

**Malawi PRRO 105860  
BR No. 13**

**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

	<b>Previous Budget</b>	<b>Revision</b>	<b>New Budget</b>
Food cost <sup>1</sup>	US\$ 115 691 147	US\$ 1 986 427	US\$ 117 677 574
Cash transfer cost	US\$ 3 112 269	US\$ 0	US\$ 3 112 269
External transport <sup>2</sup>	US\$ 8 802 755	US\$ 0	US\$ 8 802 755
LTSH <sup>3</sup>	US\$ 19 621 086	US\$ 566 973	US\$ 20 188 059
ODOC <sup>4</sup>	US\$ 8 629 162	US\$ 89 178	US\$ 8 718 340
DSC <sup>5</sup>	US\$ 11 832 119	US\$ 184 989	US\$ 12 017 108
ISC (7%) <sup>6</sup>	US\$ 11 738 197	US\$ 197 930	US\$ 11 936 127
<b>Total WFP cost (US\$)</b>	<b>US\$ 179426 735</b>	<b>US\$ 3 025 497</b>	<b>US\$ 182 452 232</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. The purpose of this thirteenth budget revision to WFP Malawi Protracted Relief and Recovery Operation (PRRO) 105860 is to incorporate the costs of providing assistance to an additional 340,350 beneficiaries for the month of December 2012, as well as to include the costs of pre-positioning food commodities for this additional caseload from January through March 2013.
2. The total cost of this revision amounts to US\$3.025 million and reflects the following requirements:
  - Increased food commodity requirements by 6,557mt of maize, pulses and Supercereal at a cost of US\$ 1.99 million;
  - Increased landside transport, storage and handling (LTSH) by US\$0.57 million;
  - Increased other direct operational costs (ODOC) by US\$ 0.09 million;
  - Increased direct support costs (DSC) by US\$ 0.18 million; and
  - Increased indirect support costs (ISC) by US\$ 0.20 million.

## JUSTIFICATION FOR BUDGET INCREASE

### Summary of existing project activities

3. Since August 2012, PRRO 105860 has reached 671,000 beneficiaries as per recommendations of the Malawi Vulnerability Assessments Committee (MVAC). At the peak of the lean season, the response was initially planned to reach 1.6 million food insecure people. However, severe drought and rising inflation has increased the magnitude of the crisis, reaching now a total of 1.99 million food insecure people. In response to the escalating levels of food insecurity, PRRO 105860 has had three significant budget revisions over the last six months (budget revisions 10, 11, and 12).
4. The previous budget revisions are summarised as follows:
  - **Budget Revision 10:** Based on the conservative estimates of the May 2012 FEWSNET outlook<sup>7</sup>, WFP initiated a budget revision in June 2012 to immediately extend its relief component up to March 2013, ultimately supporting a total of 1 million beneficiaries through targeted food distributions.
  - **Budget Revision 11:** Following the release of the MVAC report in June 2012, this budget revision increased the beneficiary caseload by 650,000 additional beneficiaries, bringing the total number of beneficiaries to 1.65 million people. Additionally, this revision incorporated a cash-based response component as part of the relief operation as well as an in-kind contribution of 25,000 mt of maize donated by the Government of Malawi.
  - **Budget Revision 12:** In response to an evolving situation and taking into consideration the Government and the donors' position with regard to the worsening of the food security crisis in Malawi, this revision incorporated a new in-kind contribution of 1,400 mt of vegetable oil donated by USAID/WFP. Additionally, this revision also incorporated the cost of conducting an Economic Impact Assessment as part of the cash-transfer component.
5. This latest budget revision responds to the MVAC's latest food security analysis results that were released in October 2012 and which recommends an increase in the beneficiary caseload by 342,986 people, representing a total of 1.99 million people requiring food assistance. The Government has requested WFP to revise its response plan to include this caseload beginning in December 2012. WFP aims to assist 1.95 million people while other NGOs will target 38,500 people through this response. Some of the increased caseload (2,636 people) are included as part of the NGO beneficiary caseload.

### Conclusion and recommendation of the re-assessment

6. The MVAC conducts its annual food security assessment twice a year: one comprehensive assessment in May/June and a follow up review in September/October. The June 2012 MVAC assessment report initially indicated that up to 1.6 million people in rural areas (11 percent of the population) would be food insecure and in need of food assistance between August 2012 to March 2013. The MVAC results for October 2012 projects an increase of the food insecure vulnerable population from 1.65 million to 1.99 million people, representing a 21% increase in the number of people requiring assistance. It was thus recommended to expand the relief response to reach all affected food insecure people with either

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<sup>7</sup>Famine Early Warning Systems Network, 2012, Malawi Food Security Outlook, May 2012 to March 2013, [www.fews.net/malawi](http://www.fews.net/malawi)

food or cash based interventions (or a mix of both). The additional beneficiary caseload has been identified in the following districts: Blantyre, Mwanza, Neno, Mulanje and Thyolo as well as in one new district not contemplated before (Chiradzulu).

7. The October MVAC report further indicates that food access throughout southern Malawi is being compromised by increasing maize prices, further depreciation of the local currency, instability in the supply of fuel products (transportation costs) and diminishing income for casual labor. All these factors are contributing to eroding the household purchasing power in most rural areas but also in some urban areas. Food and other commodity prices are expected to continue increasing as we near the lean season.
8. During the rainy season, some areas become inaccessible due to bad road conditions. The Logistics Capacity Assessment conducted in the affected districts identified the most difficult areas to reach and recommended the need for pre-positioning food stocks in order to reach the affected populations in these areas when they become inaccessible.

#### **Purpose of budget increase (applicable for all projects)**

9. Building on recommendations of the October MVAC update and the subsequent request from the Government, WFP and its NGO partners intend to expand its response to include the additional beneficiaries for the month of December 2012 as well as pre-position the required quantities of food in the most difficult to reach areas for the January to March 2013 food needs. This increase does not affect the cash-transfer component of the response.
10. While an increased caseload is expected to last up through March 2013, this budget revision takes into account the additional caseload for December 2012 only and the costs associated to pre-position food commodity for an intervention from January to March 2013, given year-end budget increase limitations. However, it is assumed that a new budget revision will be undertaken in January to address the entire extra caseload of beneficiaries from January to March 2013.
11. The total number of beneficiaries planned to receive WFP assistance, through this budget revision, are provided in Table 1.

<b>TABLE 1 - BENEFICIARIES BY ACTIVITY TYPE</b>				
	<b>Beneficiaries</b>			
<b>Activity</b>	<b>Present</b>	<b>Increase</b>	<b>Decrease</b>	<b>Revised</b>
Targeted Food Distribution	1 502 948	340 350	-	1 843 298
Cash transfers	107 839	-	-	107 839
<b>Total</b>	<b>1 610 787</b>	<b>340 350</b>	<b>-</b>	<b>1 951 137</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.

<b>TABLE 2 - FOOD REQUIREMENTS BY ACTIVITY TYPE</b>			
	<b>Food requirement (mt)</b>		<b>Cash requirement (US\$)</b>
<b>Activity</b>	<b>Present</b>	<b>Increase</b>	<b>Revised</b>
Total Targeted Food Distribution	281 038	6 558	287 596
<b>Total Cash transfer</b>	<b>3 112 269</b>	<b>-</b>	<b>3 112 269</b>

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