

Country¹ & Project No.:200692
B/R No.: 1

February 12, 2015

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>				
Programme Adviser, RB
Logistic Officer, RB (change in LTSH and/or External Transport)
Resource Management Analyst, RB
<u>APPROVAL</u>				
<input checked="" type="checkbox"/> Regional Director

PROJECT

Start date: 1 December 2014 **End date:** 31 March 2017 **Reduction period:** 1 February to July 2015 **New end date:** N/A

Cost (United States dollars)

	Current Budget	Increase (Decrease)	Revised Budget
Food and Related Costs	US\$ 87 242 999	US\$ 4 754 223	US\$ 91 997 222
Cash and Vouchers and Related Costs	US\$ 31 354 069	US\$ (306 427)	US\$ 31 047 642
Capacity Development & Augmentation	US\$ -	US\$ -	US\$ -
DSC	US\$ 15 060 985	US\$ 2 346 613	US\$ 17 407 598
ISC	US\$ 9 356 064	US\$ 475 609	US\$ 9 831 672
Total cost to WFP	US\$ 143 014 117	US\$ 7 270 017	US\$ 150 284 134

CHANGES TO:**Food Tool**

- MT
 Commodity Value
 External Transport
 LTSH
 ODOC

C&V Tool

- C&V Transfers
 C&V Related Costs

- CD&A
 DSC
 Project duration
 Other

Project Rates

- LTSH (\$/MT)
 ODOC (\$/MT)
 C&V Related (%)
 DSC (%)

DISTRIBUTION:

DED & COO
 Director, OME
 Director, PGG
 Chief, OSLT
 Chief, RMBP
 Chief, OMO

Director, OSZ
 Chief, OSZP
 Chief, OSZA
 Chief, OSZI
 OM Registry
 Liaison Officer, OM @

Regional Director
 RB Programme Advisor
 RB Resource Management Analyst
 RB Logistic Officer
 RB Chrono
 Country Director

¹ If a regional project, please specify the countries concerned.

NATURE OF THE REVISION

1. This first budget revision (BR) to the Malawi protracted relief and recovery operation (PRRO) 200692 has two main purposes:
 - (i) To align the project with programmatic changes related to the current food needs of the food insecure population that were indicated in the original plan;
 - (ii) To cover the needs of a new caseload of people affected by floods.
2. BR01 shall reduce the overall number of beneficiaries by about 177, 800 under the relief component, for the period from 1 January 2015 to 31 July 2015. This reduction is a result of two factors. There has been a decrease in lean season beneficiaries by 521,700 for in-kind food assistance and a decrease of cash and voucher beneficiaries by 24,335 in line with the food needs as identified by the Malawi Vulnerability Assessment Committee (MVAC) in November 2014². This is balanced by an increased caseload of 368,000 beneficiaries needing relief assistance as a result of floods from February to July 2015.
3. The overall cost increase of this revision is US\$ 7.2 million. This comprises:
 - Increase food requirements by 5,930 MT, valued at US\$ 2.3 million, primarily to support the flood response, which is expected to extend until July 2015;
 - Decrease the cash and voucher (C&V) transfer costs by US\$ 0.3 million due to a reduction in beneficiaries;
 - Increase associated costs by US\$ 2.4 million, consisting of external transport, landside transport, storage and handling and other direct operational costs, as a result of increased tonnage and geographical coverage;
 - Increase direct support costs by US\$ 2.3 million in order to cover additional staff costs arising from resilience pilot projects and increased geographical coverage of the relief component as well as the surge capacity for flood response;
 - Increase of indirect support costs (7%) by US\$ 0.5 million, as a consequence of changes in total WFP direct operational costs (DOC).

