

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 March 2013

	Current budget	Costs (US\$) Increase	Revised budget
Food cost	102 284 881	11 191 468	113 476 349
Cash transfer cost	-	2 636 364	2 636 364
External transport	8 557 755	-	8 557 755
LTSH	16 338 260	3 228 430	19 566 690
ODOC	7 566 912	955 798	8 522 710
DSC	10 639 564	929 558	11 569 122
ISC (7.0 percent)	10 177 116	1 325 913	11 503 029
Total cost to WFP	155 564 488	20 267 531	175 832 019

NATURE OF THE INCREASE

1. A budget revision to the Malawi protracted relief and recovery operation (PRRO) 105860 is proposed to reach an additional 645,000 beneficiaries, bringing the total number of beneficiaries to 1.6 million people. In view of the sharp increase in the level of food insecurity due to a rapid deterioration of the national economy and severe drought, the Government has requested WFP to scale up its relief interventions and has confirmed an in-kind contribution of 25,000 mt of maize, which will partially cover the additional requirements. While the majority of the beneficiaries will receive in-kind food, the budget revision also introduces cash transfers for 145,000 people as part of the relief operation.
2. More specifically, the budget revision will:
 - Increase the food requirements by 36,808 mt, valued at US\$11.2 million;
 - include a cash component at a cost of US\$2.6 million;
 - increase the associated costs by US\$5.1 million, consisting of landside transport, storage and handling (LTSH), other direct operational costs (ODOC) and direct support costs (DSC); and
 - increase the indirect support costs (ISC) by US\$1.3 million.
3. The PRRO title is revised from “Assistance to Food-Insecure People Suffering from the Effects of Natural Disasters and HIV/AIDS” to “Assistance to Food-Insecure People Suffering from the Effects of Natural Disasters” to reflect its current scope of activities.

JUSTIFICATION FOR BUDGET INCREASE

Summary of Existing Project Activities

4. The first six months of 2012 in Malawi have been characterised by a rapid deterioration of the national economy and severe drought conditions that have led to a failed harvest. Based on a report issued by the Famine Early-Warning System Network (FEWS-NET) in May 2012, which predicted high levels of food insecurity,¹ WFP initiated a budget revision to PRRO 105860 in June 2012 to extend the operation to the end of the lean season in March 2013 and provide continued relief assistance to an estimated 1 million beneficiaries through targeted food distributions.
5. In line with WFP Strategic Objective 1,² the PRRO aims to save lives and protect livelihoods in crisis situations, especially for those affected by sudden transitory food crisis caused by natural shocks such as floods and drought. Targeted food distributions are part of WFP's disaster risk reduction (DRR) and livelihood protection strategy, with a focus on preventing further food insecurity and securing livelihoods. WFP assistance ensures that food-insecure people do not resort to negative coping strategies such as selling productive assets or engaging in *ganyu* (daily work), which may compromise the need to work on their own fields.

Conclusion and Recommendations of the Re-Assessment

6. Malawi is currently facing two main challenges: i) the ramifications of a failed harvest in some regions; and ii) the combined fallout from an economic crisis and various austerity measures associated with financial reforms. Erratic rainfall and prolonged dry spells during the 2011/2012 planting and growing season have led to cereal production that is as much as 40 percent below average in some areas, particularly in the south.³
7. Both factors have left much of the southern region and part of the central region highly food-insecure. Many households will produce insufficient food to cover their consumption requirements, making them dependent on the market once their own stocks are exhausted. However, high food prices have significantly weakened the ability of households to access food and vital non-food items (such as cooking fuel) from the markets. The significant rise in prices is primarily resulting from the recent devaluation of the national currency by 49 percent, coupled with high inflation of over 20 percent.⁴ Retail prices for maize (the main staple food) are currently 80 percent higher than last year at the same time and are expected to increase further. Prices will be even higher in the southern region owing to its general remoteness and relatively poor road and marketing infrastructure. The southern region receives most of its food from central and northern Malawi. It is therefore reasonable to assume that increases in fuel prices (already up by 32 percent from last year) will have a significant impact on maize and other commodity prices in the south.
8. The other income sources that households can normally access, including casual labour, selling handy crafts, firewood and vegetables and support from relatives, have reduced this year. As a result, households' cash reserves are minimal.

