

**Malawi PRRO 105860
B/R No. 14**

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>				
Project Budget & Programming Officer, RMBP
Chief, RMBP
Chief, OSLT (change in LTSH and/or External Transport)
<u>APPROVAL</u>				
<input type="checkbox"/> Regional Director

PROJECT

Start date: 01 January 2008

End date: 31 March 2013

	Previous Budget	Revision	New Budget
Food cost ¹	US\$ 117 677 574	US\$ 2 176 430	US\$ 119 854 004
Cash transfer cost	US\$ 3 112 269	US\$ 324 706	US\$ 3 436 975
External transport ²	US\$ 8 802 755	US\$ 51 959	US\$ 8 854 714
LTSH ³	US\$ 20 188 059	US\$ 453 674	US\$ 20 641 733
ODOC ⁴	US\$ 8 718 340	US\$ 123 474	US\$ 8 841 814
DSC ⁵	US\$ 12 017 108	US\$ 226 070	US\$ 12 243 178
ISC (7%) ⁶	US\$ 11 936 127	US\$ 234 942	US\$ 12 171 069
Total WFP cost (US\$)	US\$ 182 452 232	US\$ 3 591 255	US\$ 186 043 487

TYPE OF REVISION

- Additional commodity
 Additional DSC
 Additional ODOC
 Additional LTSH
 Additional external transport
 Extension or Reduction in time
 Other (Additional cash transfer)

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

² 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.

³ 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.

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

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

⁶ 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 budget revision to Malawi Protracted Relief and Recovery Operation (PRRO 105860) is to include costs associated with providing food assistance to 161,603 beneficiaries during the first quarter of 2013. The overall PRRO implementation plan will not change through this budget revision, as there has been no change in project orientation.
2. The total cost of this revision is US\$ 3.6 million linked to the following requirements:
 - Increased food commodity requirements by 5,247 mt (maize, pulses, Supercereal and vegetable oil) at a cost of US\$ 2.2 million;
 - Increase the cost of cash transfers by US\$ 0.32 million;
 - External transport by US\$ 0.05 million;
 - Increased landside transport, storage and handling (LTSH) by US\$ 0.45 million;
 - Increased other direct operational costs (ODOC) by US\$ 0.12 million;
 - Increased direct support costs (DSC) by US\$ 0.23 million; and
 - Increased indirect support costs (ISC) by US\$ 0.23 million.

JUSTIFICATION FOR EXTENSION-IN-TIME AND/OR BUDGET INCREASE

Summary of existing project activities

3. Based on recommendations of the Malawi Vulnerability Assessments Committee (MVAC) and with the support and recognition of the Government and key donors, WFP established a relief operation under PRRO 105860 which was launched in August 2012 to perform targeted food distributions to some 650,000 people deemed to be food insecure as a consequence of drought. The operation was scheduled to cover the period August 2012 through March 2013. The number of people requiring assistance progressively increased over the following months as more accurate field data was received and analysed, eventually peaking at about 2 million people.
4. The PRRO has the specific objective to save lives and protect livelihoods in crisis situations, especially for those affected by sudden transitory food needs caused by natural shocks such as floods and drought, addressing WFP Strategic Objective 1.
5. PRRO 105860 has had four significant budget revisions over the last six months (BRs 10, 11, 12 and 13) which are summarised as follows;
 - **Budget Revision 10:** Approved in June 2012, based on the conservative estimates of the May 2012 FEWSNET outlook⁷, this budget revision extended the relief component of the PRRO 105860 up to March 2013 as well include the cost of 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 of the PRRO by 650,000 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.

⁷Famine Early Warning Systems Network, 2012, Malawi Food Security Outlook, May 2012 to March 2013, www.fews.net/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/FFP. Additionally, this revision also incorporated the cost of conducting an Economic Impact Assessment as part of the cash-transfer component.
 - **Budget Revision 13:** This budget revision followed the recommendation of the MVAC Update report of October 2012 which increased the beneficiary caseload by 340,350, bringing the total beneficiary caseload to about 2 million. Specifically, the budget revision incorporated an additional 340,350 beneficiaries for the month of December 2012, and the pre-positioning of food requirements for the extra caseload from January through March 2013.
6. Under Budget Revision 13, WFP was not able to reach the entire additional caseload, therefore, there is need to further increase the budget plan through this budget revision in order to cover the additional residual beneficiary caseload of 144,388. The Government has also requested WFP to take over food assistance responsibility from Save the Children for the provision of cash transfers for 17,215 beneficiaries in Zomba District. The additional cash-assisted beneficiaries were initially supported by Save the Children, but government authorities decided to shift to a cash-transfer modality in 2013 since Save the Children support would only last up to the end of 2012.

Conclusion and recommendation of the re-assessment

7. The results of the MVAC study released in October 2012 projected a further increase of the food insecure population. From this it was recommended to increase the beneficiary number from 1.65 million to about 2 million, representing a 21 percent increase. It was thus recommended to expand the relief response to reach all affected food insecure people with either food or cash-based interventions. This latest increase in beneficiary caseload also included one new district not contemplated before (Chiradzulu).
8. The MVAC conducts its annual food security assessment twice each year. A comprehensive assessment is conducted in May/June and a follow up review is conducted 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 through March 2013. The subsequent October MVAC report further indicated that food access throughout southern regions of Malawi were 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 labour. All these factors were deemed to contribute towards the erosion of household purchasing power in most rural areas but also in some urban areas. The report also anticipated the increase in food and other commodity prices as the lean season drew near.

Purpose of budget increase

9. This budget revision corresponds entirely to WFP Strategic Objective 1: to save lives and protect livelihoods in a crisis situation. Targeted food distributions and a cash-based response are part of WFP's disaster risk reduction and livelihood protection strategy, with a focus on thwarting slippage into a state of food insecurity and securing livelihoods.
10. The overall PRRO implementation plan will not change, as there has been no change in project orientation for food assistance. WFP and its 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 also involve the use of

Joint Emergency Food Assistance Programme (JEFAP) guidelines. In order to give women direct access to food, WFP will ensure that ration cards (for both food and cash) are issued in the name of women, where women are not the head of households.

11. Building on recommendations of the October MVAC report and subsequent requests from the Government, WFP and its NGO partners intend to incorporate the beneficiary caseload of 161,603 for the period January through March 2013, including the 17,215 beneficiaries that will receive the food assistance through cash transfers in the Zomba District.
12. The total number of beneficiaries planned to receive WFP assistance through this budget revision are shown in Table 1 below.

TABLE 1. BENEFICIARIES BY ACTIVITY TYPE			
	Beneficiaries		
Activity	Present	Increase	Revised
Targeted Food Distribution	1 843 298	144 388	1 987 686
Cash Transfers	107 839	17 215	125 054
Total	1 951 137	161 603	2 112 740

FOOD REQUIREMENTS

13. 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.

TABLE 2. FOOD REQUIREMENTS BY ACTIVITY TYPE			
	Food requirement (mt) Cash requirement (US\$)		
Activity	Present	Increase	Revised
Targeted Food Distribution	287 596	5 247	292 843
Cash Transfer	3 112 269	324 706	3 436 975

DISTRIBUTION:

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 RB Programme Advisor
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