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**Executive Board  
First Regular Session**

**Rome, 14–16 February 2011**

# **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

**Agenda item 5**

*For approval*

# **E**

Distribution: GENERAL  
**WFP/EB.1/2011/5-A/1**

21 January 2011  
ORIGINAL: ENGLISH

## **FOURTH UPDATE ON THE WFP MANAGEMENT PLAN (2010–2011)**

This document is printed in a limited number of copies. Executive Board documents are available on WFP's Website (<http://www.wfp.org/eb>).

## NOTE TO THE EXECUTIVE BOARD

### **This document is submitted to the Executive Board for approval**

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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## EXECUTIVE SUMMARY

This fourth update of the WFP Biennial Management Plan (2010–2011) gives a complete overview of changes in the programme of work since the approval of the biennial budget, along with a more in-depth account in the changes since the last update.

The update highlights WFP's projected resource levels for 2010 and 2011 and their impact on the Programme, Support and Administrative budget. It also provides a full account of WFP's operational requirements, with emphasis on utilizing its advance financing mechanism and implementing extra-budgetary resources.

WFP uses its own cereal index and a crude oil index to monitor world market trends and their impact on WFP's food and transport budgets, to ensure that these two main cost components are adequately budgeted.

The document also includes request for approval of supplementary expenditures of US\$11.2 million: US\$10.2 million for field security upgrades; and US\$1.0 million for a treasury management system.

## DRAFT DECISION\*

Having considered "Fourth Update on the WFP Management Plan (2010–2011)" (WFP/EB.1/2011/5-A/1), the Board:

- i) **takes note** of the projected programme of work of US\$11.86 billion for the 2010-2011 biennium, excluding any provision for unforeseen requirements;
- ii) **approves** supplementary expenditures of up to US\$10.2 million for field security upgrades, to be funded from the Programme Support and Administrative Equalization Account; and
- iii) **approves** supplementary expenditures of US\$1.0 million for a treasury management system, to be funded from the unearmarked portion of the General Fund.

\* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

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## INTRODUCTION

1. On approval of the WFP Biennial Management Plan (2010–2011), the Secretariat affirmed its commitment to providing regular updates on the plan's implementation. This fourth update to the Board includes information available in December 2010.

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## BACKGROUND

2. The original WFP Biennial Management Plan (2010–2011) outlined a programme of work totalling US\$8.95 billion for the biennium – US\$4.6 billion in 2010 and US\$4.35 billion in 2011 – excluding any provision for unforeseen requirements.
3. The programme of work is compiled from projects designed on the basis of assessment findings in collaboration with governments and other partners. It represents an appeal for resources based primarily on needs;<sup>1</sup> the level of actual operational activity depends on the contributions received for the period.
4. In accordance with WFP's General Regulations, the proposed programme of work comprises total operational requirements, including indirect support costs (ISC).
5. WFP's financial policies, business processes and controls ensure that expenditure does not exceed the level of resources contributed by donors and that donor restrictions on the use of resources are respected.
6. Since the third update on the Management Plan in November 2010, WFP's 2010–2011 programme of work has decreased by US\$119.1 million: US\$63.5 million for 2010 and US\$55.6 million for 2011. This decrease is primarily a result of realignments of country requirements based on updated assessments; WFP's lack of access to some populations in need, such as in central and south Somalia; and the ongoing review of direct operational cost requirements.
7. Subsequent to approval of the Biennial Management Plan in 2009, there was an increase in the 2010 programme of work, of US\$2.25 billion. Unforeseen requirements arising from the earthquake in Haiti, floods in Pakistan and droughts in the Sahel region and the Horn of Africa accounted for the majority of this increase.<sup>2</sup> An analysis of unforeseen requirements is provided as Annex I of this document.
8. At the Second Regular Session of 2010, the Board approved an increase in the ceiling of the Working Capital Financing (WCF) Facility,<sup>3</sup> and the Secretariat committed to update the Board regularly on WFP's advance financing facilities. This update summarizes WFP's achievements from using its advance financing mechanism in 2010.
9. A glossary of the terminology used in this document is provided in Annex II.

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<sup>1</sup> Under General Rule II.2, the programme of work is based on assessed needs, except for development activities.

<sup>2</sup> Third Update on the WFP Management Plan (2010–2011), paragraph 5.

<sup>3</sup> WFP/EB.2/2010/5-B/1.

## SECTION I: BIENNIAL OPERATIONAL BUDGET OVERVIEW

### Highlights of the 2010 Programme of Work

10. The 2010 programme of work has decreased by US\$63.5 million since the third update on the Management Plan, bringing the total programme of work to US\$6.85 billion.
11. During the reporting period, the programme of work decreased in 13 countries, by US\$127.2 million, and increased in 32 countries, by US\$63.7 million.