JUSTIFICATION FOR THE REVISION

Summary of existing project activities

4. The PRRO 200692 started on 1 December 2014 and runs in conjunction with Country Programme (CP) 200287 and the refugee PRRO 200460³. The primary objectives of this operation are to:
 - Provide life-saving food assistance to targeted food insecure populations during the lean season (SO1);
 - Support restoring livelihoods and strengthening household and community resilience through productive asset creation and complementary partnerships (SO2);
 - Reduce risks associated with disasters and enhance resilience of households vulnerable to lean season food shortages (SO3);

² MVAC beneficiaries from 824,500 down to 437,492 for in-kind food. Reduction of **387,008**. MVAC C&V beneficiaries from 145,500 down to 121,165. Reduction of **24,335**. Additional Floods beneficiaries are **368,181**

³ PRRO 200460 will continue until mid-2015, providing assistance to some 21,000 refugees in the country. CP 200287 will run until end December 2016. While PRRO 200692 will address immediate needs and enable targeted communities to build resilience, CP 200287 supports long-term development activities through school meals, supplementary feeding, and capacity development related to disaster risk reduction (DRR).

- Prevent moderate malnutrition and micronutrient deficiencies in a child's first 1,000 days from conception, contributing to stunting prevention (SO2).
5. The **relief component** will be supported through seasonal targeted assistance (STA) in the lean season (December to March). It will include nutrition sensitive food baskets and (C&V) transfers for labour constrained, acute food insecure households. Additionally, there will be conditional targeted food assistance (C-TFA) in selected geographic locations.
 6. The **prevention and recovery component** will be supported through Food Assistance for Assets (FFA) for able-bodied households and awareness⁴ raising sessions. The focus will be on integrated early recovery and productive asset creation using labour and time-saving technologies. This shall contribute to community resilience through changing mind-sets towards self-reliance.
 7. The **food response** for flood-affected households will be implemented concurrently to the on-going lean season relief response. From February to July 2015 for 48,000 households that are displaced to camps. From February to April 2015 for the remaining 19,000 affected households that are not displaced. However, those flood affected households that are receiving assistance as part of the on-going lean season response will be transferred to the flood response in order to support their extended food needs beyond the lean season response period. Overlap between the lean season and flood response is expected to be minimal with only an estimated 4 percent of households targeted in the lean season response having been among those most acutely affected by the floods⁵.
 8. To expedite delivery of food assistance to the flood victims, WFP will work with NGO partners already designated for lean season relief response to facilitate beneficiary sensitisation, targeting and registration and distribution of the food assistance. WFP has identified additional NGOs to partner with in the two flood-affected districts (Mangochi and Chirdzulu) that are not part of the lean season relief response.

Conclusion and recommendation of the re-assessment

9. Malawi continues to face a series of significant economic challenges which, coupled with climate shocks, have led to increased vulnerabilities requiring humanitarian response. Climate shocks during the last growing season, primarily prolonged dry spells, have put nearly 700,000 people in 20 districts⁶ in a state of food insecurity and requiring food assistance for 2-4 months from December 2014 to March 2015, according to the results of November 2014 MVAC food security assessments. The lean season is expected to extend beyond March 2015 due to delayed onset of the rainy season in the country. Food prices increased with the onset of lean season, coupled with a deterioration of the coping capacities of vulnerable populations following two consecutive years of widespread food insecurity.
10. The government does not have adequate resources or capacity to support the affected populations and therefore requested WFP and other humanitarian partners to provide food

⁴ Behaviour change communication related to diversified food consumption, sanitation and hygiene, child care practices, and HIV, among others, for both relief and prevention and recovery actions.

⁵ A primary reason for the minimal overlap is that the two responses target different segments of the population. The poorest and most vulnerable households who have been identified as in need of relief during the lean season tend to be chronically drought-affected households found in the upland areas of the affected districts without access to irrigation, while those who have been most affected by the floods mostly reside in the low lying areas of the affected districts where there is better irrigation access and therefore higher food security on a typical basis.

