

Malawi PRRO 105860
B/R No.: 6

BUDGET REVISION FOR THE APPROVAL OF REGIONAL DIRECTOR

	<u>Initials</u>	<u>In Date</u>	<u>Out Date</u>	<u>Reason For Delay</u>
<u>ORIGINATOR</u>				
Country Office or Regional Bureau on behalf of Country Office
<u>CLEARANCE</u>				
Programme Officer, RMBP
Chief, RMBP
Chief, RMBB
Chief, ODLT (change in LTSH and/or External Transport)
<u>APPROVAL</u>				
<input type="checkbox"/> Regional Director

PROJECT	Previous Budget	Revision	New Budget
Food cost	US\$79,122,679	US\$2,794,071	US\$81,916,750
External transport	US\$7,483,858	US\$207,972	US\$7,691,830
LTSH	US\$11,564,239	US\$(587,177)	US\$10,977,062
ODOC	US\$4,934,608	US\$676,236	US\$5,610,844
DSC	US\$6,928,474	US\$1,659,683	US\$8,588,157
ISC (7%)	US\$7,702,370	US\$332,555	US\$8,034,925
Total WFP cost (US\$)	US\$117,736,228	US\$5,083,341	US\$122,819,569

<u>TYPE OF REVISION</u>			
<input checked="" type="checkbox"/> Additional commodity	<input checked="" type="checkbox"/> Additional DSC	<input checked="" type="checkbox"/> Additional ODOC	<input checked="" type="checkbox"/> Reduced LTSH
<input checked="" type="checkbox"/> Additional external transport	<input checked="" type="checkbox"/> Extension in time		<input checked="" type="checkbox"/> Other

- 1) This budget revision to PRRO 105860 is intended to achieve the following:
- a) Additional commodity valued at US\$ 2,794,071.
 - b) Extend in time the recovery component of the project by one year.
 - c) Increase DSC by approximately US\$ 1,659,683.
 - d) Increase the external transport budget by US\$ 207,972.
 - e) Decrease LTSH by US\$ 587,177.
 - f) Increase ODOC by US\$676,236.

NATURE OF BUDGET REVISION

- 2) A reduction of 2010 food requirements by 20,560 metric tons (valued at US\$ 7.8 million) is part of a strategic re-alignment to both reflect actual reduced needs and better focus WFP's assistance on nutrition support to malnourished children, pregnant women, lactating mothers, TB patients and mothers enrolled in prevention of mother to transmission of HIV (PMTCT) requiring nutritional support. These categories of beneficiaries have been given top priority by the Government of Malawi as outlined in the nutrition component of a national *Growth and Development Strategy*.
- 3) An extension in time of the project's recovery component by one year is to allow continuity of WFP support to sectors prioritised by the Government, i.e., nutrition and HIV & AIDS. Concurrently, the Country Office will put in place mechanisms to move the nutrition and HIV support interventions from a recovery mode (currently in the PRRO) to a development intervention within a Country Programme. This strategy will allow a re-alignment of WFP's work with the national strategic focus adopted by the Government. It also reflects the evolution of the food security situation of Malawi in recent years, as well as expectations by the Government and other development partners for WFP to adopt a more progressive and developmental approach to food assistance. The total amount of commodities required for a one-year extension is 25,914 tons valued at US\$ 10.6 million. In net terms, the reduction of 2010 requirements and the one-year extension in time for 2011 represent a net increase in total commodity requirements by 5,355 tons, valued at nearly US\$ 2.8 million.
- 4) An increase in DSC by approximately US\$ 214,640 for 2010 and US\$ 1,445,043 for 2011 is needed; approximately 70 percent of it accounting for the currently unbudgeted sharing of Beira port operations costs (associated with handling Malawi's food imports through the port) and 30 percent for currently under-funded needs for United Nations common services.
- 5) An increase in the external transport budget by US\$ 207,972 required for vegetable oil for 2011.
- 6) This budget revision and its inherent one-year extension in time translates into a US\$ 5.1 million increase in total WFP costs. This will allow WFP to support the Government in fourteen districts by addressing food needs of households affected by prolonged dry spells as assessed by the Malawi Vulnerability Assessment Committee (MVAC) in 2010.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of existing project activities

- 7) The main objective of PRRO 105860 is to restore and maintain the nutritional status of vulnerable children, pregnant women, lactating mothers and people living with HIV and AIDS in high risk areas of Malawi. The PRRO was designed to protect and promote the livelihoods of food-insecure households and contribute to disaster risk reduction efforts through activities that create productive assets in communities that have been affected by successive droughts and floods. As certain aspects of food insecurity have diminished in recent years, corresponding food assistance activities will be scaled back proportionately through this budget revision.
- 8) WFP has made concerted efforts to mobilize resources for its activities in Malawi. However, achieving adequate levels of donor support during a global economic downturn has proven to be a formidable challenge and not entirely successful. As a consequence, it has not been possible for WFP to implement all food assistance activities originally envisaged. Under the circumstances, priority has been given to therapeutic and supplementary feeding activities that target

malnourished children and people living with HIV and AIDS, i.e. pregnant and lactating women enrolled in PMTCT and patients on TB treatment.