### Changes in the 2011 Programme of Work since the Third Update

12. As shown in Table 1, the latest 2011 foreseen programme of work of US\$5.01 billion represents a decrease of US\$55.6 million since the third update: requirements decreased in 21 countries, by US\$255.1 million, and increased in 21 countries, by US\$199.5 million.<sup>4</sup>

<b>TABLE 1: MAJOR CHANGES TO THE 2011 PROGRAMME OF WORK SINCE THE THIRD UPDATE (US\$ million)*</b>	
2011 programme of work as reported in the third update	5 070.0
Major decreases since the third update	
Somalia	-84.0
Ethiopia	-58.3
Haiti	-33.0
Others	-79.8
<i>Subtotal of major decreases for 2011</i>	<i>-255.1</i>
Major increases since the third update	
Niger	46.0
Uganda	37.8
Others	115.7
<i>Subtotal of major increases for 2011</i>	<i>199.5</i>
Revised programme of work for 2011	5 014.4

\* All figures include ISC

### Major Decreases since the Third Management Plan Update

13. *Somalia*: WFP is reducing its requirements for 2011 by a further US\$84 million, owing to an improved food security situation indicated in the 2010 seasonal assessment and to increased restrictions on access resulting from security conditions. The number of beneficiaries has decreased from 1.8 million to 1.2 million, leading to an overall decrease in tonnage of more than 100,000 mt.
14. *Ethiopia*: In 2011, Ethiopia's overall requirements are expected to decrease by US\$58.3 million, primarily for the ongoing protracted relief and recovery operation (PRRO) "Responding to Humanitarian Crisis and Enhancing Resilience to Food Insecurity". The reduction is due mainly to a decrease in the number of beneficiaries requiring food assistance, given improved food availability and access following a favourable harvest. Planned beneficiaries for all projects in 2011 total 5.7 million, including 1.9 million for relief operations – a significant reduction from 9.4 million in

<sup>4</sup> For details, see: WFP. *Projected 2011 Needs for WFP Projects and Operations, November 2010*. Rome.

2010. Needs may decrease further following verification of the assessment of the latest harvest, expected to be released in early 2011.

15. *Haiti*: WFP continues to address urgent humanitarian needs in Haiti, and food assistance will continue to reach nearly 2.5 million people during 2011. The budget decrease reflects the increasing shift from broad-based relief towards more targeted food and cash assistance and nutrition support, using a safety net approach to accelerate recovery. While remaining ready to respond to new shocks that may occur, WFP will shift from the emergency operation (EMOP) that was put in place in the immediate aftermath of the earthquake to a PRRO supporting vulnerable populations recovering from the earthquake and recurring shocks.
16. Further decreases in 2011 requirements were made in 18 other countries, including the Democratic Republic of the Congo, Chad and Guinea, amounting to US\$79.8 million.

### **Major Increases since the Third Management Plan Update**

17. *Niger*: The current EMOP initiated in response to the 2010 food and nutrition crisis has been extended to 31 March 2011. For this, WFP will require an additional US\$46 million to assist 1.4 million beneficiaries through a combination of food- and cash-for-work activities to protect livelihoods and support recovery in vulnerable areas.
18. *Uganda*: Although the above-average harvest in Karamoja and adjacent regions has increased market supplies of most staples and reduced prices, 56,000 households originally assisted under the EMOP that ended in December 2010 will still require assistance in 2011. The country programme and the PRRO will lend assistance to those former EMOP beneficiaries, requiring an additional US\$37.8 million.<sup>5</sup>
19. Further increases in 2011 requirements were made in 19 other countries, including the United Republic of Tanzania, the Sudan and Rwanda, amounting to US\$115.7 million.

### *Cash and Voucher Transfers*

20. In the original Management Plan, cash and voucher transfers were projected to account for US\$300.4 million. Since then, WFP has already approved cash-based interventions worth US\$220.5 million in 25 countries, including Afghanistan, Haiti, Myanmar, Nepal, Pakistan, the Philippines, the Syrian Arab Republic and Zambia. During 2011, further expansion of cash- and voucher-based activities is expected, where conditions permit and as WFP staff and partners grow increasingly comfortable with the new modalities.
21. Cash- and voucher-based interventions can play an important role in meeting food requirements and achieving WFP Strategic Objectives in situations where food is available in markets but populations lack the resources to obtain it. The possibility of using cash and vouchers in addition to food allows WFP to tailor its programmes better to the needs and preferences of beneficiaries and to the contexts in which they are situated. Perceived benefits such as cost efficiencies, increased self-reliance and sustainability will be reviewed during implementation. Eventually, the use of cash and voucher modalities may permit faster responses: during 2010, cash-based programming was introduced and used in the emergency responses in both Haiti and Pakistan, after an initial phase of large-scale food transfers.
22. During 2011, WFP will adjust systems and procedures to facilitate the expanded use of cash and voucher transfers through cooperating partners in different contexts, and will

