

# Malawi PRRO 105860

## Budget Revision No. 12

### BUDGET REVISION FOR THE APPROVAL OF REGIONAL DIRECTOR

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

#### **PROJECT**

**Start date:** 1 January 2008

**End date:** 31 March 2013

	Previous Budget	Revision	New Budget
Food cost <sup>1</sup>	US\$ 113 476 349	US\$ 2 214 798	US\$ 115 691 147
Cash transfer cost	US\$ 2 636 364	US\$ 475 905	US\$ 3 112 269
External transport <sup>2</sup>	US\$ 8 557 755	US\$ 245 000	US\$ 8 802 755
LTSH <sup>3</sup>	US\$ 19 566 690	US\$ 54 396	US\$ 19 621 085
ODOC <sup>4</sup>	US\$ 8 522 710	US\$ 106 452	US\$ 8 629 162
DSC <sup>5</sup>	US\$ 11 569 122	US\$ 262 997	US\$ 11 832 119
ISC (7%) <sup>6</sup>	US\$ 11 503 029	US\$ 235 168	US\$ 11 738 198
<b>Total WFP cost (US\$)</b>	<b>US\$ 175 832 019</b>	<b>US\$ 3 594 716</b>	<b>US\$ 179 426 735</b>

#### **TYPE OF REVISION**

☒ Additional commodity
 ☒ Additional DSC
 ☒ Additional ODOC
 ☒ Additional LTSH  
☒ Additional external transport
 ☐ Extension or Reduction in time
 ☐ Other

<sup>1</sup> Food cost can comprise both commodities and cash/voucher transfers.

<sup>2</sup> The first leg of transport for commodities: from the donor country to the recipient country port, or in cases of regional commodity purchases, from the place of purchase to the recipient country.

<sup>3</sup> Landside, Transport, Storage and Handling - LTSH comprises the actions required to (a) care for and (b) physically deliver the commodities from the completion of external transport through to final distribution.

<sup>4</sup> Other Direct Operational Costs - ODOC include deliverable goods (non-food items), services and training to beneficiaries and/or to implementing partners.

<sup>5</sup> Direct Support Costs - DSC are those costs which are incurred directly in support of projects by a WFP Country Office.

<sup>6</sup> Indirect Support Costs - ISC is a fixed rate resourced from all donor contributions, which is used to cover (non-project) corporate overhead costs, i.e. PSA.

## **NATURE OF THE INCREASE**

1. This twelfth budget revision to WFP Malawi Protracted Relief and Recovery Operation (PRRO) 105860 is proposed in response to new developments in the position of the Government and the response by donors to the food security situation in Malawi.
2. The budget revision is carried out specifically to:
  - Accommodate a new in-kind contribution of 1,400 mt of vegetable oil donated by USAID/FFP;
  - Increase the cash budget to accommodate the inclusion of the same vegetable oil in the ration and to account for an increase in the price of commodities;
  - Include the cost of conducting an economic impact assessment as part of the cash-transfer component of this relief operation;
  - Cover the cost of hiring additional staff deemed necessary to effectively implement this relief operation.
3. The total cost of this revision amounts to US\$ 3.59 million and reflects the following:
  - Increased food requirements (1,400 mt vegetable oil) at a cost of US\$ 2.21 million;
  - Increased cash component at a cost of US\$ 0.48 million;
  - Increased external transport costs by US\$ 0.24 million;
  - Increased landside transport, storage and handling (LTSH) by US\$ 0.05 million;
  - Increased other direct operational costs (ODOC) by US\$ 0.1 million;
  - Increased direct support costs (DSC) by US\$ 0.26 million;
  - Increased indirect support costs (ISC) by US\$ 0.23 million.

## **JUSTIFICATION FOR BUDGET INCREASE**

### **Summary of existing project activities**

4. This PRRO was recently subjected to two significant budget revisions (BR10 and BR11) so as to extend its duration and increase the number of beneficiaries in order to address substantial increases in food insecurity in Malawi as a consequence of severe drought and hyper inflation. The seriousness of the situation was substantiated in the latest Malawi Vulnerability Assessment Committee (MVAC) assessment report that was published in July of 2012.
5. Through these latest budget revisions, WFP is able to progressively increase the level of food assistance over the coming months, peaking at 1.6 million in January 2013 at the height of the lean season. Assistance will be directed to 15 districts in the southern and central regions of the country. As per MVAC recommendations, and as agreed with the Government, WFP support will be provided both in the form of food and through cash transfers, as deemed appropriate.
6. Since the start of the relief operation in August of 2012, a number of additional operational issues have emerged and require further revisions to this PRRO:
  - the Government has reversed its position against the inclusion of vegetable oil in the food commodity ration and has accepted the subsequent in-kind donation of vegetable oil from USAID/FFP as a response;
  - There is a need to increase the actual cost of the cash component given the addition of vegetable oil to the food basket and given the rising food commodity prices;
  - Donors have requested to carry out an economic impact assessment of cash transfers;
  - There is a need to hire additional staff in order to effectively implement the operation.

