

**BUDGET REVISION TO
PROTRACTED RELIEF AND RECOVERY OPERATION
(PRRO) ZAMBIA 10594.0**

Budget Revision No. 3

Title: Response to Natural Disasters and Economic Shocks

Cost (United States dollars)			
	Present budget	Increase	Revised budget
Food cost	19,644,735	6,631,484	26,276,218
External transport	1,467,479	0	1,467,479
LTSH	10,654,081	0	10,654,081
ODOC	2,206,035	1,321,000	3,527,035
DSC	3,532,400	409,000	3,941,400
ISC (7%)	2,625,331	585,304	3,210,635
Total cost to WFP	40,130,061	8,946,788	49,076,848

NATURE OF THE INCREASE

1. This third budget revision to PRRO 10594.0 will enable WFP to expand its response to mitigate the impact of the global economic downturn, particularly the effects of job losses on the most vulnerable households.
2. The budget revision is proposed to: (a) provide an additional US\$6.6 million for food vouchers; (b) provide additional associated costs other direct operational costs (ODOC) of US\$1.32 million and additional direct support costs (DSC) and indirect support costs (ISC) totalling US\$994,304; and (c) extend-in-time the PRRO by seven months from 31 May to 31 December 2010 to align the PRRO with the current United Nations Development Assistance Framework (UNDAF).
3. Through this budget revision, WFP will address the immediate food needs of an additional 381,000 people, bringing the total beneficiaries under this PRRO to 801,000. This budget revision increases the total cost of the PRRO by 22 percent.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of existing project activities

4. The goal of PRRO 10594.0 is to improve household food security, livelihoods and nutrition of people affected by natural disasters and economic shocks. Initially approved for September 2008 to May 2010 for 240,000 people and subsequently increased to 420,000 people through a budget revision in April 2009, the PRRO contributes to four WFP strategic objectives (SO):¹ SO2, SO3, SO4 and SO5. The response strategy involves three main areas: (a) recovery/safety net programmes; (b) relief during shocks; and (c) productive safety net support for rehabilitation/reinvestment activities.

¹ WFP Strategic Objectives addressed in this PRRO are: SO2: prevent acute hunger and invest in disaster preparedness and mitigation measures; SO3: restore and rebuild lives and livelihoods in post-conflict, post disaster or transition situations; SO4: reduce chronic hunger and under nutrition; and SO5: strengthen the capacities of countries to reduce hunger, including through handover strategies and local purchase.

5. Within the national framework and the United Nations response, WFP has been focusing its emergency response strategy on an expansion of livelihood and social protection activities in urban and peri-urban areas, in addition to strengthening the resilience of vulnerable populations through infrastructure support using public and private partnerships.
6. As part of the joint United Nations response, WFP prepared the 'Sustainable Programme for Livelihoods and Solutions for Hunger' (SPLASH) strategy, which was adopted by Government and the United Nations as a comprehensive approach for addressing shock-related hunger and vulnerability. SPLASH was introduced to this PRRO through the first budget revision in April 2009 and is being implemented in phases as funds become available. Under SPLASH, WFP provides food-based vouchers for support to: (i) households with malnourished children; (ii) food-insecure HIV/AIDS and tuberculosis (TB) patients at treatment centres; and (iii) food insecure people engaged in activities aimed at improving urban sanitation conditions and livelihoods.
7. Through the first budget revision, WFP sought to reach an additional 177,000 people in urban and peri-urban areas with urgent food assistance. This included 3800 households (22,800 people) with malnourished children, who received food vouchers for a four-month period. In partnership with the Ministry of Health, VALID International, United Nations Children's Fund (UNICEF) and a local non-governmental organization (NGO), over 80 percent of enrolled children recovered nutritionally after four months of support that combined nutrition and health education. The achievements of the voucher project to date for malnourished children and their families included (a) reduced levels of malnutrition in target pilot sites; (b) improved consumption of nutritious locally-available food for both adults and young children (promoted through nutrition education); (c) increased savings for other household necessities; and (d) improved hygiene practices.
8. For the 3000 households (18,000 people) who have participated in and benefited from the HIV/AIDS/TB activity, food assistance has ensured compliance with and increased the benefit of anti-retroviral therapy (ART) and TB treatment. Electronic vouchers were piloted as an innovative way to transfer payments to select retailers who were responsible for disbursing food to target beneficiaries.
9. This second budget revision will enable WFP to expand its support to malnourished children, clients on ART and TB treatment and also support beneficiaries who are scheduled to participate in and benefit from food for work/ and food for training (FFW/FFT) activities, which are still under preparation with partner organizations, in particular the government's Disaster Mitigation and Management Unit (DMMU), city councils and UNICEF.