⁶ These districts include: Karonga, Mzimba and Rumphi in the Northern Region; Dedza, Dowa, Mchinji, Lilongwe, Ntcheu and Salima in the Central Region; and Balaka, Blantyre, Chikhwawa, Phalombe, Machinga, Mulanje, Mwanza, Neno, Nsanje, Thyolo and Zomba in the Southern Region. All districts except Lilongwe were also affected last year, a sign that people's livelihood systems remain overstretched and continue to deteriorate.

assistance to the vulnerable population to meet their food needs as identified by MVAC assessments. WFP's **relief response** will target 62 percent (437,000) of the lean season beneficiaries covering 16 districts. The international non-governmental organisation consortium will cover the remaining 271,000 beneficiaries through cash transfers.

11. Since late December 2014, Malawi has experienced heavy rains that accelerated in early January 2015, washing out roads, bridges, farmland, and destroying livelihoods and homes for thousands. On 13 January, the President of Malawi declared a state of natural disaster across 15 districts in the southern, central and northern regions that have been affected by flooding. According to the food security cluster, under the national Preliminary Response Plan (PRP) supported by the UN system, some 368,000 people were in urgent need of life-saving food assistance. Of this total, an estimated 264,000 people were displaced and many remain wholly cut off from their food stores and markets with no other means of accessing foods. Rains have continued through end-February/early-March; as soils are already saturated and flooded parts of rivers move further downstream, additional flooding remains a concern. Only through quick action will WFP be able to stabilise the worse affected districts as preparations are made to mitigate and respond to floods in other areas.
12. Loss of household food supply and reduced access to food are pushing the affected population into acute food insecurity. Urgent food assistance is needed before the situation is further aggravated by loss of assets, livelihoods and coping mechanisms among the flood victims. Nutritional status of the affected populations, especially women and children, is at serious risk.
13. An estimated 66,940 flood affected households (368,000 people) will require food assistance until April 2015. Out of these, an estimated 48,000 flood displaced households living in camps will need food assistance until July 2015 when their harvest from winter cropping would be expected – subject to flood waters receding in time to allow winter cultivation and agricultural inputs provided. These people have been displaced and have lost their livelihoods and access to crops and assets. It is hoped that if they are able to replant in April, they would be able to access their first winter harvest around July 2015. If they would not be able to realise adequate winter harvest by this time, their food assistance needs may have to be extended beyond July, subject to determination by an MVAC assessment.
14. For the remaining 19,000 households that are not displaced, their food assistance needs beyond April will be determined by MVAC's annual assessments. These households have been impacted by floods but are expected to harvest from the current cropping season. WFP was requested by the food security cluster to cover food assistance needs of the 368,000 people affected by floods. The food security cluster also recommended in-kind food transfers as the appropriate modality for flood response given limited market functionality in the affected areas.
15. All of the flood affected districts (except Chiradzulu and Mangochi) are under the MVAC response. Despite occurring in nearly the same districts, the lean season food insecure population and the flood affected population are largely separate populations. Only about 4 percent of those receiving lean season food assistance were also affected by floods.⁷ As this small overlap will only receive assistance under the lean season food insecurity response, the flood-affected population represents an almost entirely new group of vulnerable people in need of urgent food assistance. Flood affected households that are under MVAC response will

⁷ A primary reason for the minimal overlap is that the two responses target different segments of the population. The poorest and most vulnerable households in Malawi (who are targeted in the lean season food insecurity response) tend to be chronically drought-affected households found in the upland areas of the affected districts without access to irrigation, while those who have been most affected by the floods mostly reside in the low lying areas of the affected districts where there is better irrigation access and therefore better food security on a seasonal basis.

therefore be transferred in April to the flood response in order to support their extended food needs.