¹ Famine Early Warning Systems Network, 2012, Malawi Food Security Outlook, May 2012 to March 2013, www.fews.net/malawi

² WFP Strategic Objective 1: Save lives and protect livelihoods in emergencies.

³ Famine Early Warning Systems Network, 2012, *Malawi Food Security Outlook, May 2012 to March 2013*, www.fews.net/malawi

⁴ National Statistics Office, July 2012.

9. In late July 2012, a comprehensive Malawi Vulnerability Assessment Committee (MVAC) report determined that 1.6 million people (11 percent of the population) will likely experience food deficits ranging from 3 to 8 months during the 2012/2013 lean season. While the lean season normally goes from January to March, some of the most vulnerable households were already facing high levels of food insecurity as early as August 2012.⁵ Therefore, the number of people requiring WFP food assistance is expected to gradually increase from 1 million in August to 1.6 million people during the peak of the lean season (January-March).
10. The MVAC identified 15 out of 28 districts that were most affected, including Balaka, Blantyre, Dedza, Chikhwawa, Machinga, Mangochi, Mulanje, Mwanza, Neno, Ntcheu, Nsanje, Phalombe, Salima, Thyolo and Zomba. They are mostly located in the southern region, with the exception of Salima, Dedza and Ntcheu districts which are located in the central region.
11. Children under 5 and pregnant and lactating women are expected to be particularly hard hit by the current crisis, with serious implications for long-term human development. Stunting levels (at 47 percent)⁶ are already critically high and nutritional monitoring data points to a dramatic increase (55 percent) in the number of admissions with acute malnutrition at health centres in affected areas since the beginning of 2012.
12. The humanitarian community in Malawi is also concerned about urban hunger and poverty. The MVAC conducted a follow-up survey in urban areas in September, looking at the impact of recent economic reforms and price fluctuations on vulnerable urban populations. Data analysis is ongoing and will likely lead to interventions to mitigate the effects of the rising cost of living through coordinated actions by the United Nations country team (UNCT) including WFP through its country programme (CP) 200287.
13. In this context, the humanitarian response committee (HRC) has recommended a combination of both food- and cash-based assistance for a total of 1.6 million beneficiaries (gradually increasing between August 2012 and March 2013). The HRC oversees the humanitarian response in Malawi and is comprised of Government, donors, United Nations agencies, non-governmental organization (NGO) partners and the private sector. The United Nations Children's Fund (UNICEF) plans to carry out a nutrition survey at a later stage. In the meantime, it was recommended to strengthen the ongoing nutrition interventions and surveillance systems in the affected areas in order to prevent an increase in acute malnutrition.

⁵ MVAC National Food Security Forecast, April 2012 to March 2013, Bulletin No. 8 Volume 1.

⁶ DHS, MICS, World Health Organization (WHO) and UNICEF.

Purpose of Budget Increase

WFP response strategy

14. In line with the MVAC recommendations, the purpose of this budget revision is to meet the food needs of an additional 650,000 food-insecure and most vulnerable people, bringing the total number of beneficiaries under the PRRO to 1.6 million people. In-kind food assistance will be provided to 1.5 million people. Cash-based assistance for 145,000 beneficiaries for a period of four months (October-January 2013) in areas where market conditions are appropriate and financial services available.⁷ In-kind food assistance will be the only transfer modality for the remainder of the response period (February-March). This strategy takes into consideration several factors particularly food availability at the peak of the lean season, when food prices are expected to exponentially increase, thereby making in-kind food assistance more appropriate.
15. The operation will be scaled up progressively over time, reaching all 1.6 million people during the peak of the lean season (January to March) in all 15 affected districts in the southern and central regions of the country. The duration of assistance will range from three to eight months depending on the degree of vulnerability of each district. Based on MVAC recommendations, households will receive assistance for eight months in Chikhwawa, Machinga and Nsanje districts; seven months in Balaka, Blantyre, Mwanza, Neno and Ntcheu districts; six months in Phalombe and Zomba; four months in Dedza and Salimad; and three months in Mangochi, Mulanje and Thyolo districts.