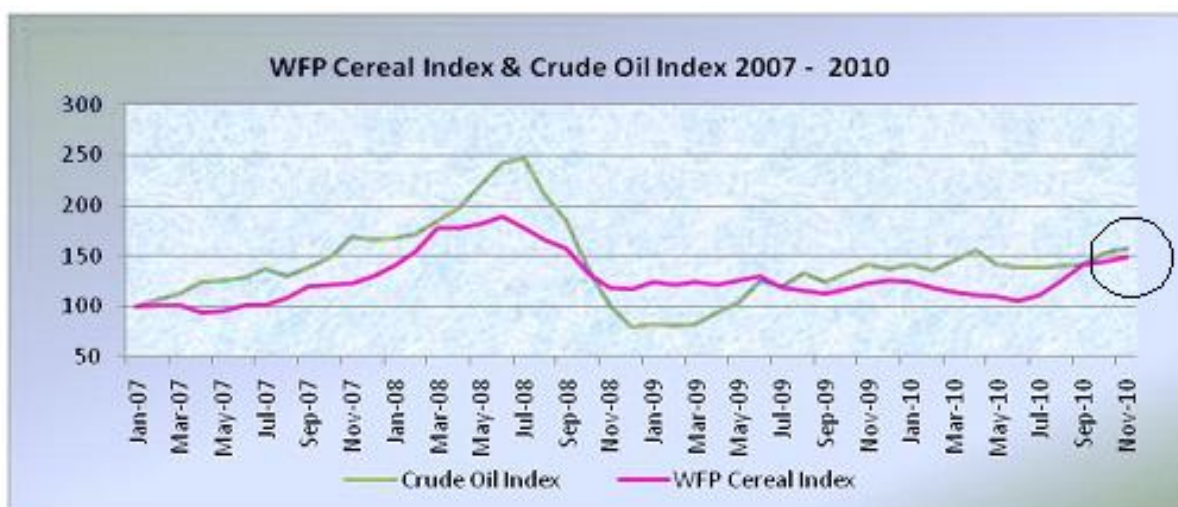
<sup>5</sup> The country office is preparing a budget revision reducing the 2011 requirements for its current PRRO.

reinforce technical support to field offices. WFP will also roll out improved guidelines, and continue to develop staff and partner capacities in making appropriate choices and designing and managing programmes involving cash and voucher transfers.

### *Impact of Cereal and Fuel Price Developments on WFP's Budget*

23. WFP's cereal index – based on information from the Food and Agriculture Organization of the United Nations (FAO) – and the WFP Market Monitor reveal that food prices have continued to rise in recent months, in most of the 61 countries monitored by WFP (Figure 1). The cereal index has risen 43 index points since June 2010, and is 39 index points short of the historically high levels for food prices reached in June 2008.

**Figure 1: WFP Cereal Index and Crude Oil Index 2007–2010**



24. The Secretariat continues to monitor and update its food and transport prices regularly and will inform the Board of the latest price trends through updates.<sup>6</sup>

## **SECTION II: PROJECTED RESOURCE LEVELS**

25. The original WFP Biennial Management Plan (2010–2011) was based on an income forecast of US\$7.5 billion, which would generate US\$476 million of ISC income. The current funding forecast for 2010–2011, of US\$7.45 billion, is expected to generate US\$473 million in ISC.
26. In 2010, WFP expects to receive US\$3.7 billion against assessed needs of US\$6.85 billion. In the last update, the resourcing outlook for 2010 decreased slightly, by US\$50 million.
27. WFP's income forecast for 2011 is projected at US\$3.75 billion, against assessed needs of US\$5.01 billion, as WFP continues to explore avenues of funding.

<sup>6</sup> The programme of work figure in this document was compiled effective November 2010. Since that date there have been further changes in the prices of food and fuel. The Secretariat has begun an exercise to review the impact these recent changes may have on the programme of work.



