

BUDGET INCREASE TO PROTRACTED RELIEF AND RECOVERY OPERATION (PRRO): MALAWI 200692

Responding to Humanitarian Needs and Strengthening Resilience

Start date: 1 December 2014 **End date:** 31 December 2017 **Extension/Reduction period:** N/A **New end date:** 31 December 2017

Total revised number of beneficiaries	7,252,663		
Duration of entire project	December 2014 – December 2017		
Extension/Reduction period	-		
Gender marker code	2A		
WFP food tonnage	623,873		
Cost (United States dollars)			
	Current Budget	Increase	Revised Budget
Food and Related Costs	380 034 919	32 638 521	412 673 440
Cash and Vouchers and Related Costs	89 012 531	(11 568 659)	77 443 872
Capacity Development & Augmentation	346 000	-	346 000
DSC	34 395 157	200 940	34 596 097
ISC	35 265 202	1 488 956	36 754 159
Total cost to WFP	539 053 809	22 759 758	561 813 567

NATURE OF THE INCREASE

1. This ninth budget revision to the Protracted Relief and Recovery Operation (PRRO) 200692 seeks to respond to the recommendations of the November 2016 Malawi Vulnerability Assessment Committee (MVAC). The MVAC assessment estimates that 6.7 million, across 24 out of the 28 districts require emergency food assistance from December 2016¹ to March 2017. This is an additional 200,265 people that require support compared with that of the MVAC assessment conducted in July 2016.
2. The MVAC assessment has also proposed adjustments to the transfer modality with an increase in in-kind assistance and decrease in cash based transfers (CBT). The timing and scale-up of the resilience component has been adjusted to reflect the needs of communities and the different needs of women, men, girls and boys during the transition from the lean season to the post-harvest period in the country.
3. This budget revision will continue the prevention activity attached to lean season assistance for children 6-23 months and Pregnant and Lactating Women (PLW) with the overall objective of preventing acute malnutrition at the peak of the lean season. This will be included as a nutrition-specific activity in both logframe and narrative contrary to the previous notion of a nutrition-sensitive intervention.
4. This budget revision to Malawi's PRRO 200692 is required to increase the overall budget from US\$ 539.1 million to US\$ 561.8 million to meet the current humanitarian needs; reflecting an increase of US\$ 22.8 million. The specific revisions include:

¹ This budget revision is effective as of January 2017. WFP responded to the needs of the additional 200,265 people under the relief operation as per the recommendation of the November MVAC assessment with existing resources.

- Increase the overall number of relief beneficiaries supported through in-kind transfers by 543,330 and decrease the number of relief beneficiaries supported through CBT by 343,065 as a result of the recommendations of the MVAC.
- Increase the number of beneficiaries receiving in-kind support under the Food Assistance for Assets (FFA) component by 521,427 and a concurrent decrease of CFA beneficiaries by 149,282.
- Increase in food commodity requirements by 45,302 mt of maize, pulses, vegetable oil and Super Cereal valued at US\$ 17,338,502;
- Increase in associated costs for food based transfers by US\$ 15,210,829 million consisting of external transport, landside transport, storage and handling and other direct operational costs, as a result of ODOC adjustment;
- Decrease in cash based transfers costs by US\$ 11,568,659;
- Increase in direct support costs by US\$ 200,940; and
- Increase in indirect support costs by US\$1,488,956.

JUSTIFICATION FOR EXTENSION-IN-TIME AND BUDGET INCREASE

Summary of Existing Project Activities

5. PRRO 200692 is operational from 1 December 2014 to 31 December 2017 and supports an overall number of 6.9 million people affected by food and nutrition insecurity in Malawi (Women and Girls 51 percent, Men and Boys 49 percent).
6. The relief component provides targeted food assistance during the lean season (typically October to March) to acutely food insecure households with complementary activities. The prevention and recovery component integrates early recovery with productive asset creation using labour and time-saving technologies.
7. The operation takes into consideration gender and protection concerns and the different needs of women, girls, boys and men. Recognizing the increased risk of negative coping mechanisms such as early marriage, transactional or survival sex, WFP will continue to work with partners such as UNICEF, UNWOMEN and UNFPA to ensure integration of gender and protection concerns in programme design and delivery, including continued training and sensitization of all partners and beneficiaries on prevention of sexual exploitation and abuse.
8. The operation contributes to WFP Strategic Objectives 1, 2 and 3, the Zero Hunger Challenge and Sustainable Development Goals 2, 5 and 17. It supports the Malawi Growth and Development Strategy, and is aligned with the WFP's 2015-2020 Gender Policy and the Southern Africa Regional Gender Implementation Strategy.