Conclusions and recommendations of assessments

10. Food insecurity and vulnerability in Zambia have deepened as a result of continued high food prices and the impact of the global financial crisis. According to an Urban Targeting Study undertaken in 2009 by TANGO International,² copper mine closures and slowdowns have led to thousands of layoffs as a consequence of the global economic recession, hitting the copper belt province the hardest. An estimated 60,000 jobs have been lost in the mining industry and hundreds of millions of dollars lost in government tax revenue. Tourism has also dropped significantly, with associated employment and revenue losses.
11. A study by the Overseas Development Institute (ODI) in April 2009 projected that gross domestic product (GDP) growth in Zambia would fall from a projected 7 percent to 5 percent in 2009 and 5.5 percent in 2010. Moreover, growth in remittances halted in 2008. The study recorded a loss of 25 percent of jobs in the mining and tourism sectors and observed that manufacturing and construction sectors had been adversely affected. Annual inflation almost doubled from 9 percent in 2007 to 17 percent in 2008, resulting in a significant increase in the cost of living in Zambia.
12. Food prices have continued to increase, peaking in mid-2009. While they have declined slightly since then, maize meal prices in September 2009 were still two-thirds higher than in September 2007, as per FAO market data. Earlier, the Central Statistical Office reported the annual food price inflation rate in October 2008 at 18 percent compared to 5 percent in June 2007. Food price inflation

² Technical Assistance to Non-Governmental Organizations (TANGO).

is believed to have caused a further and substantial increase in urban poverty,³ which had already had been increasing and stood at 53 percent in 2006, accounting for around 2.3 million people.⁴

13. WFP's Community and Household Surveillance (CHS) established a 64 percent increase in monthly per capita household expenditure on food from March to October 2009. Poor individuals and families were unable to purchase adequate household food and non-food items. The CHS documented increased negative coping strategies among beneficiary and non-beneficiary households. Examples include a 17 percent increase in casual labour, increased begging, especially amongst non-beneficiaries, and a 100 percent increase in sale of assets to buy food. The monthly cost of basic food and non-food needs increased by 22 percent between October 2008 and July 2009.⁵ The most affected are the households with the lowest incomes.

Purpose of extension and budget increase

14. The national DMMU in the Office of the Vice President has requested WFP to expand food voucher support to reach additional malnourished children and other vulnerable groups in Lusaka, and to extend support to other districts.
15. Consistent with the SPLASH strategy, WFP therefore plans to expand its food voucher support to reach targeted vulnerable groups in the cities of Lusaka, Ndola, Livingstone, Kafue and Mongu. Assistance in other districts would be subject to confirmation of individual needs and the capacity of local government authorities to implement the programme.
16. Targeting of beneficiaries will be based on the national protocol for social safety nets. Beneficiaries are mainly low-income vulnerable households with malnourished children. The enrolment criteria for malnourished children are: (a) severely malnourished children referred to the clinics after treatment and discharge from referral hospital; and (b) moderately malnourished children identified through community and health facility-based growth monitoring sessions.⁶ Individuals who are either on ART or TB treatment and judged to be food insecure through a rapid assessment are also targeted for assistance.
17. In Kafue and Livingstone, beneficiaries linked to HIV-related treatments will be reached through "e-vouchers" and related electronic payment systems which offer greater protection against misuse. The ration package will be consistent with the other SPLASH programme voucher activities.
18. With this budget revision, WFP will be able to address the immediate food needs of an additional 381,000 people, increasing the beneficiaries of the PRRO to 801,000.
19. WFP, as part of the UNDAF, will develop national capacity for safety net interventions for vulnerable populations. This is a high priority in the United Nations Joint Programme for social protection. The budget revision will develop additional local capacity needed to manage safety nets: it includes US\$1.32 million in ODOC to support counterparts which is critical to the implementation of WFP's new strategy and includes information for possible scaling-up to other geographic areas. This includes costs for counterparts for the following activities: (a) baselines for measurement of results; (b) market surveys; (c) refining targeting mechanisms to reach the most vulnerable; and (d) reporting and documenting results. WFP will support NGOs, many of which are relatively small and new to WFP operations. This will enable a greater engagement with "non-traditional" national WFP counterparts at the local level. An extension-in-time to end-2010 will fully align the PRRO with the current UNDAF cycle (a new UNDAF will start in January 2011). Part of the cost of baselines and evaluations will be covered by DSC.

³ Urban Poverty Analysis (2005 and 2008).

⁴ Zambia's total population in 2006 was almost 12 million, 4.3 million (36 percent) of whom lived in urban areas.

⁵ Source - Jesuit Centre for Theological Reflection (JCTR).

⁶ Referred to out patient therapeutic units for verification using mid-upper arm circumference (MUAC) before enrolment. Children with MUAC between 11 and 12.5 cm are enrolled. Children are discharged upon attainment of MUAC above 12.5cm. It is generally assumed that children will attain this within a period of 4 months. However, growth monitoring and promotion is continued, including nutrition education on appropriate feeding practices using locally available foods.

