

BUDGET INCREASE No. 10 TO MALAWI PROTRACTED RELIEF AND RECOVERY OPERATION 105860

Assistance to Food-Insecure People Suffering from the Effects of Natural Disasters

Start date: 1 January 2008 End date: 31 July 2012
Extension period: 8 Months New end date: 31 March 2013

	Current budget	Costs (US\$) Increase	Revised budget
Food cost	83 669 245	18 615 636	102 284 881
External transport	7 702 880	854 875	8 557 755
LTSH	11 547 452	4 790 808	16 338 260
ODOC	6 613 428	953 484	7 566 912
DSC	9 200 095	1 439 469	10 639 564
ISC (7.0 percent)	8 311 317	1 865 799	10 177 116
Total cost to WFP	127 044 417	28 520 071	155 564 488

NATURE OF THE INCREASE

1. This budget revision to Malawi protracted relief and recovery operation (PRRO) 105860 is proposed in response to a sharp increase in the number of people facing extreme levels of food insecurity due to drought and economic-related shocks. This revision will extend the operation by eight months, August 2012 to March 2013, and increase the number of beneficiaries assisted by 727,000 people.
2. The budget revision will:
 - increase food requirements by 54,621 mt at a food cost of US\$18.61 million;
 - increase associated costs by 10.2 million (external transport by US\$0.85 million; landside transport, storage and handling [LTSH] by US\$4.79 million; other direct operational costs [ODOC] by US\$0.95 million and direct support costs [DSC] by US\$1.43 million; and increase indirect support costs [ISC] by US\$1.86 million).
 The total cost of the revision is US\$28.52 million

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of Existing Project Activities

3. The current objective of PRRO 105860¹ is to save lives in crisis situations, especially for those affected by sudden transitory food needs caused by small-scale natural disasters, such as floods and drought (WFP Strategic Objective 1 – “Save lives and protect livelihoods in emergencies”).
4. The PRRO has been extended-in-time, most recently until 31 July 2012 (through budget revision 9) for a target population of 273,000 food-insecure people² in response to a report by the Malawi Vulnerability Assessment Committee (MVAC) in January 2012 and another MVAC assessment in March 2012. Given the rapid deterioration of the economic situation since March and harvest failures in some regions, the Government opted to undertake a more comprehensive MVAC assessment between end-May and end-June 2012 to determine the needs until the end of the lean season in March 2013. As an active member of the MVAC, WFP has been supporting field assessments, data processing, analyses and reporting.
5. Targeted food distributions are part of WFP’s disaster risk reduction and livelihood protection strategy, preventing households from slipping into a state of severe food insecurity, securing livelihoods and thus promoting resilience to shocks. WFP’s country programme 200287 (2012-2016) includes nutrition support, asset production/creation and specific disaster risk-reduction activities.

Conclusion and Recommendations of the Re-Assessment

6. Malawi is currently facing two main challenges: i) the ramifications of a failed harvest in part of the country; and ii) the impact of an economic crisis and subsequent financial reforms. Both factors have left much of Southern Region in a highly food-insecure state, where much of the population is in need of food assistance.

Poor crop harvest

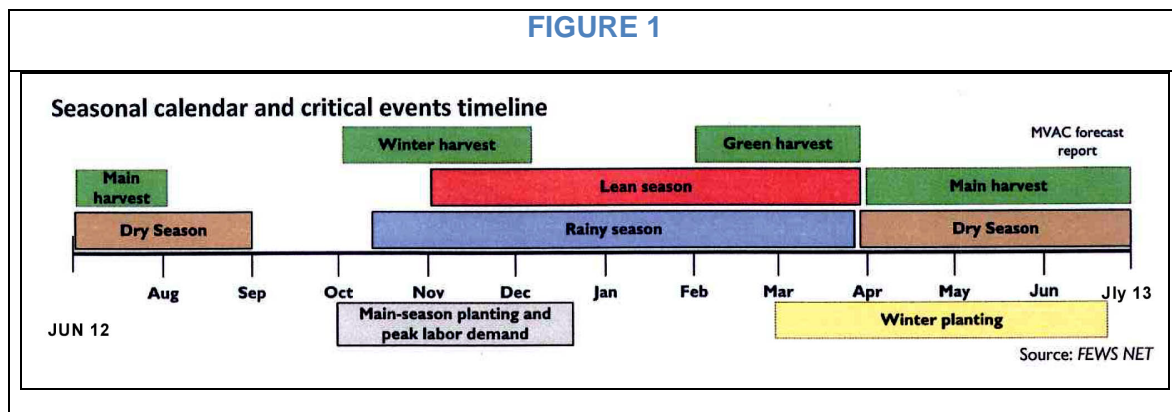
7. The late onset of rains required for planting, coupled with erratic rainfall patterns and prolonged dry spells, have resulted in decreased maize production by 9 percent when compared to the five-year average in Southern Region, and by as much as 40 percent in the worst-affected districts.³ At least 15 out of Malawi’s 28 districts (Balaka, Blantyre, Dedza, Chikhwawa, Machinga, Mangochi, Mulanje, Mwanza, Neno, Ntcheu, Nsanje, Phalombe, Salima, Thyolo and Zomba) have been identified to have substantial populations which will not achieve minimal food requirements for three to eight months during the 2012/2013 season. With the reduced harvest and the poor market integration, the availability of staple