Conclusion and Recommendations of the Re-Assessment

9. The MVAC assessment estimates that 6.7 million, across 24 out of the 28 districts require emergency food assistance from December 2016² to March 2017. This represents an additional 200,265 people that require support compared with that of the MVAC assessment conducted in July 2016.
10. Ongoing market monitoring indicates that maize prices remain at high rates. The November 2016 MVAC report continues to project constrained maize supply in the local market and an increased demand as the lean season progresses. The December 2016 prices are on average

² This budget revision is effective as of January 2017. WFP responded to the needs of the additional 200,265 people under the relief operation as per the recommendation of the November MVAC assessment with existing resources.

57 percent higher than that of December 2015³. FEWSNET trend analysis projects that the grain price may increase up to MWK350/kg at the peak of the lean season (representing a 40 percent increase compared to the same time last year). ADMARC, a parastatal grain marketing board, normally provides some price alleviation to maize markets, but there are concerns over the tonnage it pledges to supply (and import given the national deficit). ADMARC has also set its maize prices 127 percent higher than the last marketing season at MWK250/kg, raising concerns over the ability of the poorest to actually access maize from ADMARC depots. By December 2016, consumers were already expressing concerns that the ADMARC prices were too high.

11. Although households may benefit from an increase in labour opportunities during the agricultural season from December to March, the extremely high food prices (especially for maize) expected during this period, will make it challenging for households to cover their food needs. Taking into account these factors, it is projected that from January to March 2017 access to maize (due to the anticipated increase in both the market price of maize and its scarcity). This has been further validated by the November MVAC assessment which indicated that there were inadequate stocks of maize in most of the market centres that were visited, except during the market days. This was the case even in some local markets within the Central Region, despite them registering a surplus of maize during the July MVAC assessment.
12. Results from the lean season Nov/Dec 2016 SMART survey showed a national average global acute malnutrition (GAM) rate of 4.1 percent, an increase from the 2.5 percent reported in May 2016. This results show significant differences in the nutrition situation across the country with four of seven surveyed livelihoods zones recording poor nutrition status. In Malawi it is estimated that only 8 percent of the children 6-23 months consume a minimum acceptable diet and 6 in 10 children are anemic. Admission rates for children with severe acute malnutrition (SAM) and moderate acute malnutrition (MAM) continued to be well-above the 2015 levels, at 52 percent and 88 percent higher respectively in November 2016. Malawi is also one of the worst affected countries with HIV/AIDS in the world. UNAIDS 2015 report estimated HIV prevalence at 9.1 percent (Women 11.2 percent and Men 7 percent) for the 15-49 year-old adults, with new infections estimated at 34,000 while approximately 27,000 AIDS related deaths were recorded in 2015. People living with and affected by HIV are among the most affected group hence targeted within PRRO using proxy indicators including orphaned households and households with the chronically ill. Thus, WFP will continue specifically target the under two years and PLW as particularly vulnerable to malnutrition with nutritionally rich fortified commodities within the households targeted by MVAC response. In addition, HIV prevention and treatment messages are included within the Social Behavior Change Communication (SBCC) of the response as part of HIV sensitive programming.

Purpose of Extension and Budget Increase

13. Following the endorsement of the MVAC assessment update figures in November; which indicated higher relief needs than the initial projections in July 2016, this budget revision is required to make adjustments to the programme design for the emergency relief and resilience activities and reach the additional food insecure populations from January 2017.
14. Based on the November 2016 MVAC assessment results and upon request of the Government of Malawi, WFP will expand its relief response in 2017 to 5.9 million (5.3 million in-kind and 686 337⁴ with a mixed basket of commodity voucher and cash transfer for non-cereal commodities). The INGO consortium will cover the remaining 710,000

³ Weekly price update #50 mVAM 13 December 2016

⁴ Budget revision eight planned to shift 696,095 of the CBT beneficiaries from cash to commodity vouchers to purchase cereals from January to March 2017. This caseload has been revised following a re-assessment and reduced to 686,337.

with cash transfer and voucher (*to be introduced at a later date*)⁵ to reach a total of about 1.4 million CBT beneficiaries⁶.

