

ZAMBIA PRRO 105940
JUSTIFICATION FOR EXTENSION IN TIME AND BUDGET INCREASE
B/R No. 05

PROJECT REVISION FOR THE APPROVAL OF:
Deputy Executive Director and COO - Operations Department

	<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>				
Regional Director,
Project Budget and Programming Officer, RMBP
Chief, RMBP
Chief, ODLT (change in LTSH and/or External Transport)
Director and Deputy CFO, RMB
Director, ODX
<u>APPROVAL</u>				
Deputy Executive Director and COO - OD

PROJECT			
	Previous Budget	Revision	New Budget
Food cost ¹	US\$ 26,246,218	US\$ 2,000,000	US\$ 28,246,218
External transport	US\$ 1,467,479	US\$ Nil	US\$ 1,467,479
LTSH	US\$ 10,654,081	US\$ Nil	US\$ 10,654,081
ODOC	US\$ 3,527,035	US\$ 900,000	US\$ 4,427,035
DSC	US\$ 3,941,400	US\$ 711,319	US\$ 4,652,719
ISC (7%)	US\$ 3,210,635	US\$ 252,835	US\$ 3,463,470
Total WFP cost (US\$)	US\$ 49,076,848	US\$ 3,864,111	US\$ 52,940,959
<u>TYPE OF REVISION</u>			
<input checked="" type="checkbox"/> Additional commodity	<input checked="" type="checkbox"/> Additional DSC	<input type="checkbox"/> Additional ODOC	<input type="checkbox"/> Additional LTSH
<input type="checkbox"/> Additional external transport	<input checked="" type="checkbox"/> Other	<input type="checkbox"/> Re-orientation	<input checked="" type="checkbox"/> Extension in time

NATURE OF THE INCREASE

1. This fifth budget revision to PRRO project 105940 seeks to:
 - a) Extend the project duration by 9 months to enable implementation of activities in 2011.
 - b) Enable the use of existing confirmed donor contributions.
 - c) Introduce a commodity plan for vouchers, DSC and ODOC in 2011 for US\$ 3.6 million.

2. The revision will increase the overall project cost by US\$ 3,864,111, from US\$ 49,076,848 to US\$ 52,910,959 and will enable the use of unspent contributions from various donors.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

¹ Commodities and cash/voucher transfers.

Summary of existing project activities

3. PRRO 105940, which started on 1 September 2008 and was scheduled to finish on 31 December 2010, has aimed to improve household food security and enhance the livelihoods and nutritional status of people hit by natural disasters and economic shocks. The PRRO has contributed to WFP Strategic Objective 2: “prevent acute hunger and invest in disaster preparedness and mitigation measures”; Strategic Objective 3: “restore and rebuild lives and livelihoods in post-conflict, post disaster or transition situations”; Strategic Objective 4: “reduce chronic hunger and under nutrition”; and Strategic Objective 5: “strengthen the capacities of countries to reduce hunger, including through handover strategies and local purchase”. WFP’s strategy has included:
 - support to recovery and safety net programmes;
 - relief assistance during shocks; and
 - productive safety nets for rehabilitation and reinvestment activities.
4. The PRRO has been modified through four budget revisions since 2008. The PRRO shifted its focus to vulnerable urban populations facing rising food prices and economic downturn. The new beneficiaries included households with malnourished children, acquired immune deficiency syndrome (AIDS) and tuberculosis (TB) patients, and people engaged in livelihoods activities. The PRRO title was changed from “Assistance to Flood Victims in Zambia” to “Response to Natural Disasters and Economic Shocks”. Along with the change in focus, the budget increased from US\$37 million to US\$49 million and beneficiaries rose from 242,600 in 2008 to 420,000 in 2009 and 800,000 in 2010. WFP introduced a cash voucher transfer pilot activity in 2009 and scaled it up in 2010: the “Sustainable Programme for Livelihoods and Solutions for Hunger” (SPLASH) strategy embraces food vouchers as a mechanism to address hunger among vulnerable urban populations and support their coping capacity.
5. The initial end-date was 31 May 2010 but the duration of the PRRO was extended by 7 months to December 2010. During this period, WFP has provided food vouchers to households undergoing TB treatment, antiretroviral treatment (ART) and those with moderately malnourished children. In addition to food vouchers, beneficiaries received nutrition education and basic hygiene and sanitation training courses.

Conclusions and recommendations of assessments

5. Food insecurity and vulnerability in Zambia deepened due to high food prices and the global financial crisis. According to the urban targeting study in 2009 by TANGO International,² copper mine closures and slowdowns led to thousands of layoffs. 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.
6. A study by the Overseas Development Institute (ODI) in April 2009 indicated that the growth of gross domestic product (GDP) in Zambia, projected at 7 percent for 2009 and 2010, is estimated to have reached only 5 percent in 2009 and 5.5 percent in 2010 as a result of the worsening economic crises and significant drop in global copper prices. Moreover, growth in remittances stopped in 2008. The study reported job losses of 25 percent in the mining and tourism sectors and noted that manufacturing and construction were also affected.

²TANGO is “Technical Assistance to Non-Governmental Organizations”.