## Resourcing Highlights for 2010

28. In mid-December 2010, WFP had received US\$3.59 billion from 80 funding sources, including 73 government donors. The overall trends are consistent with previous years, with the top ten funding sources providing 80 percent of all funds received. However, varying trends underpin these composite figures, reflecting the new focus of donor relation efforts as guided by *Resourcing for a Changing Environment*.
29. Demonstrating continued support and increased commitment to WFP's operations since the 2008 high food and fuel price crises, in 2010, 43 donor governments increased their funding to WFP compared with their 2005–2007 averages, and 34 donor governments gave more than their 2009 contributions.
30. Increased contributions from governments of host nations have been a welcome and significant development over recent years. So far in 2010, WFP received US\$102 million from 23 host governments: Algeria, Bangladesh, Benin, Bhutan, Burkina Faso, Cambodia, Colombia, Cuba, Ecuador, Egypt, El Salvador, India, Indonesia, Iraq, Kenya, Lesotho, Madagascar, Malawi, Mauritania, Nepal, the Sudan, the Syrian Arab Republic and Uganda. Of these, 16 governments supported WFP's operations in their own countries, with more than US\$73 million, as in-kind and – increasingly – cash contributions. The largest donation of US\$36 million came from the Government of Nepal, followed by the Government of Iraq's US\$17 million contribution to WFP's Iraq PRRO. Another seven governments contributed almost US\$30 million to WFP's operations outside their own countries.
31. Reflecting WFP's continued expansion of partnerships with emerging economies and developing countries, the twinning of cash with in-kind commodity contributions resulted in contributions of some 145,000 mt, valued at US\$87 million, in 2010. In-kind commodity donors include Algeria, Bangladesh, Cuba, Iraq, Kenya, Malawi, Saudi Arabia, the Sudan and Thailand. Of the US\$32.8 million confirmed for associated costs in twinning arrangements, Spain was the largest matching donor, providing \$5.6 million to twin Thailand rice for WFP's operation in Haiti. The Emerging Donor matching Fund provided US\$11.7 million.
32. WFP's efforts to strengthen partnerships with countries in the Gulf and Arab States, which have long supported humanitarian activities, have also been successful, with a number of significant contributions from the Government of Oman and the Kingdom of Saudi Arabia. The Oman Government's US\$26 million to WFP activities in the Syrian Arab Republic was a record high.
33. Improved coordination, collaboration and complementarity of activities under the United Nations umbrella have permitted WFP to secure US\$187 million from thematic and multi-donor funds. The Central Emergency Response Fund accounts for more than 64 percent of multi-donor funds received so far, with significant allocations to meet needs in Haiti, Niger, Pakistan, the Sudan and other countries. WFP also received a first-time allocation of US\$10 million from the Haiti Emergency Response Relief Fund in the aftermath of the earthquake. The United Nations Peacebuilding Fund allocated US\$500,000 to WFP's operations in the Democratic Republic of the Congo and the Central African Republic, marking a first direct allocation of peacebuilding funds to a WFP activity.
34. WFP also relied on resources from common humanitarian funds in the Sudan and the Democratic Republic of Congo, for the fifth consecutive year, especially for special operations (SOs) relating to the Logistics Cluster and the United Nations Humanitarian Air Service (UNHAS) in both countries.



35. The Secretariat believes that WFP has a comparative advantage in global efforts – such as the L’Aquila Food Security Initiative, which is supported by a commitment of US\$22 billion over three years – and their offshoots in support of country-led programmes, such as the United States Feed the Future initiative. This comparative advantage is based on WFP’s work with national governments on food-based productive safety nets and hunger plans that enable supported populations to seize development opportunities and buffer them during hard times. WFP is well-positioned to benefit from these initiatives, and from programmes such as the European Union Food Facility and the Global Health Initiative. However, activities must align with the policy and programmatic objectives governing WFP activities.
36. The United States Government demonstrated increased flexibility in its funding, with increased cash contributions for local and regional purchases and cash transfers. In 2010, WFP received significant cash grants of US\$167 million for Pakistan and US\$35 million for Haiti. Combined with food resources, these enabled WFP to respond flexibly to prevailing local market conditions.
37. The European Commission has also been extremely supportive and responsive to WFP operations in 2010. WFP received almost US\$246 million from the European Commission Humanitarian Aid Office (ECHO), more than in 2009. ECHO’s support to the Logistics Cluster and UNHAS continues to be pivotal to WFP’s ability to continue strengthening operations. As part of its generous contributions to WFP operations, Canada has invested US\$47 million in augmenting WFP’s procurement capacity, to enhance operational effectiveness while delivering benefits to local producers.
38. WFP will continue to work with donors to improve the predictability and flexibility of its funding. In December 2010, WFP stepped up its efforts to encourage increased multilateral contributions through the first of a series of workshops on project planning, resourcing and prioritization. This included explaining the needs-based project life cycle and the methodology used by the Strategic Resource Allocation Committee (SRAC) and WFP’s multilateral prioritization process.
39. WFP expects to demonstrate further operational and financial efficiencies and benefits from multilateral contributions, particularly if multilateral contributions increase substantially, permitting WFP to use its funding more strategically and flexibly. So far in 2010, only 2 percent of the US\$323 million multilateral funds received was fully flexible, i.e., without any preferred designation. The most significant multilateral contributions continue to come from the governments of Australia, Canada, Denmark, Germany, the Netherlands, Norway and Sweden. WFP and a number of donors are also considering signing multi-year strategic partnership agreements that are strongly grounded in the tenets of the Paris Declaration and Good Humanitarian Donorship, especially predictability. Multi-year agreements already exist between WFP and Australia, Canada, Luxembourg, the Russian Federation and the United States.