¹ The original objectives of the PRRO (2008) were: "save lives in crisis situations, especially those affected by sudden transitory food needs caused by small-scale natural disasters; support access to age-appropriate education in primary schools and preschools during the lean period in areas affected by acute food shortages; support improved nutritional status among children, pregnant and lactating women and people living with HIV in target areas; and protect and enhance the livelihoods of food-insecure people, including people living with HIV, in targeted areas." Some of these activities are now being implemented through WFP’s country programme.

² Victims of a prolonged dry spell.

³ FEWS-NET, 2012, Malawi Food Security Outlook, May 2012 to March 2013, www.fews.net/malawi

foods, mainly maize, is an issue of serious concern, particularly for the next lean season (November-March).



Political changes and economic reforms

8. Malawi's new government, which took office in April 2012, is promoting a vigorous response to address economic and political challenges, attempting to put the economy onto a path of sustained recovery. Donor countries, which had been contributing about 40 percent of the country's national budget, virtually ceased providing support in 2011 due largely to concerns over human rights and management of the economy. Malawi is now engaging donor support, in part by meeting the International Monetary Fund's conditions for a support package.
9. In early May 2012, the Malawi currency (Kwacha) was devalued by 49 percent. While the devaluation is expected to invigorate the economy in the longer-term, in the short term ordinary Malawians will suffer hardships. The devaluation, coupled with soaring inflation (17 percent in May, as per the consumer price index), has produced sharp increases in the price of basic goods and services and has pushed the cost of living of many Malawians to unsustainable levels. Retail maize prices in March 2012 were already higher than both the previous year and the five-year average by 40 percent; since then, a 32 percent increase in fuel prices following the devaluation is expected to lead to further price increases in all goods and services.

Re-assessment

10. The combined effects of the poor harvest and the economic situation have left at least 1 million people, primarily in the southern rural areas, food-insecure and in need of food assistance during the second half of 2012 and first quarter of 2013 (see map, Annex III). The food-insecure households' own food stocks have run out and they are unable to access adequate food from the markets because of limited income sources and soaring prices.
11. This budget revision has been initiated in response to available early warning information, particularly from the Famine Early-Warning System Network (FEWS-NET),⁴ and the imperative for an immediate humanitarian response. When the results of the comprehensive MVAC become available, a further budget revision will be prepared in consultation with partners to reflect any additional requirements.

⁴ Famine Early Warning Systems Network, 2012, Malawi Food Security Outlook, May 2012 to March 2013. www.fews.net/malawi

12. WFP operations in Malawi are currently being assessed to determine the potential feasibility, efficiency and effectiveness of cash and/or voucher transfer modalities. The Government, donors and some partners have agreed on the use of cash transfers in responding to the emergency food needs alongside the use of in-kind food in the medium term. A market assessment will guide WFP and partners in determining possible areas of intervention through cash or vouchers, the best timing and the implementation strategy.

Purpose of Extension and Budget Increase

13. The Government has officially requested WFP’s support to: i) plan a relief operation - including logistics and food distribution arrangements for a quick scale-up response to the current crisis; and ii) mobilize resources required for food assistance activities.

