers?

WFP used a paper-based voucher system for the FFV pilot and although it worked well, the paper vouchers themselves were a constraint to scale. Handling paper vouchers is labour intensive and time-consuming, and introduces unnecessary risks into the process, which would be much lighter, efficient, and secure if it were fully electronic.

WFP has designed the new voucher programme to be **end-to-end electronic** (for **cost, convenience, and security**). Physical cash will not be required at any stage

in the process, and **minimal manual intervention** in the transfer process will be needed.

The system's platform will provide bulk transfers so that WFP can easily top up the vouchers of households that successfully pass through the biometrics ID checks during the GFD cycle.

How will the vouchers be delivered?

Safaricom's closed loop service through M-PESA allows WFP to provide electronic vouchers to beneficiaries on mobile phones.

The voucher 'wallets' are 'locked' and can only be used at WFP approved, contracted and monitored retailers. Retailers will be reimbursed automatically into their M-PESA accounts.

Mobile phones and mobile money transfers are already widely used in the camps. In a sense, the refugees in Kakuma and Dadaab selected the voucher delivery mechanism for WFP.

Mobile phone vouchers best meet the Greentree principles for digital development: choosing what beneficiaries prefer, building on existing infrastructure, and using a technology with the greatest potential to achieve impact.

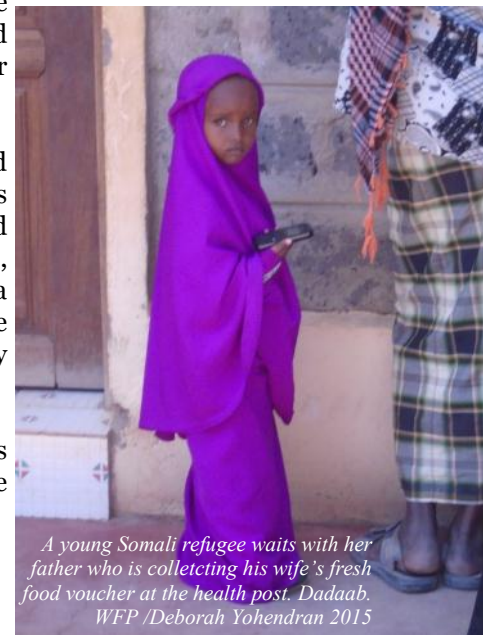
Additionally, WFP will take advantage of the controls that the biometrics project has introduced into the food distribution process. By using data generated through the identity checks to trigger the distribution of vouchers, only eligible refugees and asylum-seekers living in the camps will receive the vouchers.

Multi-agency Platform

One of the key design features of the voucher scale up is a cost-efficient infrastructure for delivering assistance to the entire population of registered refugees in Kakuma and Dadaab, so that any agency operating in the camps can use the system for their programmes, should they wish to do so. WFP's delivery mechanism has the potential to deliver both cash and vouchers, as agreed upon by stakeholders.

Cost Effectiveness and Efficiency

Since vouchers (over time) will not cost more than in-kind food, and we can expect some additional important outcomes, WFP does project that **vouchers will be cost**



A young Somali refugee waits with her father who is collecting his wife's fresh food voucher at the health post. Dadaab. WFP /Deborah Yohendran 2015

Key Milestones

FEBRUARY 2015

⇒ Learning from the FFV voucher pilot in Dadaab is consolidated

MARCH 2015

⇒ Operational Plan for the voucher scale-up is finalized

APRIL 2015

⇒ Systems and processes are put in place

⇒ Impact study is designed

MAY 2015

⇒ Traders in Kakuma are contracted

⇒ Communication Campaign begins in Kakuma

JUNE 2015

⇒ SIM cards are distributed to households in the Kakuma camps

⇒ First distribution of vouchers in Kakuma

JULY & AUGUST 2015

⇒ Testing, learning, iterating of systems and procedures in Kakuma

⇒ Communication campaign launched in Dadaab

SEPTEMBER 2015

⇒ Traders contracted in Dadaab

OCTOBER 2015

⇒ First distribution of vouchers in Dadaab

-effective in comparison to in-kind food. None of the three outcomes expected from the introduction of vouchers can be achieved through in-kind food.

WFP will deliver the vouchers electronically, through Safaricom's closed loop system which has been analysed to be the most cost efficient, secure, commercially available system. Electronic vouchers are more cost-efficient than paper vouchers, and much easier to control.

Finally, the vouchers are expected to significantly reduce the need for beneficiaries to monetize part of their ration, which they do at an economic loss, spending the majority of the cash generated to buy food items not included in WFP's food basket.

Expected Operational Challenges

The food vouchers are expected to have a major impact on the dynamics of the camps. There are a number of significant challenges that the design of the programme aims to address. Here are a few:

- ◆ WFP will introduce new demand into the markets gradually, giving retailers time to assure supply.
- ◆ WFP will ensure food safety and quality standards are met, through technical assistance to public health.
- ◆ To maximize benefits to the host communities, local producers need to be linked to the new market opportunity. WFP will apply its expertise in building market linkages through technical assistance to the Ministry of Agriculture, Livestock and Fisheries.
- ◆ Refugees, traders, and other stakeholders will need to understand the rationale for the change, and how it will be implemented. WFP is conducting thorough consultations and will implement an intensive communications campaign.

Taking vouchers to every household in the refugee camps needs strong coordination within WFP and the involvement of all core functional areas in the design and delivery of the programme.

Operational Needs

Key donors have committed to supporting the start-up of this new voucher programme to Kenya's refugees, and to ensuring a healthy "cash pipeline" for the vouchers going forward.

WFP Kenya is designing and putting place contingency measures, in case of a fall in donor contributions. An unstable "cash pipeline" is the biggest risk related to introducing vouchers in GFD in the camps. An unstable cash pipeline is dangerous for agency staff, partners and for beneficiaries.

Furthermore, an unstable cash pipeline would seriously undermine the market objectives of the programme, since traders would be reluctant to invest in improving their businesses if they can't predict sales volume from one month to the next, in turn, undermining the potential for efficiencies that will bring food costs (and therefore the cost of the operation) down.

WFP's design in substituting part of the GFD ration with electronic vouchers in the camps is to foster longer-term ambitions to improve food systems, and this will require a steady, systematic approach.

The programme's design is pivotal to a planned and reliable hybrid of in-kind and electronic vouchers, according to the resources available.

The active engagement of WFP's Logistics team in selecting, managing, and **building the capacity of traders** to assure supply in the camps will be critical to achieving the effectiveness expected of the switch to vouchers.

Market monitoring will inform decisions on the voucher value, and the pace at which new demand can be met by market supply without increasing food prices.

Together with Programme, Finance, Procurement and the WFP sub-offices in Dadaab and Kakuma, this cross-functional team will jointly manage an integrated supply chain that balances available resources with the best hybrid of transfer modalities on an on-going basis.

Future results

WFP is engaging an evaluation company to measure the economic, social and food security impacts of the vouchers over the lifetime of the programme.



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