### SECTION III: ADVANCE FINANCING MECHANISMS

40. In 2010, WFP had three internal advance financing mechanisms: i) the Immediate Response Account (IRA); ii) the WCF Facility, which includes the Forward Purchase Facility; and iii) the Direct Support Cost Advance Facility (DSCAF).
41. As approved at the Board’s Second Regular Session in 2010,<sup>7</sup> the WCF Facility and the DSCAF will be merged to streamline the administration of advance financing facilities,

<sup>7</sup> WFP/EB.2/2010/5-B/1.

with effect from 1 January 2011. During the discussions, the Secretariat committed to update the Board regularly on these facilities. The following paragraphs provide 2010 highlights of WFP's advance financing mechanism.

### **Immediate Response Account**

42. The IRA is a multilateral fund facility that enables WFP to provide immediate food assistance, including logistics and other non-food costs, in life-threatening situations. It is a replenishable fund to which donors can make cash contributions. Since its inception, the IRA has been a very effective relief response mechanism.
43. Between January and 30 November 2010, US\$141.6 million from the IRA was made available to 51 WFP operations. During the same period, US\$27.9 million was received from new donor contributions to replenish the account, and US\$109.3 million was repaid from projects.
44. Of the total amount released, 93 percent was advanced to EMOPs, PRROs and SOs, to prevent critical pipeline breaks and pre-position food in life-threatening situations, fund EMOPs' initial requirements, or augment logistics capacity for the delivery of urgent humanitarian assistance. The remaining 7 percent was allocated to providing immediate response to sudden-onset emergencies and to funding emergency preparedness measures.
45. In 2010, the IRA was vital in providing up-front financing for emergencies such as the Haiti earthquake in January, when a total of US\$25.4 million was released to address the needs of the affected population; drought in the Sahel region, where a total of US\$20 million was advanced to Niger, Chad and Cameroon; and widespread flooding in Pakistan, where US\$24.6 million was used to meet the needs of flood victims.

### **Working Capital Financing Facility**

46. The WCF Facility was established in 2004 to improve efficiency and effectiveness in WFP and transfer the risks of pipeline breaks from the beneficiaries to WFP. The facility has two main objectives: i) maximizing the utilization of resources destined to projects; and ii) improving the timely availability of food. The WCF provides country offices with access to funds in anticipation of the confirmation of forecast income. This allows the pre-positioning of food ahead of the lean season, to ensure that beneficiaries have access to food even if contributions are confirmed after the optimal start date for logistics processes.
47. By addressing the gap between when contributions are received and when cash is needed, the WCF Facility is a very useful business tool for improving the timely availability of food assistance to WFP beneficiaries.
48. During the 2010 Second Regular Session, the Board approved an increase in the WCF Facility ceiling from US\$180 million to US\$557 million, to match the changing and increasing demand. This approval enables the Executive Director to provide further advance financing to projects, expand the use of the Forward Purchase Facility and provide funding stability for corporate services.

### **Traditional Advance Financing**

49. Between January and November 2010, advance financing loans totalling US\$389.5 million were approved for more than 58 WFP operations through the WCF Facility.
50. Of this amount, 61 percent was advanced to EMOPs, 31 percent to PRROs, 7 percent to development/country programmes, and 1 percent to SOs.

51. At the beginning of the year, a total of US\$53.1 million of WCF advance for Kenya and Ethiopia enabled the country offices to avert an expected pipeline break resulting from the continuation and intensification of drought conditions in the two countries.
52. An advance of US\$54 million to the Sudan permitted the country office to avert an expected pipeline break and to shorten the lead time for the procurement and shipment of food, which normally takes four to six months from when the contribution is confirmed.
53. The Niger PRRO received US\$15.1 million to help reduce the lead time for purchasing food on the international market and ensure sufficient stock in-country to respond to increased needs during the lean season. With the worsening drought in the Sahel region, the Niger EMOP received a total of US\$50.2 million to allow immediate response to the needs of the drought-affected population.
54. The flood that hit Pakistan in August caused considerable damage to large parts of the country and resulted in loss of life, destruction of homes and livelihoods, and displacement. A total of US\$89.1 million was advanced to the Pakistan EMOP, allowing the country office to respond immediately with relief assistance.