Beneficiaries and Targeting

16. Table 1 outlines the current and revised beneficiary numbers by activity:

TABLE 1: BENEFICIARIES BY ACTIVITY			
Activity	Current	Increase	Revised
Targeted food distributions	1 000 000	500 000	1 500 000
Cash-based response	-	145 000	145 000
TOTAL	1 000 000	645 000	1 645 000

17. Within the 15 targeted districts, WFP and its NGO partners will identify the most vulnerable and food-insecure groups in collaboration with district level local government authorities. Household targeting will be based on a set of economic and social indicators and will follow the joint emergency food assistance programme (JEFAP) guidelines.⁸

⁷ The MVAC has been commissioned to conduct a rapid feasibility and market analysis to determine appropriate geographical areas of intervention through a cash-based response, best timing and implementation strategy. Based on preliminary findings, WFP and the Government estimate that 145,000 beneficiaries are eligible for cash-based assistance in a number of districts where market conditions are appropriate and financial services available.

⁸ This manual provides guidance for the agencies involved in the Joint Emergency Food Aid Programme (JEFAP) in Malawi. It covers all aspects of the programme and the whole distribution cycle, including conducting sensitization meetings at the village level; managing the food distribution sites; and post-distribution monitoring.

Rationale for choice of transfer modality

18. Cash transfers will be provided on a monthly basis for four months from October through January. The market analysis and feasibility study that WFP and its partners are carrying out will provide guidance on the ultimate appropriate distribution models by season and locality. Factors to be considered will include cost efficiency and feasibility.
19. Conducting a preliminary cost efficiency analysis for cash-based assistance versus in-kind food (local purchasing) finds that in-kind food assistance is in most cases more cost efficient, valued at US\$4.18 per person per month when compared to cash-based assistance valued at US\$5.99 per person per month. However, cash-based assistance offers greater effectiveness in certain areas, providing beneficiaries with the necessary purchasing power to access enough food to sustain themselves. Moreover, it can empower beneficiaries, giving them flexibility to choose where and from whom to purchase their food, and to purchase the types of items they need the most. Finally, injections of cash on local markets have also been shown to stimulate local economies in the form of increased local trade and production, thereby stimulating the recovery of vulnerable communities. A survey in the Dowa district in Malawi illustrated that for every US\$1 of cash transferred, a regional multiplier of 2.02 to 2.45 was observed in the local economy, suggesting that there favourable impact on the local economy was more than double the actual transfer value, benefiting both recipients and non-recipients alike.⁹
20. Past experiences in Malawi show that beneficiaries almost invariably use cash transfers to purchase food. An evaluation of Malawi's food and cash transfers (FACT) programme showed that 75 percent of the cash transfer was typically spent on groceries.¹⁰ A study by Oxfam of its own cash transfer programme found that, on average, roughly 95 percent of the cash distributed was spent on food, mostly maize.¹¹

Cash transfer mechanisms

21. The preliminary findings of the market study and financial service providers analysis point to the use of a mobile phone-based system for the delivery of cash. Beneficiaries will be registered for the Airtel Money e-wallets after being issued with SIM cards.¹² Where necessary, WFP will negotiate with Airtel to provide the beneficiaries with mobile phones. The charging of the equipment will be facilitated using communal solar chargers if required. WFP will undertake monthly cash distributions to the selected beneficiaries who will be notified through a text message. Beneficiaries will then redeem the cash through the numerous Airtel agents. Safety and security of the funds will be assured through a password.
22. WFP will enter an agreement with Airtel to ensure that beneficiaries and other relevant stakeholders receive a basic training on how the system works. Easily accessible help desks will also be set-up within the community. These will address potential problems including lost SIM cards and forgotten passwords.

⁹ Davies, S. and J. Davey (2008) 'A Regional Multiplier Approach to Estimating the Impact of Cash Transfers on the Market: the Case of Cash Transfers in Rural Malawi.' *Development Policy Review*, 26(1): 91-111.

¹⁰ Devereux, S., P. Mvula and C. Soloman (2006) *After the FACT: an evaluation of Concern Worldwide's food and cash transfers project in three districts of Malawi, 2006*. Lilongwe: Concern Worldwide.

¹¹ Balaka Cash Transfer Project Final Report (2012). Salephera Consulting Ltd., Lilongwe: Oxfam.