Purpose of change in budget increase

16. This revision proposes an overall budget increase by US\$ 7.2 million. It increases the food value by US\$ 2.3 million and decreases the cash and voucher transfers by US\$ 0.3 million while also aligning the DSC costs through cost-sharing with other parallel projects (PRRO 200460 and CP 200287). The cost-sharing allows for the additional staffing needs resulting from a recent staffing structure review (SSR) and the surge capacity in support of on-going flood response as well as additional costs arising from the resilience pilot initiatives, early recovery activities following the floods and increased geographical coverage for both relief and resilience components.
17. The initial budget plan for PRRO 200692, estimated the associated costs for cash and voucher transfers based on the rate of using commercial banks to deliver the cash assistance to beneficiaries. The rate has been adjusted upwards to reflect the higher costs that are a function of using the mobile money platform which is the selected delivery mechanism. The mobile money platform is the easiest way for people in remote areas to have instant access to financial services. Moreover, during a 2012 comparison of mobile money operators (MNOs) and banks carried out by WFP Malawi, it was found out that MNOs provide a reduced lead time. Using more phones for cash transfers will also allow WFP to directly reach beneficiaries with BCC messages on nutrition and agriculture, as well as on joint decision making within households to contribute towards gender equality.
18. Furthermore, commodity vouchers for Super Cereal will be introduced in selected districts where the trader assessment has confirmed its availability in local shops and willingness of traders to participate in the pilot. The vouchers will be targeted only for cash transfer beneficiary households with pregnant and lactating mothers and children under 2 years with the aim to prevent deterioration of nutritional status for children and pregnant and lactating women during the lean periods by enhancing consumption of minimum acceptable diet. The objective of the pilot is to test this modality on a small scale to inform the potential scaling up in future responses, while ensuring consumption of nutritious products. WFP will distribute nutrition vouchers, which will allow them to purchase Super Cereal in local shops. Targeted households will receive vouchers for Super Cereal (6 kg per beneficiary) in addition to the full cash transfer. Table 1 below describes changes in beneficiaries per activity for the year 2015.

TABLE 1: BENEFICIARIES BY ACTIVITY										
Activity [or Component]	Category of beneficiaries	Current			Decrease/Increase			Revised		
		Boys / Men	Girls / Women	Total	Boys / Men	Girls / Women	Total	Boys / Men	Girls / Women	Total
Relief: Targeted food assistance during the lean season										
Seasonal Targeted Food Transfers	Unconditional food transfers	357700	372300	730000	(222676)	(231765)	(454441)	135024	140535	275559
	Conditional food transfers	52920	55080	108000	(32944)	(34288)	(67232)	19976	20792	40768
Seasonal Targeted Cash Transfers	Unconditional cash transfers	57290	59630	116920	(9577)	(9970)	(19547)	47713	49660	97373
	Conditional cash transfers	14000	14580	28580	(2344)	(2444)	(4788)	11656	12136	23792
Targeted Food assistance (Flood response)	Unconditional food transfers				180409	187772	368181	180409	187772	368181
Recovery: Food assistance for asset creation and/or training (FFA)										
Food for asset creation		5880	6120	12000				5880	6120	12000
Cash for asset creation		2200	2300	4500				2200	2300	4500
TOTAL		489990	510010	1000000	(87132)	(90695)	(177827)	402858	419315	822173

* There is a small overall (4%) between beneficiaries of targeted lean season relief assistance and beneficiaries of the flood response, however each household will receive assistance from one modality (ref para 11)

FOOD REQUIREMENTS

19. There are no changes in modalities of food distribution to beneficiaries and the food basket remains unchanged. An outline the total additional food quantity needed for achieving revised operation is provided below.

TABLE 2: FOOD/CASH AND VOUCHER REQUIREMENTS BY ACTIVITY				
Activity	Commodity⁸ / Cash & voucher	Food requirements (mt) Cash/Voucher (US\$)		
		Current	Increase / Decrease	Revised total
Targeted Food Transfers	Cereal	108 239.61	4 147.35	112 386.96
	Pulses	21 699.63	822.16	22 521.79
	Vegetable Oil	3 982.70	152.64	4 135.34
	Super Cereal/Super Cereal Plus	10 071.45	807.41	10 878.86
Targeted Cash Transfers	Cash & voucher	31 354 069	(306 427)	31 047 642
TOTAL				

⁸ Please only present overall food requirement. Do not split by commodity.