## **Purpose of budget increase**

7. On 19 September 2012, the Commissioner for the Department of Disaster Management Affairs issued a letter to WFP stating that the Government had reversed its decision not to allow vegetable oil as part of the food basket. The Government's new stance followed acknowledgement that the food security situation in the country had worsened and genuinely required a more enhanced food basket throughout the lean season in order to achieve an effective response.
8. On 20 September, in response to the Commissioner's announcement, USAID/Food for Peace pledged an in-kind contribution of 1,400 mt of vegetable oil (and associated costs) in support of WFP operation. The vegetable oil will complement the original food basket and be incorporated immediately after its scheduled arrival in November 2012.
9. Building on recommendations of a market assessment, conducted in July/August 2012, and following agreements with Government and key partners, WFP relief operation will include a component of cash-based assistance. This form of assistance will be directed at 6 sub-districts across 4 districts which were identified as having good potential for a cash-based intervention, i.e., possessing favourable market conditions and availability of financial services in these areas. The targeted population in these selected sub-districts corresponds to 108,000 beneficiaries and will cost US\$ 3,112,269. This beneficiary number is less than the previously planned one of 145,000 originally earmarked for a cost of US\$ 2,636,364, prior to the conclusion of the assessment as referred in the previous budget revision (BR 11). The reason for differences in both the number of beneficiary to be assisted (lower) and the associated cash-transfer costs (higher) are fourfold:
  - The market assessment ranked all of the affected sub-districts into four categories, based on market conditions and the degree of feasibility for cash-based programming. As a result, only 10 out of a total of 63 sub-districts were categorized as showing high potential for cash-based programming, hence significantly reducing the targeted population;
  - A geographical division of responsibility was established between WFP and an NGO consortium, thus further reducing the number of beneficiaries assigned to WFP;
  - Various cost elements of the earlier configured cash-transfer have increased, primarily because of a general inflation of commodity prices that took place between the planning stage and the conclusion of the market assessment;
  - In addition, the cash-transfer value itself has increased with the inclusion of vegetable oil which resulted in an overall increase in the cost of delivering cash to the targeted beneficiaries who should receive the same food basket in monetary value than those receiving the in-kind food commodity basket..
10. In light of the relatively new use of cash transfers in Malawi, particularly during a relief operation, several key donors have requested WFP and its cooperating partners to undertake a study aimed at ascertaining the impact of cash & voucher-based assistance on the local economy. Subject to availability of funding, WFP will perform the study in the 6 out of the 10 sub-districts that have been targeted for assistance through cash transfers. This study will contribute to improving our understanding of best implementation practices related to cash transfers in a relief operation.
11. The total number of beneficiaries planned to receive WFP assistance, including the consequences of this budget revision, are provided in Table 1.

TABLE 1. BENEFICIARIES BY ACTIVITY TYPE				
	Beneficiaries			
Activity	Present	Increase	Decrease	Revised
Targeted Food Distribution	1 501 663	1 285	-	1 502 948
Cash transfers	145 000	-	37 161	107 839
<b>Total</b>	<b>1 646 663</b>	<b>1 285</b>	<b>37 161</b>	<b>1 610 787</b>

## FOOD/CASH REQUIREMENTS

12. The figures in Table 2 indicate changes in the requirements for targeted food distribution and cash transfers. All commodities will be procured locally where possible. There are no changes in the distribution modalities.

TABLE 2. FOOD REQUIREMENTS BY ACTIVITY TYPE			
	Food requirement (mt) Cash requirement (US\$)		
Activity	Present	Increase	Revised
<b>Total Targeted Food Distribution</b>	279 638	1 400	281 038
<b>Total Cash transfer</b>	2 636 364	475 905	3 112 269

13. WFP will need to increase its own staffing capacity in order to respond effectively as the peak of the operation approaches (during the lean season in Malawi). The Country Office plans to take on additional operations officers to complement the existing cash programming capacity.

### DISTRIBUTION:

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