7. While food prices have declined since their peak in mid-2009, maize meal prices have remained higher than the five-year average. Food price inflation is believed to have caused a further substantial increase in urban poverty.³ Urban poverty was already high at 53 percent in 2006 (2.3 million people).⁴ The Famine Early-Warning System Network (FEWS-NET) reported that despite relatively large stocks at the start of the 2009/2010 marketing season, maize prices remained relatively high in 2010 due to the high input prices farmers experienced during the previous production season.
8. Post-distribution monitoring (PDM) data indicates that household meal frequency and dietary diversity has increased as a result of WFP-provided vouchers. The nutrition education course, complemented by cooking lessons, has also helped families understand the importance of good nutrition and these groups need to complete the cycle of WFP support in order to fully benefit.
9. Nutrition sentinel site monitoring⁵ also shows an improvement in children's nutritional status within WFP beneficiary households. The proportion of severely underweight children (< -3 Z-Scores) decreased from 23 percent in June 2010 to 3.5 percent in October 2010 according to the sentinel sites. These initial findings suggest that although the PRRO activities are essentially a safety net intervention, it appears to contribute to reducing child malnutrition. A joint evaluation by WFP and the International Food Policy Research Institute (IFPRI) in 2011 will shed more light on this.
10. Monitoring reports also indicate that 87 percent of people interviewed are aware of the appropriate times to introduce complimentary meals and breastfeeding practices. Ninety eight percent of those interviewed say they have learned about under 5 child nutrition from the nutrition education activities.

Purpose of extension and budget increase

11. New beneficiaries were enrolled in October 2010 and an extension of 9 months is needed for households to complete the cycle of WFP support. The extension is also required for WFP to undertake an evaluation of the SPLASH activities in partnership with IFPRI.
12. The implementation of the voucher component of this PRRO started more slowly than initially planned because of the time needed for systems and partnerships to be developed and mechanisms for accountability and fund management to be established.
13. Initial food costs were set at US\$29 per household per month. This rate reflected food costs at the peak of the food and fuel price crisis. Since then, prices of food commodities have declined and are currently US\$16 per household per month.
14. In late-2009, the PRRO component adopted electronic vouchers (e-vouchers) that improved the overall efficiency and accountability of voucher transfers. In addition, more stringent price control mechanisms were introduced, including monthly market surveys, thus facilitating regular adjustments to the value of the food basket. These factors allowed for cost savings in the food voucher component and it is anticipated that there is US\$3.6 million available for re-programming at the end of 2010, enabling WFP to reach the originally-agreed number of beneficiaries in 2011.

³Urban Poverty Analysis (2005 and 2008).

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

⁵The term 'sentinel site' is used to describe a monitoring station from which long-term monitoring data is available.

15. To ensure adequate levels of associated costs for the period of extension, it is proposed that US\$ 3,611,276 (excluding ISC) be allocated in 2011 as follows:

- For cash-in-lieu of commodities (cash vouchers): US\$2,000,000
- Other direct operational costs (ODOC): US\$900,000
- Direct support costs (DSC): US\$711,319.

16. The PRRO extension-in-time is requested for a period of 9 months (January to September 2011).

TABLE 1: BENEFICIARIES			
Activity	Beneficiaries (for full duration of PRRO)		
	Present	Increase	Revised
Food For Assets/Food Fir Training ⁶	411,484	0	411,484
Support to households with malnourished children ⁷	339,363	0	339,363
Supplementary Feeding ⁸	9,000	0	9,000
Support to HIV&AIDS and TB ⁹	40,847	0	40,847
Total	800,694	0	800,694

17. While there is no change in the modalities of the transfer to beneficiaries, during the extension-in-time period the data collection will be strengthened through the electronic real-time data system. This period will also allow WFP to integrate the electronic platform into Government programmes. Real-time data is accessible via the reports site on the web which provides up-to-date information on the reconciliation of the cards and the respective financial and beneficiary reports.

18. The e-voucher delivery mechanism delivers food to vulnerable households using existing market structures and mechanisms. It uses existing retail outlets that provide the community with the items included in the WFP food basket. In this way, WFP avoids becoming the main source of the goods supplied.

19. The mechanism uses an electronic card with a unique number that is registered to a specific beneficiary. Information regarding the beneficiary bio-data, the electronic card number and the entitlements are entered into a web-based database at the clinic. The clinic issues the e-voucher to the beneficiaries upon registration. The card is then presented at the retail outlet and confirms that the person is authorized to receive the food and triggers a payment mechanism.

20. Through the implementing non-governmental organization, WFP undertakes monthly market price surveys of 25 kg white roller maize meal, 750ml cooking oil, 2kg of beans, 500g washing/laundry bar soap (these are the commodities distributed by the PRRO). The surveys are conducted in the areas where the WFP PRRO activities are implemented. The price survey is followed up by a price analysis to obtain indicative market prices of selected commodities.

⁶ Food for assets and food for training includes 'food for vouchers for urban sanitation' and 'food vouchers for livelihood support'.

⁷ Support provided to the household (five members).

⁸ Support to households with malnourished children is linked to supplementary feeding for children attending health clinics.

⁹ Beneficiaries comprise AIDS and TB patients (3,000) and their family members (15,000 people).

The surveys are normally conducted monthly unless there is an unusual or significant change in prices which requires more frequent tracking.

FOOD/VOUCHER REQUIREMENTS

TABLE 2: CASH VOUCHER REQUIREMENTS (TRANSFERS)			
	Cash vouchers in US\$ (for full duration of PRRO)		
	Current	Increase	Revised
PRRO 105940 Cash vouchers	9,255,437	2,000,000	11,255,437

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