¹² An e-wallet is an encrypted storage medium, holding credit card PIN numbers and passwords and other financial information that can be used to complete electronic financial transactions. Available: http://www.investorwords.com/1681/electronic_wallet.html#ixzz28L8FSyZs

23. WFP also intends to consider disbursing cash through local banks on a smaller scale for purposes of learning that will potentially complement government and other stakeholders' use of this system. Beneficiaries will have bank accounts opened in their names and be issued with debit cards that can be used in automatic teller machines (ATMs). Cash distributions will also happen on a monthly basis. Where necessary, the bank will be expected to bring mobile vans with cash disbursement facilities to the villages. The bank will also provide basic financial literacy training to the beneficiaries.
24. The relief response under the PRRO will be complemented by other WFP activities that are more resilience-oriented in nature (including school meals, nutrition support, asset production/creation and specific disaster risk-reduction activities). Under component 1 of the WFP's country programme (CP 200287), the provision of school meals to children in the most affected districts will act as a protective ration. WFP will expand its support to the treatment of moderate acute malnutrition under component 2 (targeted supplementary feeding). Beneficiary targeting for targeted food distributions under the PRRO will be coordinated with asset-creation activities under component 3. WFP will assess whether further assistance will be required beyond 31 March 2013, when the PRRO is currently scheduled to end. WFP will seek opportunities for PRRO beneficiaries to graduate to recovery or resilience-building activities under the country programme.
25. WFP works in close coordination with the Government through the Department of Disaster Management Affairs and the Poverty Reduction and Social Protection Division, other United Nations agencies, NGOs, donors and other stakeholders to ensure a well-coordinated, comprehensive and cohesive response. Common action plans and funding proposals are being jointly developed. UNICEF plans to improve the existing nutrition surveillance systems in the affected districts, scale-up the treatment of severe acute malnutrition (therapeutic feeding) where needed as well as support the expansion of WFP's targeted supplementary feeding programme. FAO and the Government, with WFP support, will focus on the provision of agriculture implements and better quality seeds, as well as building the capacity of agricultural extension workers to demonstrate to small-holder farmers the advantages of improved farming practices for the early recovery phase.

FOOD/CASH REQUIREMENTS

26. Targeted food-insecure households will receive 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 and assumes that other household income sources will complement the food basket. The food basket covers approximately 63 percent of the energy daily requirements and is based on an average sized family (5.5 members).
27. Although WFP advocated for the inclusion of vegetable oil in the food ration, the Government raised concern about providing this commodity under the present circumstances, owing to its high monetary value and easy saleability. WFP will continue to discuss this issue with the Government and if necessary a budget revision will be processed.
28. The value of the cash-based response has been set at US\$25 per household per month, based on the retail prices of the WFP food basket. The transfer value may fluctuate depending on the prevailing market and other conditions. This includes a buffer of US\$5

to account for increases in retail prices throughout the assistance period, and protect beneficiaries from possible inflationary pressures resulting from currency devaluation and declining food availability. Should food prices exceed a threshold of efficiency, WFP will revert to in-kind food distributions.

TABLE 2: DAILY FOOD RATION/TRANSFER BY ACTIVITY (g or US\$/person/day)		
Commodity/cash	Targeted Food Distribution	Cash-based assistance
Maize	303	
Pulses	61	
Supercereal	30	
Cash-based assistance (US\$/person/day)		0.15
TOTAL	394	0.15
Total kcal/day	1,374	
% Kcal from protein	16.6	
% Kcal from fat	4.8	
Number of feeding days per month	30	30

29. Table 3 outlines the current and revised food and cash requirements. An additional 36,808 mt of food and US\$2.6 million for the cash-based response will be required to meet the needs of 1.6 million people. All commodities will be procured locally. The Government of Malawi has confirmed an in-kind contribution of 25,000 mt of maize from its strategic grain reserve towards the PRRO. This donation will require twinning funds to cover the transport and distributions costs.

TABLE 3: FOOD/CASH REQUIREMENTS BY ACTIVITY (mt/US\$)				
Activity	Commodity/ Cash	Current	Increase	Revised
Targeted food distribution (mt)	Commodity	242 830	36 808	279 638
Cash-based response (US\$)	Cash	0	2 636 364	2 636 364

Capacities

30. WFP will need to increase its own capacity in order to respond effectively to the food crisis. WFP plans to take on additional field staff to scale-up monitoring of the food security situation in affected areas and implementation of the relief operation, as well as complement its existing capacity in cash-based programming. WFP also plans to acquire additional vehicles and pre-fabricated warehouses for temporary commodity storage, sign at least six additional field-level agreements with cooperating partners, as well as establish agreements with commercial partners for the cash-based response. Associated costs will increase mainly because of additional cooperating partners and high inflation.