### **Forward Purchasing**

55. The Forward Purchase Special Account was established in June 2008 to allow strategic food purchases in Africa, based on regional requirements and contribution forecasts. A revolving amount of US\$60 million from WCF is currently approved for this initiative.
56. During 2010, 85,025 mt of food – mainly maize, beans and yellow split peas – was purchased and subsequently allocated to individual projects in the Horn of Africa and Sahel regions. This strengthened pipeline management, significantly reduced average lead times and allowed WFP to procure at more favourable prices.

### **Direct Support Cost Advance Facility**

57. The DSCAF was established in 1999 as a loan mechanism for maintaining operational capacity during gaps in funding, to allow uninterrupted delivery of services. In 2005, the DSCAF expanded to provide other direct operational cost (ODOC) advances for non-food interventions, such as SOs in support of existing EMOPs, and for corporate services.
58. At EB.2/2010, the Board approved a US\$35.9 million transfer from the DSCAF reserve to the Operational Reserve, increasing the Operational Reserve from US\$57 million to US\$92.9 million.
59. By November 2010, advances from the DSCAF totalled US\$15.7 million, supporting seven WFP operations. Of this amount, 52 percent was allocated to EMOPs and PRROs, 9 percent to SOs, 4 percent to development projects, and 35 percent to the Global Vehicle Leasing Pool.

### **Way Forward**

60. The Secretariat will continue to report to the Board through its Management Plan updates on the utilization of WFP's advance financing mechanisms.

## SECTION IV: MANAGEMENT OF INDIRECT SUPPORT COSTS

### Funding of Additional Field Security Requirements

61. With the approval of the original Management Plan (2010–2011), the Board approved a carry-forward of US\$14.5 million for WFP field security upgrades, of which US\$8.5 million was spent in 2010.
62. As outlined in the document “Information Note on Funding of Security Arrangements”,<sup>8</sup> the Secretariat is projecting overall expenditure at US\$16.2 million in 2011, consisting of US\$8.6 million for office relocation and blast mitigation and US\$7.6 million for security management and minimum operating security standards.
63. The 2010 carry-over amount from the Security Emergency Fund is US\$6.0 million; the Secretariat is requesting the Board to approve supplementary expenditures of up to US\$10.2 million.
64. It is proposed that this increase be funded from the Programme Support and Administrative (PSA) Equalization Account for the remainder of the biennium.
65. The Secretariat will monitor progress on the implementation of security requirements, and will update the Board.

### Status of the Programme Support and Administrative Equalization Account

66. As outlined in the Audited Financial Statements for 2009, the balance of the PSA Equalization Account at 31 December 2009 was US\$152 million. The forecast for the PSA Equalization Account is outlined in Table 2, taking into account the funding for 2010 staff liabilities and approved PSA expenditure.

1 January 2010 opening balance <sup>9</sup>		152.0
2010–2011 projected income at 7%		473.0
2010–2011 approved PSA	(479.4)	
2010–2011 one-time allocation	(25.9)	
Approved transfer of 2010–2011 security expenditure <sup>10</sup>	(38.9)	
Proposed supplementary field security expenditure <sup>11</sup>	(10.2)	
Subtotal, expenditure		(554.4)
<b>31 December 2011 forecast</b>		<b>70.6</b>

67. The forecasted balance includes proposed supplementary expenditure for field security upgrades, as outlined in document WFP/EB.1/2011/12-B.

<sup>8</sup> WFP/EB.1/2011/12-B

<sup>9</sup> “Audited Annual Accounts, 2009” (WFP/EB.A/2010/6-A/1).

<sup>10</sup> United Nations Department of Safety and Security/Security Emergency Fund.

<sup>11</sup> Assuming approval of point ii) of the draft decision of this document.

68. The Secretariat recognizes the importance of keeping the target balance in the PSA Equalization Account, and will continue to monitor both ISC income and PSA expenditure to ensure that they are in line with projections. The Board will be kept informed of the account's status throughout the biennium.

### **Implementation of a Treasury Management System**

69. The main source of income for the unearmarked portion of the General Fund is interest on WFP's cash and investment balances. It is therefore highly dependent on the short-term interest rates set by central banks, particularly the United States of America Federal Reserve.

70. WFP's cash balances are managed primarily by the Treasury Unit at Headquarters, involving annual cash flow of approximately US\$3.0 billion flowing through 370 bank accounts held at more than 90 banks.