Objectives of WFP assistance:

14. The objective of this budget revision is to save lives in crisis situations, especially for those affected by sudden transitory food needs caused by natural shocks, such as floods and drought (WFP Strategic Objective 1 – “Save lives and protect livelihoods in emergencies”). The PRRO is also to ensure that negative coping strategies are avoided and will protect beneficiaries from the loss of assets.

WFP response strategy:

15. To respond to the poor harvest and difficult economic conditions through urgently needed food assistance, this budget revision will extend the PRRO duration by eight months for 1 million food-insecure people.
16. This budget revision is based on the use of food transfers. However, a market assessment is planned to further explore possible cash or voucher-based interventions, which if appropriate would be incorporated through a separate budget revision.
17. WFP activities that are more resilience-oriented in nature (including nutrition support, asset production/creation and specific disaster risk-reduction activities) are being implemented under WFP’s country programme (200287). Beneficiary targeting for both targeted food distribution and asset-creation activities will be coordinated to avoid duplication. WFP will seek opportunities for PRRO beneficiaries to graduate to recovery or resilience-building activities under the country programme.

Beneficiaries and targeting:

TABLE 1: BENEFICIARIES BY ACTIVITY				
Activity	Category of beneficiaries	Current	Increase	Revised
Targeted Food Distribution	Food-insecure people	273,000	727,000	1,000,000
TOTAL		273,000	727,000	1,000,000

18. WFP and non-governmental organization (NGO) partners will organize the targeting of beneficiaries in the most vulnerable districts, in collaboration with district-level local government authorities. The targeting teams will use a set of economic and social indicators

aimed at determining the most vulnerable and food-insecure groups. Targeting will involve the use of joint emergency food aid programme guidelines.⁵

Nutritional consideration and rations:

19. WFP will provide food support to targeted food-insecure households using a food basket that includes maize, pulses and Supercereal Plus. The food ration is designed to cover the food gap faced by the affected households, as recommended by the MVAC assessment, and assumes that other household income sources will complement the food basket. The food assistance will be provided on a two-monthly basis for the first four months of the response period (August-November) and on a monthly basis during the lean season (December-March).

TABLE 2: DAILY FOOD RATION (g/person/day)	
	Targeted Food Distribution
Maize	303
Pulses	50
Supercereal Plus	30
TOTAL	383
Total kcal/day	1,348
Number of feeding days per month	30

Implementation arrangements:

20. WFP works in collaboration with the Government, through the Department of Disaster Management Affairs and the Poverty Reduction and Social Protection Division, to provide an appropriate and timely response and to build government capacity.
21. WFP will continue to work in close coordination with other United Nations agencies, NGOs, donors and stakeholders to ensure a well-coordinated, comprehensive and cohesive response. The WFP country office will assess opportunities for partnering with other United Nations agencies (e.g. The United Nations Children’s Fund, the Food and Agriculture Organization of the United Nations) and NGOs (e.g. World Vision International).

Performance monitoring:

22. It is expected that WFP food assistance will improve the food consumption of the targeted beneficiaries while helping them to maintain levels of resilience and avoid employing negative coping strategies (see logical framework, Annex II).
23. As part of the assessment and monitoring of the situation, WFP and implementation partners, including the MVAC, will continuously monitor market prices throughout 2012 and 2013.

⁵ 2003. Secretariat of the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) on behalf of the Learning Support Office (LSO). *Manual for the provision of general food distributions during emergency programmes in Malawi*. Joint Emergency Food Aid Programme.

Risk management:

24. Abrupt shortages of fuel and commodity pipeline breaks would affect WFP's ability to reach the beneficiaries efficiently. To mitigate these risks, the country office will work closely with government counterparts and local suppliers to institute stand-by arrangements for the availability of fuel and food commodities to support the operation. WFP will also augment its fundraising activities and strengthen information flows to highlight resource requirements. The WFP country office is actively mobilizing funds and is working in close collaboration with the Government and other key stakeholders.

FOOD REQUIREMENTS

25. The figures in Table 3 indicate the change in the food requirements for targeted food distribution and will be adjusted pending final results from the MVAC assessment. Food commodities will be procured locally whenever possible. The food requirement is estimated at 54,621 mt with a food cost of US\$18.6 million and a total cost US\$28.5 million (see Annex I-A).