Risk management

31. Some risks exist that would hamper WFP from meeting the needs of the targeted population under this operation. Abrupt shortages of fuel and commodity pipeline breaks could affect WFP's ability to reach beneficiaries in an efficient manner. Moreover, distortion of the market prices for food, fuel and other items in the targeted districts, particularly where the cash-based response will be implemented, might occur and therefore requires a high degree of monitoring and real-time data analysis. To mitigate these risks, WFP will work closely with government counterparts and local suppliers to institute standby arrangements for sustained availability of fuel and commodities to support the operation. WFP and its cooperating partners will carefully monitor the market prices of both food and other commodities, particularly in places where cash-based assistance will be implemented as part of the response.

RECOMMENDATION

32. The proposed additional commitment of food and cash transfers and associated costs, resulting in the revised budget for project PRRO 105860 is recommended to the Executive Director for approval.

APPROVAL

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	29 329	6 429 731	
Pulses	4 980	3 137 384	
Oils and Fats	0	0	
Mixed and blended food	2 499	1 624 353	
Total food	36 808	11 191 468	
	Cash transfers	2 636 364	
Voucher transfers			
Subtotal food and transfers			13 827 832
External transport			0
Landside transport, storage and handling			3 228 430
Other direct operational costs			955 798
Direct support costs (see Annex I-B)			929 558
Total WFP direct costs			18 941 618
Indirect support costs (7.0 percent)			1 325 913
TOTAL WFP COSTS			20 267 531

ANNEX I-B

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff and staff-related costs	
International professional staff	16 791
International general service staff	0
Local staff - national officers	0
Local staff - general service	0
Local staff - temporary assistance	97 025
Local staff - overtime	65 000
Hazard pay and hardship allowance	0
International consultants	0
Local consultants	0
United Nations volunteers	0
Commercial consultancy services	0
Staff duty travel	153 742
Subtotal	332 558
Recurring expenses	
Rental of facility	240 000
Utilities	60 000
Office supplies and other consumables	45 800
Communications services	40 000
Equipment repair and maintenance	14 000
Vehicle running costs and maintenance	78 000
Office set-up and repairs	0
United Nations organization services	0
Subtotal	477 800
Equipment and capital costs	
Vehicle leasing	27 200
Communications equipment	60 000
Local security costs	32 000
Subtotal	119 200
TOTAL DIRECT SUPPORT COSTS	929 558