71. WFP has a limited treasury management system. The Secretariat reviewed opportunities for improvement during 2010, incorporating expert advice. The review found very strong arguments for making investments in computer systems for treasury management, given how quickly the investment would be recouped.

72. The treasury system improvements will integrate WFP's computer system with banking systems, to: i) improve financial control processes in field offices through automated upload of payment files and bank statements; ii) reduce bank fees; iii) reduce the number of bank accounts and cash balances held in field offices; and iv) allow the sending of bulk payments to vendors, employees and beneficiaries of cash and voucher projects. The improvements will also allow in-house management of working capital – short-term money market instruments – to increase return rates and reduce investment management fees, without increasing the risk profile of WFP cash balances.

73. To reap these benefits, the computer modules on cash and liquidity management, treasury and financial risk management, and bank communication will be implemented within 18 months, including roll-out to the field offices responsible for highest volumes of payments. Licences, partner fees, short-term employees and training and capacity development will amount to US\$1.5 million, of which US\$1.0 million will be required for 2011 and the remainder in 2012.

74. The time required for recouping this investment will be less than one year from implementation, based on an improved rate of return on cash balances, savings on bank and investment management fees, and improved value for money on foreign exchange conversions. These savings will be allocated to the General Fund and project budgets.

75. The Secretariat proposes that the US\$1.0 million investment be funded on an exceptional basis from the unearmarked portion of the General Fund.

## Unearmarked Portion of the General Fund

76. Table 3 provides an overview of the latest forecast for the unearmarked portion of the General Fund.

1 January 2010 opening balance		(25.7)
2010–2011 Income		32.5
Private-Sector Fundraising loan <sup>12</sup>	(4.5)	
Treasury Management System <sup>13</sup>	(1.0)	
<b>Subtotal</b>		<b>(5.5)</b>
<b>31 December 2011 forecast</b>		<b>1.3</b>

## SECTION V: UPDATE ON EXTRA-BUDGETARY RESOURCES

77. In the original Management Plan (2010–2011), extra-budgetary resources were forecast at US\$506 million. This forecast has been revised to US\$618.0 million, taking into account recently confirmed extra-budgetary resources that had not been foreseen: US\$329.0 million in special accounts; US\$276.3 million in trust funds – US\$197.1 million country-specific and US\$79.2 million general – and US\$12.7 million in bilaterals.

78. Against the forecast of US\$276.3 million for trust funds, US\$79.0 million, or 40 percent, has been received for country-specific trust funds in 2010 and US\$56.3 million, or 71 percent, for general trust funds.

79. Extra-budgetary resources are a critical source of investment for corporate and field innovation and capacity development, and for the capacity development of partners required for alignment to the WFP Strategic Plan (2008–2013).

80. Extra-budgetary resources received to date stand at US\$330.7 million, representing 54 percent of the revised forecasted requirements for 2010–2011.

81. Approximately US\$189.2 million has been received as income for the special accounts, representing 58 percent of the revised forecast of US\$329 million for the 2010–2011 biennium. Income for special accounts is generated mainly from the provision of logistics and information technology services.

82. Five new trust funds were established for the Gender Action Plan, the study on the cost of hunger in Africa, disaster risk reduction, climate change and a WFP–United Nations Children’s Fund study on the impact of the economic and financial crisis on vulnerable people.

<sup>12</sup> Approved in original Management Plan (2010–2011), WFP/EB.2/2009-5-A/1, as the 2010–2011 advance for the private sector partnerships and fundraising strategy

<sup>13</sup> This assumes approval of point iii) of the draft decision of this document.



83. Adapting the cost of hunger study for Latin America and the Caribbean, WFP commissioned a study, in partnership with the United Nations Economic Commission for Africa (UNECA) and the African Union (AU) Commission. “The Cost of Hunger in Africa: the Economic and Social Impact of Child Undernutrition” is to be presented to the AU/UNECA meeting of ministers of finance, planning and economic development in March 2011 and to the July 2011 AU General Assembly of Heads of State and Government.
84. The trust fund for Purchase for Progress (P4P) remains WFP’s largest, and implementation of the project has accelerated recently. Since the launch of the P4P pilot project in September 2008, more than 50,000 farmers, warehouse operators and small- and medium-sized traders have received training from WFP and partners in improved agricultural production, post-harvest handling, group marketing, agricultural finance and contracting. Supply-side partners including FAO and the International Fund for Agricultural Development are working with farmers to support P4P at the field level.
85. WFP has contracted 125,000 mt of food valued at US\$40 million in 20 P4P countries, directly benefiting smallholder farmers. A mid-term evaluation will be carried out in 2011 to be presented to the Board at EB.2/2011.