15. Ex-ante cost efficiency analysis results indicate that despite higher prices, mixture of cash based transfers and market supported commodity voucher remain appropriate transfer modality in ten districts (from the 11 districts previously recommended). WFP will meet the food needs of CBT beneficiaries through a hybrid modality of a voucher for maize and a cash transfer to ensure access to non-cereal commodities from January-March 2017. Assuring access to maize is also in line with beneficiary preference as Post Distribution Monitoring continues to reveal that beneficiaries view maize as the most important commodity in the food basket.
16. The prevention and recovery needs have adapted to seasonal and food availability trends. As part of the strategy to link relief, recovery and resilience, WFP will continue to implement productive asset creation activities (termed 'complementary activities) during the MVAC response. When the relief MVAC response finalises an estimated 240,000 beneficiaries from will be transitioned to the resilience activities as from July 2017. Based on the current projections of a weak to medium La Niña, there is the potential to stimulate increased production and enable some affected populations to recover from the acute phase. This budget revision has therefore planned for increased number of FFA beneficiaries from July to December 2017 to ensure that households are able to undertake activities and build assets that will allow them to be shock responsive and resilient during the 2017-18 lean season.
17. The ongoing FFA implementation is anchored in the Three Pronged Approach (3PA) and leverages lessons learned from previous experience. The 3PA promotes equal participation of women in decision making processes at community level in FFA activities and the choice of assets to be created.
18. Apart from responding to market conditions, food, voucher and cash transfers will be designed and implemented in a gender sensitive manner to ensure that they promote equal participation of men and women in terms of distribution arrangements and use of transfers. WFP will continue providing cash based transfers using mobile money, bank accounts and cash-in-transit operational needs and sectorial capacity assessments.
19. Leveraging the Government cluster mechanisms, WFP continues to strengthen partnerships with local and international stakeholders to ensure effective coordination in the planning and implementation of activities. WFP is using a rigorous partner performance evaluation process to ensure selection of NGO partners that have a strong track record in executing gender and nutrition sensitive behaviour change and communication work. Priority is given to strong local NGOs in this assessment.

⁵ Depending on prevailing market conditions, the INGO consortium may introduce a commodity voucher to provide cereals to households.

⁶ June 2016b MVAC assessment estimated that a total of 6.5 million food insecure people will need food assistance. Out of this population, 4.7 will be assisted with in-kind food transfers while 1.74 million will receive CBT (1.03 million by WFP and 710,000 by the INGO consortium)

TABLE 1: BENEFICIARIES BY ACTIVITY										
Activity	Category of Beneficiaries	Current			Increase			Revised		
		Boys / Men	Girls / Women	Total	Boys / Men	Girls / Women	Total	Boys / Men	Girls / Women	Total
RELIEF										
GFD: Food	All	2,552,810	2,687,966	5,240,776	264,348	278,982	543,330	2,817,158	2,966,948	5,784,106
Prevention of acute malnutrition (CBT)	Children 6-23 months	151,581	159,625	311,206	14,870	15,693	30,562	166,451	175,318	341,769
	PLW		466,808	466,808		45,843	45,843	0	512,651	512,651
GFD: CBT	All	643,925	674,817	1,318,742	-166,913	-176,152	-343,065	477,012	498,665	975,677
Prevention of acute malnutrition (CBT)	Children 6-23 months	38,635	40,489	79,125	-11,267	-11,891	-23,158	27,368	28,598	55,966
	PLW		118,687	118,687		-34,736	-34,736	0	83,951	83,951
Relief Sub-Total		6,559,518			200,265			6,759,783		
RECOVERY										
Resilience (FFA)		37,157	39,709	76,866	253,692	267,735	521,427	280,451	295,976	576,427
Resilience (CFA)		120,653	127,481	248,134	-72,631	-76,651	-149,282	34,407	36,311	70,718
Recovery Sub-Total		325,000			372,145			697,145		
TOTAL		3,354,545	3,529,973	6,884,518	181,049	191,096	372,145	3,528,421	3,705,893	7,252,663

*Of the relief beneficiaries, 240,000 will be transitioned to FFA activities and therefore have not been double counted in the overall total.

FOOD REQUIREMENTS

20. As part of their commitment to the response, the Government of Malawi has contributed US\$ 69 million in cash which translates to an estimated 150,000 mt of maize. Approximately 100,000 mt of in-kind maize from the strategic grain reserve was also provided to the response.
21. Additional maize requirements, pulses and Super Cereal are purchased regionally and locally using WFP's Global Commodity Management Facility (GCMF). Fortified vegetable oil is purchased on international markets. Lack of funding for Super Cereal Plus has resulted in WFP providing Super Cereal to targeted beneficiaries in 2016. WFP will continue to explore the purchase of Super Cereal plus from international markets to ensure the planned commodities are distributed to beneficiaries mainly children 6-23 months.