Table 1: Beneficiaries by activity type

Activity	Beneficiaries		
	Present	Increase	Revised
FFA/FFT ⁷	304,100	107,384	411,484
Support to households with malnourished children ⁸	88,800	250,563	339,363
Supplementary Feeding ⁹	9,000	0	9,000
Support to HIV/AIDS and TB ¹⁰	18,000	22,847	40,847
Total	419,900	380,794	800,694

Implementation

20. WFP will work closely with the Ministry of Health, Ministry of Community Development and Social Services and the Ministry of Land and Housing through its local district and council level structures for the implementation of activities.
21. A mobile delivery and tracking system will be used to manage the operation in the areas of beneficiary registration, commodity tracking and financial payments. The integrated system will allow the country office quick and easy access to information, as well as efficient real-time reporting through a database that will be accessible by key WFP focal points. The automated system has many features that allow for security/authorisation points to safeguard transactions as they are processed. The mobile transaction system will go 'live' in October 2009 in partnership with Mobile Transactions Zambia Limited and the Bank of Zambia. The entire project is in support of the national social protection strategy, with implementation based on national guidelines and government standards. WFP is the appointed coordinating agency and is responsible for the timely delivery of agreed activities.
22. For implementation purposes, WFP has further established partnerships with several NGOs, in particular the Programme for Urban Self Help (PUSH), the Alliance for Sustainable Development (ASD), the National Food and Nutrition Commission, OXFAM-GB and World Vision. World Vision has been engaged in similar programmes, also in partnership with WFP, in Malawi and Lesotho, and has extensive experience in managing voucher programmes. The partnership agreement between WFP and World Vision will substantially increase capacity for an expansion of activities in collaboration with numerous local NGOs. It will also support the development of national capacities in the management and implementation of safety net programmes and the creation of sustainable livelihood programmes as a means for an eventual phasing-out of WFP support for social safety net interventions. OXFAM-GB has experience in cash transfers in Zambia through activities supported by the Department for International Development (DFID, United Kingdom), and continues to be actively engaged in social protection programmes.
23. Other members of the United Nations system, such as the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and UNICEF, as well as the World Bank, are involved through the coordinated response of the United Nations Country Team and through their participation in the social protection and agriculture sectors.

⁷ Food for assets (FFA)/food for training (FFT) includes 'food for vouchers for urban sanitation' and 'food vouchers for livelihood support'.

⁸ Support provided to the household (five members).

⁹ Support to households with malnourished children is linked to supplementary feeding for children attending health clinics.

¹⁰ Beneficiaries comprise HIV/AIDS and TB patients (3,000) and their family members (15,000 people).

Monitoring

24. Monitoring is a critical element underpinning the effectiveness, accountability and success of WFP's food voucher activity. WFP and cooperating partners have been collaborating to put in place a robust monitoring and evaluation system, building on existing national monitoring systems, which are being strengthened where required. The country office plans to undertake baselines and a final evaluation for each component of the PRRO, assessing the impact of food vouchers on beneficiary households and on local markets.
25. Monitoring will focus on four key elements:
 - Process issues, including the identification of any weaknesses requiring immediate attention.
 - Whether beneficiaries are receiving the intended benefits from the PRRO.
 - Whether the PRRO is meeting quality, service and accountability standards.
 - Detailed documentation of learning elements, including future options to introduce greater flexibility in the composition of the food assistance package.

REQUIREMENTS

26. WFP will use food vouchers that will facilitate the availability of various food commodities through neighbourhood retail outlets. The vouchers will be issued on a monthly basis to selected beneficiaries and will be redeemable at pre-determined local retail outlets. WFP will not make any direct food purchases for distribution.
27. Items in the standard assistance package have been agreed with local counterparts as a minimum safety-net package for households in times of crisis. The package is in line with the Government's safety net arrangements but is slightly higher than the national cash transfer package to take into consideration the increased food prices, and includes a bar of soap to encourage basic hygiene and sanitation. All 'SPLASH' activities will also include nutrition and health education, with elements of basic personal hygiene and sanitation.
28. The monthly household allocation (valued at US\$20) consists of the following items: maize 25 kg; pulses 2 kg; vegetable oil 750 ml; and a bar of soap.

Approved by:

Ms. Josette Sheeran

Executive Director, WFP

Date

ANNEX I

BUDGET INCREASE COST BREAKDOWN			
	Quantity (mt)	Average Cost per Ton	Value (dollars)
WFP COSTS			
A. Direct operational costs			
Food	0	n.a.	
Vouchers			6,631,484
Total			6,631,484
External transport			n.a.
Landside transport			n.a.
Subtotal for ITSH			n.a.
Total LTSH			n.a.
Other direct operational costs			1,321,000
Total direct operational costs			1,321,000
B. Direct support costs (see Annex II for details)			
Total direct support costs			409,000
C. Indirect support costs (7 percent of total direct costs)			585,304
TOTAL WFP COSTS			8,946,788

DIRECT SUPPORT REQUIREMENTS (US\$)	
Staff	
International professional staff	0
National general service staff	0
Temporary assistance	171,000
Overtime	0
Staff duty travel	0
Staff training and development	0
Subtotal	171,000
Office expenses and other recurrent costs	
Rental of facility	40,000
Utilities (general)	33,000
Office supplies	40,000
Communication and IT services	35,000
Equipment repair and maintenance	35,000
Vehicle running cost and maintenance	50,000
Office set-up and repairs	0
Subtotal	233,000
Equipment and other fixed costs	
Vehicle leasing	0
TC/IT equipment	5,000
Local security costs planning	0
Subtotal	
TOTAL DIRECT SUPPORT COSTS	409,000