TABLE 3: FOOD REQUIREMENTS				
Activity	Commodity, Cash, Vouchers	Food requirements (mt)		
		Current	Increase	Revised total
Targeted Food Distribution	Commodity	188,209	54,621	242,830
TOTAL		188,209	54,621	242,830

RECOMMENDATION

26. The proposed eight-month extension-in-time with the additional commitment for food commodities and associated costs, resulting in the revised budget for project PRRO 105860 is recommended to the Executive Director for approval.

APPROVED

Ertharin Cousin
Executive Director,
United Nations World Food Programme

Date

ANNEX I-A

BUDGET INCREASE COST BREAKDOWN			
Food	Quantity (mt)	Value (US\$)	Value (US\$)
Cereals	40 793	9 463 003	
Pulses	9 219	6 217 253	
Mixed and blended food	4 609	2 934 80	
Total food	54 621	18 615 636	
Cash transfers			
Voucher transfers			
Subtotal food and transfers			18 615 636
External transport			854 875
Landside transport, storage and handling			4 790 808
Other direct operational costs			953 484
Direct support costs (see Annex I-B)			1 439 469
Total WFP direct costs			26 947 350
Indirect support costs (7.0 percent)			1 865 799
TOTAL WFP COSTS			28 520 071

ANNEX I-B

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff and staff-related costs	
International professional staff	289 720
Local staff - national officers	136 301
Local staff - general service	186 617
Local staff - temporary assistance	166 921
Local staff - overtime	24 000
Staff duty travel	188 710
Subtotal	992 269
Recurring expenses	
Rental of facility	192 000
Utilities	16 000
Office supplies and other consumables	54 000
Communications services	40 000
Equipment repair and maintenance	24 000
Vehicle running costs and maintenance	64 000
Subtotal	390 000
Equipment and capital costs	
Vehicle leasing	27 200
Communications equipment	30 000
Subtotal	57 200
TOTAL DIRECT SUPPORT COSTS	1 439 469

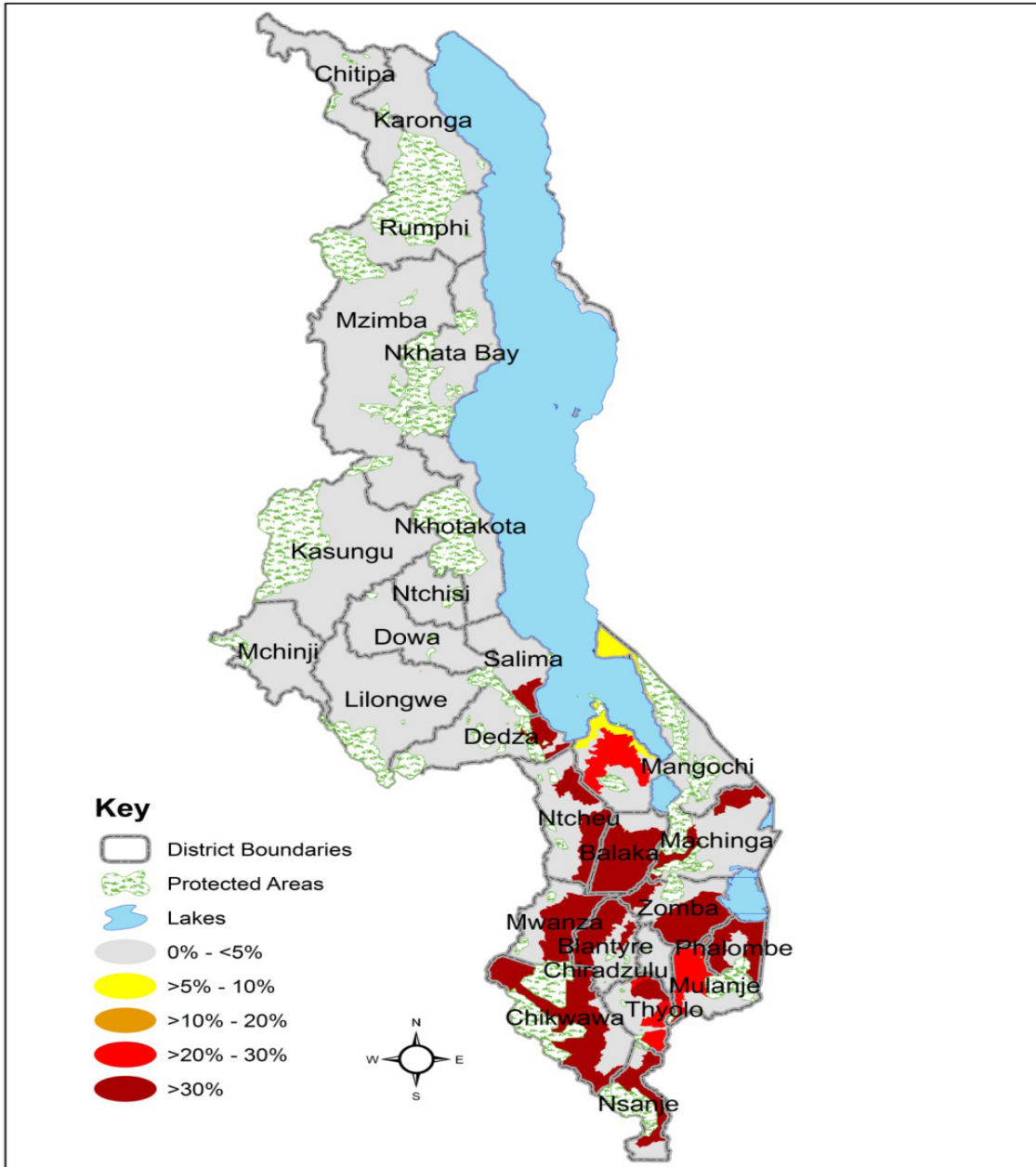
ANNEX II: LOGICAL FRAMEWORK SUMMARY MALAWI PRRO 105860 (Budget Revision 10)