<b>TABLE 4: REVISED FORECAST OF EXTRA-BUDGETARY RESOURCES FOR THE 2010–2011 BIENNIUM (US\$ million)*</b>					
		<b>Original Management Plan</b>	<b>Revised forecast</b>		<b>Increase as % of original Management Plan</b>
Special accounts		280		329	17.5
Trust funds		214		276.3	29.1
<i>Country-specific</i>	<i>170.7</i>		<i>197.1</i>		15.5
<i>General</i>	<i>43.3</i>		<i>79.2</i>		82.9
Bilaterals		12		12.7	6.0
<b>TOTAL</b>		<b>506</b>		<b>618</b>	<b>22.1</b>

\*All figures exclude ISC.



## ANNEX I

## ANALYSIS OF UNFORESEEN REQUIREMENTS

1. As outlined in the original WFP Biennial Management Plan (2010–2011), the regular updates on the projected 2010–2011 programme of work take into account only foreseen needs, consisting of existing operations and their logical extensions, and make no provision for unforeseen requirements.
2. As requested at the 133<sup>th</sup> Session of the FAO Finance Committee, this annex presents a comparison between the original, approved management plans for past biennia and the final programmes of work.
3. WFP's programme of work increased by US\$2.9 billion – or 32 percent – in 2010–2011 compared with the original WFP Biennial Management Plan (2010–2011). Table A.1 shows historical unforeseen requirements compared with management plans.

<b>TABLE A.I: HISTORICAL UNFORESEEN REQUIREMENTS (US\$ million)</b>				
	<b>Management Plan</b>	<b>Unforeseen requirements</b>	<b>Total final programme of work</b>	<b>Increase (%)</b>
2002–2003	2 931	2 689	5 620	92
2004–2005	4 784	1 076	5 860	22
2006–2007	6 198	252	6 450	4
2008–2009	5 792	5 987	11 779	103
2010–2011*	8 953	2 912	11 865	32
<b>Average 2002–2011</b>	<b>5 732</b>	<b>2 583</b>	<b>8 315</b>	<b>45</b>

\*Excludes any unforeseen requirements in 2011

## ANNEX II

### GLOSSARY OF TERMINOLOGY

To the extent possible, commonly used United Nations system terminology for budget preparation has been employed in this document. In some cases, budget preparation and financial terms and definitions linked to WFP have also been used.

**Crude oil index:** An index based on Brent Crude futures.

**Emerging Donor Matching Fund:** A fund set up to meet the associated costs linked to in-kind commodity contributions from eligible donors unable to meet associated costs.

**Full cost recovery:** The recovery of operational costs, direct support costs (DSC) and ISC in full.

**Indirect support cost:** A cost which supports the execution of projects and activities but cannot be directly linked with their implementation.

**Management Plan:** The biennial comprehensive plan of work inclusive of planned outcomes and indicators of achievement, together with the budget; approved by the Board.

**Operational costs:** The costs of commodities, ocean transportation and related costs, and landside transport, storage and handling (LTSH), and any other input provided by WFP to beneficiaries, the government of the recipient country or other implementing partners.

**Programme of work:** An appeal for resources based on needs assessed in collaboration with governments, other United Nations organizations, partners and donors.

**Strategic Resource Allocation Committee (SRAC):** The advisory body to the Executive Director that ensures the strategic prioritization of the allocation of WFP's resources and of areas for conducting major appeals and fundraising.

**WFP Budget:** The biennial budget component of the Management Plan, indicating estimated resources and expenditures for programmes, projects and activities, and including a PSA budget.

**WFP cereal index:** An index composed of four cereals – wheat, maize, sorghum and rice – calculated from 1 June 2007, or any other date required, and intended to indicate the impact of changing prices on the cost of cereals for WFP.

**WCF Facility:** WFP's internal advance financing mechanism, which has two main objectives: i) maximizing the utilization of resources destined to projects; and ii) improving the timely availability of food. The facility provides field offices with access to funding in anticipation of confirmation of forecast income.

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## ACRONYMS USED IN THE DOCUMENT

AU	African Union
DSC	direct support costs
DSCAF	direct support cost advance facility
ECHO	European Commission Humanitarian Aid Office
EMOP	emergency operation
FAO	Food and Agriculture Organization of the United Nations
IRA	Immediate Response Account
ISC	indirect support costs
ODOC	other direct operational costs
P4P	Purchase for Progress
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative
RM	Resource Management and Accountability Department
RMB	Budget and Programming Division
RMBB	Budget Service
SO	special operation
SRAC	Strategic Resource Allocation Committee
UNECA	United Nations Economic Commission for Africa
UNHAS	United Nations Humanitarian Air Service
WCF	Working Capital Financing