Conclusion and recommendation of the re-assessment

- 9) WFP seeks to achieve a strategic shift in its programme orientation, from the existing emergency and recovery approach to one that is more developmental oriented and one that focuses on key Government priority sectors including nutrition and HIV - AIDS support. This budget revision is a necessary step in achieving that strategic shift and in preparing for a new Country Programme. The new Country Programme will be presented at the WFP Executive Board in June 2011 with expectations to begin in January 2012.
- 10) An earlier budget reduction performed in June 2009 did not adequately reduce the tonnages and related beneficiary numbers to meet current circumstances. This budget revision therefore seeks additional reductions.
- 11) Plans for a further budget revision in late 2009 were postponed in anticipation that WFP would be requested to undertake a humanitarian assistance programme of significant scale. However, this programme never materialized. While a contingency plan to respond to specific emergency food needs in 2010 is not explicitly addressed in this budget revision, it is nevertheless fully appreciated that the situation can be very dynamic in Malawi. Should WFP be called upon to respond to a humanitarian food crisis, the most likely scenario would be for WFP to first draw from the Government's strategic food reserves while initiating a budget revision or establishing a distinct emergency operation.
- 12) Despite the fact that Malawi has experienced significant improvements in national food security in recent years, there remain pockets of food insecurity, particularly in rural areas. While crop estimates for maize indicate a national and regional (north/central) surplus, a significant drop in production is expected throughout southern Malawi as a consequence of prolonged dry spells during the agricultural season resulting in reduced food accessibility.
- 13) Chronic malnutrition rates for Malawians remain one of the highest in the SADC region. More than one in five children under the age of five in Malawi is underweight (5 percent severely), more than two in five under the age of five are stunted (21 percent severely) and 4 percent of children in the same age group are deemed to be 'wasted' (1 percent severely) (source: NSO, 2006).
- 14) Malawi has an HIV prevalence rate of 12 percent, which is relatively high, even for southern Africa. HIV has compounded the TB problem, such that between 1985 and 2006, the number of TB cases rose from 5,000 to 27,000. Close to 68% of these TB patients have HIV. Up to 90% of children living with HIV acquire it through pregnancy, childbirth and breast feeding. Without an intervention, 20 – 40% of HIV-exposed babies will acquire the virus. HIV & AIDS has created an estimated one million orphans. Hence, a significant proportion of the population is supporting individuals living with HIV as well as orphans. These factors create a high degree of vulnerability among affected households. WFP's interventions are designed to keep those communities, families and individuals from falling into absolute destitution.

Purpose of extension and budget increase

- 15) Improvements in food security over recent years have necessitated a progressive reduction in the amount of food aid required by Malawi and the scope of food assistance operations. In line with these improvements is a need for greater prioritization of activities that target chronic malnutrition and the effects of HIV and AIDS. This ultimately necessitates the re-positioning of WFP's mandate and response strategy.

- 16) WFP will seek to extend the PRRO by one year in order to bridge the transition from a PRRO to a full-fledged Country Programme. During this period, WFP will effectively align itself with the Government's *Malawi Growth and Development Strategy* and the UNDAF, both of which are due to come into effect on 1 January 2012.
- 17) Resources for WFP's activities have declined dramatically in recent years, rendering the current budget unsustainable. A significant reduction in tonnage is required as anticipated economies of scale have become increasingly skewed.
- 18) Direct food support (general food distributions), except that intended for malnourished children and people living with HIV, is viewed critically in an environment in which the Government presents itself as food surplus producing country. This food distribution modality has therefore been removed from food assistance activities by 2011.
- 19) Hence, through this budget revision, the Country Office seeks to prioritize the most vulnerable groups, malnourished children, pregnant women and lactating mothers, as well as people living with HIV.
- 20) The County Office will provide technical support to the Government and other partners in areas of WFP expertise such as vulnerability assessment and mapping, climate-change risk mapping, designing of climate-change adaptation programmes, school meals programmes, commodity management, M&E and reporting.
- 21) Foods for Assets (FFA) and emergency school feeding activities have been reduced significantly in 2010 and will be further reduced thereafter as deemed appropriate. Nevertheless, WFP will continue to provide technical support to Government activities that address the needs of food insecure groups.
- 22) Current HIV and AIDS support targets 105,000 beneficiaries. In this budget revision the number has been increased to 136,000 to enable WFP accommodate other beneficiaries who meet the targeting criteria, but are not assisted due to resource limitations. HIV and AIDS treatment, care and support is one of the Government priority areas where WFP needs some flexibility to scale up support, even in the present national food surplus situation.

TABLE 1. BENEFICIARIES BY ACTIVITY TYPE

Beneficiaries				
Activity	Present	Budget Change	Revised 2010	Revised 2011
TFD ¹	27,500	1,033,500 [in 2010] (1,061,000) [in 2011]	1,061,000	0
FFA	105,000	(105,000)	0	0
HIV/AIDS	105,000	31,000 [in 2011]	105,000	136,000
Nutrition	60,500	0	60,500	60,500
Emergency School Feeding & CBCC	182,000	(182,000) [in 2011]	182,000	0
Cash Transfer	61,050	0.00	61,050	61,050
Total²	541,050	928,500 [in 2010] 1,212,000	1,469,550	257,550

¹ TFD beneficiary increase applicable only for the period Jan – September 2010, based on approved MVAC numbers being implemented from Jan-Mar and potentially from Jun-Sep 2010; activities beyond September for TFD are to be determined.

² Total figures include the scenario of a WFP/GoM led humanitarian response in the South of Malawi. Without that, realistic beneficiary levels will comprise only HIV and nutrition, with cash transfers not being active any more.

	[in 2011]		
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* Specify in a footnote the number of beneficiaries who will receive cash and vouchers (if applicable).

FOOD REQUIREMENTS

TABLE 2. FOOD REQUIREMENTS BY ACTIVITY TYPE

Activity	Food distribution (mt)		
	Present	Increase	Revised
Targeted Food Distribution	5,574	7,146	12,720
Food for Assets	41,842	(21,575)	20,267
HIV/AIDS	96,712	15,152	111,864
Nutrition Interventions	22,625	5,998	28,623
Emergency School Feeding & CBCC	4,095	(1,366)	2,729
Cash Transfers	5,504	0.00	5,504
Total	176,352	5,355	181,707

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