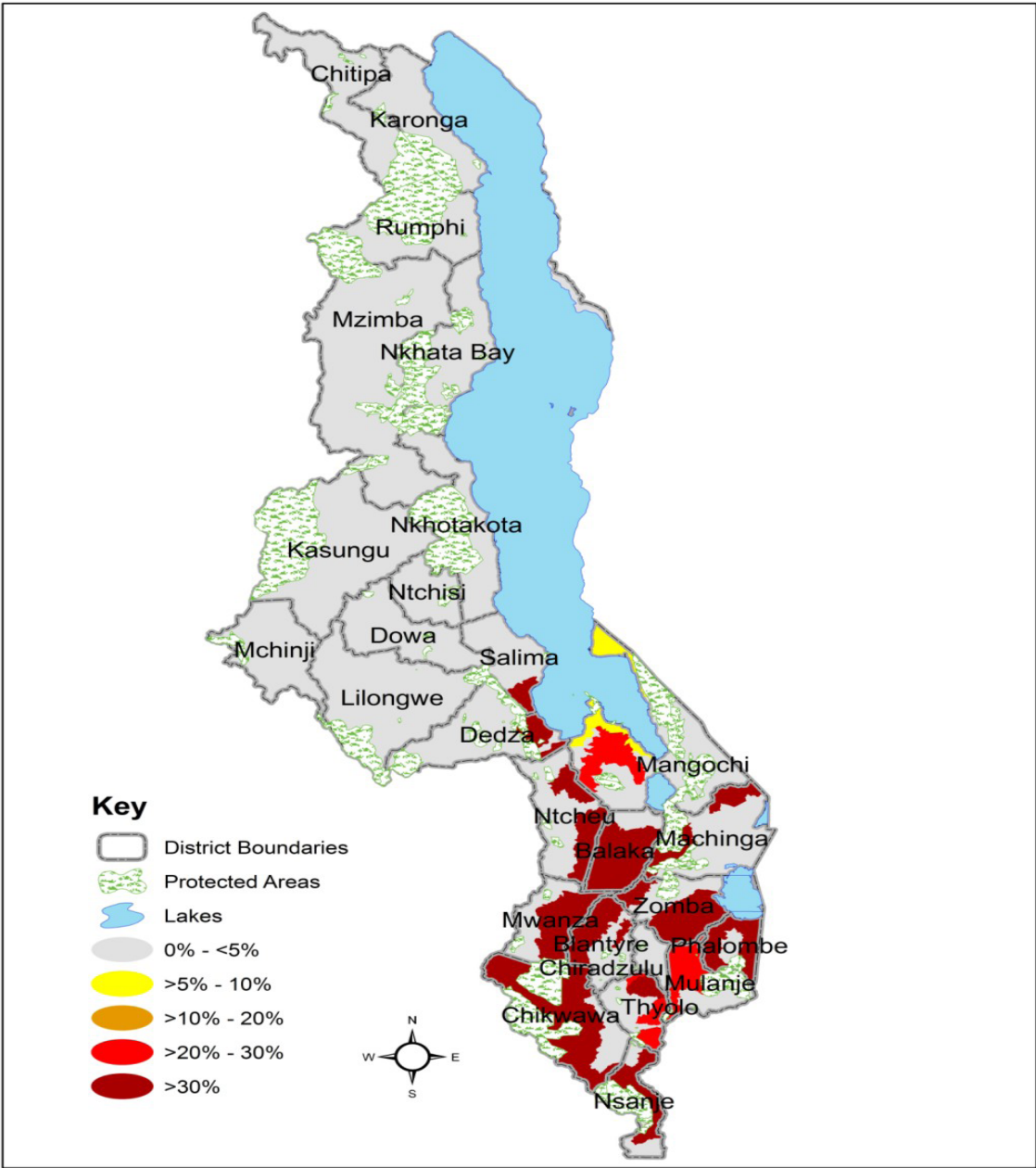
ANNEX II: LOGICAL FRAMEWORK

Strategic Objective 1: Save lives and protect livelihoods in emergencies

Objectives and Results	Indicators	Assumptions
<p>Outcome 1: Improved food consumption over assistance period for targeted emergency-affected households</p>	<ul style="list-style-type: none"> • Percentage of households with borderline to acceptable food consumption (Household with Food Consumption Score of greater than 21.5); Target: >85% • Average Coping Strategy Index; Target: 50% reduced from the baseline value 	<ul style="list-style-type: none"> • More than 75% of cash-based assistance received will be used to purchase food by the targeted households. • Complementary food items are available to households through limited self-reliance and/or complementary distributions
<p>Output 1: Food and cash-based assistance is distributed with the right amount on time 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 and cash-based assistance by category and a % of planned figures Target:100% • Tonnage of food distributed to beneficiaries as a percentage of planned Target: 100% • Percentage of cash-based assistance transferred to beneficiaries as a percentage of planned Target:100% • Total amount of cash-based assistance transferred to beneficiaries Target: US\$2,636,364 • Number of security incidents Target: 0 • Percentage of men and women collecting food and cash-based assistance Target: Women:50%; Men: 50% 	<ul style="list-style-type: none"> • Availability of timely funding
<p>Output 2: Targeting of beneficiaries is done efficiently as per targeting guidelines</p>	<ul style="list-style-type: none"> • Inclusion error Target:<20% • Exclusion error Target: <20% 	

ANNEX III: AREAS OF ACUTE FOOD SHORTAGE SITUATION IN MALAWI

Affected Areas in Malawi



Source: Government of Malawi, 2012

ACRONYMS USED IN THE DOCUMENT

CP	country programme
CSI	coping strategies index
CPI	consumer price index
DSC	direct support costs
FCS	food consumption score
FEWSNET	Famine Early-Warning System Network
ISC	indirect support costs
JEFAP	joint emergency food assistance programme
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
UNICEF	United Nations Children's Fund