TABLE 2: FOOD/CASH AND VOUCHER REQUIREMENTS BY ACTIVITY				
Activity	Commodity /	Food requirements (mt) Cash/Voucher (US\$)		
	Cash & Voucher	Current	Increase / Decrease	Revised total
Food Transfers	Cereal	435,701	35,514	471,215
	Pulses	86,108	7,107	93,215
	Vegetable Oil	15,844	1,306	17,150
	Super Cereal / Super Cereal Plus	40,927	1,375	42,302
TOTAL		578,571	45,302	623,873

CBT	Cash & Voucher	\$89 012 531	-\$ 11 568 659	\$ 77,443,872
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Hazard / Risk Assessment and Preparedness Planning

22. While relief assistance has been ongoing since July 2016 in line with the MVAC recommendation, funding has not been sufficient to elevate assistance to the necessary levels. Out of the six months of response in 2016 (July-December), only one month (September) saw the provision of full food assistance as planned. Efforts are underway to mobilize additional funding including donor alerts, press releases, bilateral interaction with donors and sharing situation reports regularly with all stakeholders to highlight resourcing shortfalls and implications. Timely confirmation of resources is crucial to the successful implementation of activities through the peak of the lean season.
23. Pipeline breaks caused by delayed food deliveries has adversely affected WFP operations. The Country office have worked with the Regional Bureau for forward planning and prioritization of local and regional purchases together with the utilisation of GCMF to identify and diversify the availability of commodities.
24. Lack of funding for Super Cereal Plus has resulted in WFP providing Super Cereal to targeted beneficiaries. Delays in the production and delivery of Super Cereals has negatively affected the nutrition support under this PRRO with the non-cereal rations being provided at only 50 percent in the first five months of the response and now planned at 75 percent in January 2017. WFP continues to prioritize the most vulnerable such as Children, PLW and PLHIV/TB with the limited resources available. Wherever feasible, advance financing facility been prioritized for specialized nutritious products to ensure that the required commodities are purchased in advance to mitigate against pipeline breaks.
25. Due to onset of rainy season, low availability of food commodities and rising prices, especially for maize, both in the domestic market and Southern Africa, CBT will require continuous real time market monitoring using mVAM⁷ and other sources such as FEWSNET to ensure that transfer values meet food needs and that markets respond to the demand with increased supply of cash. This monitoring will be undertaken by the government with technical support from WFP.
26. Severe flooding risks delaying or damaging/destroying assets created under the resilience component. WFP is undergoing preparataions with partners to switch from typical to adverse year SLP and CBPP plans in areas which have undergone the 3PA process, and has issued contingency planning and advice for all partners. WFP will also leverage the early recovery planning and framework developed after the flooding of 2015.

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Executive Director, WFP

⁷ The mVAM mechanism provides information on food prices and commodity availability every week. In addition, WFP Field based staff monitor prices every week, while NGO partners collect the same information on fortnight basis.

Date:

ANNEX I-A

PROJECT COST BREAKDOWN			
	Quantity (mt)	Value (USD)	Value (USD)
<i>Food Transfers</i>	45,302	\$17 338 502	
Cereals	35,514	\$11,413,621	
Pulses	7,107	\$3,760,488	
Oil and fats	1,306	\$1,149,175	
Mixed and blended food	1,375	\$1,015,218	
Others	-	-	
Total Food Transfers	45,302	\$17 338 502	
External Transport		\$89,189	
LTSH		\$14,090,568	
ODOC Food		1,120,261	
Food and Related Costs ⁸		\$32 638 521	
C&V Transfers		(11,714,494)	
C&V Related costs		\$145 834	
Cash and Vouchers and Related Costs		(11,568,659)	
Capacity Development & Augmentation		-	
<i>Direct Operational Costs</i>			\$21 069 861
Direct support costs (see Annex I-B)			\$200 940
Total Direct Project Costs			\$21 270 801
Indirect support costs (7,0 percent) ⁹			\$1 488 956
TOTAL WFP COSTS			\$22 759 758

⁸ This is a notional food basket for budgeting and approval. The contents may vary.

⁹ The indirect support cost rate may be amended by the Board during the project.

ANNEX I-B

DIRECT SUPPORT REQUIREMENTS (USD)	
WFP Staff and Staff-Related	
Professional staff *	200 940
General service staff **	-
Danger pay and local allowances	-
Subtotal	200 940
Recurring and Other	-
Capital Equipment	-
Security	-
Travel and transportation	-
Assessments, Evaluations and Monitoring¹	-
TOTAL DIRECT SUPPORT COSTS	200 940

* Costs to be included in this line are under the following cost elements: International Professional Staff (P1 to D2), Local Staff - National Officer, International Consultants, Local Consultants, UNV

** Costs to be included in this line are under the following cost elements: International GS Staff, Local Staff - General Service, Local Staff - Temporary Assist. (SC, SSA, Other), Overtime

¹ Reflects estimated costs when these activities are performed by third parties. If WFP Country Office staff perform these activities, the costs are included in Staff and Staff Related and Travel and Transportation.

MAP