Results	Performance indicators	Assumptions
<p>Strategic Objective 1: Save lives and protect livelihoods in emergencies PRRO Objective: Save lives in crisis situations, especially for those affected by sudden transitory food needs caused by natural shocks such as floods and drought</p>		
<p>Outcome 1 Improved food consumption over assistance period for targeted households.</p>	<ul style="list-style-type: none"> ➤ Household Food Consumption Score (FCS). Target: More than 80% of the targeted beneficiaries will have FCS at or above 35 (acceptable) during the period of assistance. Data source: Community and Household Surveillance (twice a year; baseline and follow-up survey). ➤ Coping strategy index (CSI) Target: More than 95% of the targeted beneficiaries will have CSI at low level (CSI<51) during the period of assistance. Data source: Community and Household Surveillance (twice a year; baseline and follow-up survey). 	<p>The Government, other United Nations agencies and cooperating partners will support the beneficiaries with other basic needs (water and sanitation, health, education, protection) to influence the achievement of the target nutritional outcomes.</p> <p>Qualified partners will be available to support and complement the WFP food assistance intervention.</p> <p>Fuel supplies will continue to be available throughout the response period.</p>
<p>Output 1.1 Food distributed in sufficient quantity and quality to targeted women, men, girls and boys under secure conditions</p>	<ul style="list-style-type: none"> ➤ Number of women, men, girls and boys receiving food by category, activity and as % of planned. ➤ Tonnage of distributed food by type, as % of planned distribution. ➤ Number of NGOs that collaborate in the provision of complementary inputs& services. 	<p>Donors positively respond to the relief food requirement.</p> <p>Adequate and uninterrupted food commodity pipeline in place.</p> <p>Complementary non-food items, materials and trained staff provided by the concerned partners.</p>

ANNEX III:

MALAWI FOOD SECURITY MAP FOR JULY 2012 TO MARCH 2013

Affected Areas in Malawi



Source: Malawi Government, 2012

ACRONYMS USED IN THE DOCUMENT

ALNAP	Active Learning Network for Accountability and Performance in Humanitarian Action
CSI	coping strategy index
DSC	direct support costs
FCS	food consumption score
FEWS-NET	Famine Early-Warning System Network
ISC	indirect support costs
LSO	Learning Support Office
LTSH	landside transport, storage and handling
MVAC	Malawi Vulnerability Assessment Committee
NGO	non-governmental organization
ODOC	other direct operational costs
PRRO	protracted relief and recovery operation
WFP	United Nations World Food Programme