

# 2011 Financial Seminar



# Structure of seminar

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- 1. Preparation of the 2010 Financial Statements**
- 2. Highlights of the 2010 Financial Statements**
- 3. Financial Position as of 31 December 2010**
- 4. Financial Performance for the Year ended 31 December 2010**
- 5. 2010 Annual Report on WFP Investment Management**

# 2011 Financial Seminar



## 1 Preparation of the 2010 Financial Statements



# Preparation of the 2010 Financial Statements

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- Interim financial statements at 30 September 2010
- Support to Annual Financial Statement preparation
  - Interim and annual Financial Statement Guidelines circulated to all staff
  - Attendance of CFO senior staff at all CD and FO meetings end 2010
  - Review of Letters of Representation received from senior managers
  - Oversight of financial reporting risks throughout 2010
- Monitoring of the recommendations from oversight functions
  - CAG India (CAG)
  - OSA
  - NAO
- Full set of draft Financial Statements including Notes for review and audit – submitted 14 February 2011
- Presented to Audit Committee on 14 March 2011
- Signed by Executive Director on 25 March 2011

# New external auditor - CAG India

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- Provided CAG :
  - full set interim Financial Statements
  - supporting documentation for all accounting policies
  - training on Business Processes and WINGSII; delivered through WFP India and HQ
  - support to the year-end audit team from 14 February 2011



# Review of Accounting Policies

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- Review of continued compliance of WFP Accounting Policies with IPSAS
- In 2010, 4 new IPSAS standards were issued (IPSAS 28-31), to be implemented fully by 2013:
  - IPSAS 28,29,30: Financial Instruments
    - WFP has pre-adopted some disclosure elements
    - Continued consultation with technical experts to prepare for full adoption in 2013
  - IPSAS 31: Intangible assets
    - no impact on WFP financial statements as WFP had already adopted IAS 38
- Continued membership of UN IPSAS Task Force provides WFP additional assurance that Accounting Policies remain valid.
- There were no changes to WFP's Accounting Policies in 2010 compared with 2009.

# 2011 Financial Seminar



## 2 Highlights of the 2010 Financial Statements



# Key Financial Data and Operational Metrics

<b>KEY FINANCIAL DATA (in millions)</b>	<b>2010</b>	<b>2009</b>	<b>Change (\$M)</b>	<b>Change (%)</b>
Total Cash and Investments	1,577.3	1,948.6	(371.3)	(19%)
Contributions Receivable	2,470.5	2,045.6	424.9	21%
Inventories (Food and NFI)	700.2	738.4	(38.2)	(5%)
Fund Balance	3,834.7	3,792.0	42.7	1%
Operational Fund Balance	3,051.1	3,042.7	8.4	0%
Contribution Revenue	4,129.8	4,205.2	(75.4)	(2%)
Expenses	4,237.7	4,228.1	9.6	0%
Surplus (deficit)	28.5	145.2	(116.7)	(80%)

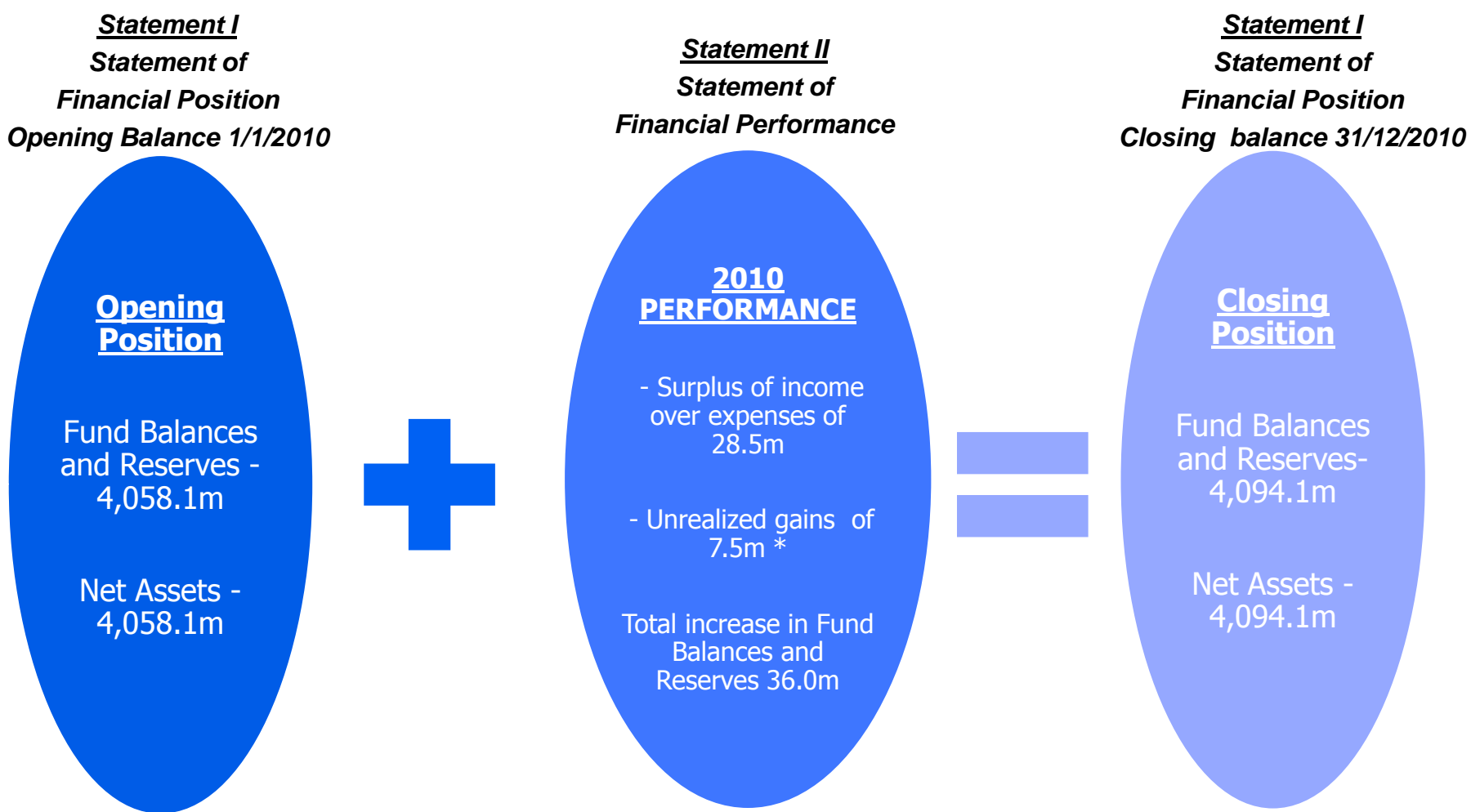
<b>KEY OPERATIONAL METRICS (in millions)</b>	<b>2010</b>	<b>2009</b>	<b>Change (\$M)</b>	<b>Change (%)</b>
MT food distributed in the period	4.6	4.8	(0.2)	(4%)
MT food held in inventory at period end	1.3	1.4	(0.1)	(7%)
Total Beneficiaries	109.2	101.8	7.4	7%
Beneficiaries - Cash and Vouchers	2.9	1.1	1.9	176%



# Key Financial Ratios

KEY FINANCIAL RATIOS	2010	2009	Change (\$M)	Change (%)
Operational cash balances held (in months)	2.2	4.0	(1.8)	(46%)
Average collection period for Contributions Receivable (in months)	7.6	6.3	1.3	21%
Average Inventory balances held (in months)	3.5	3.9	(0.4)	(10%)
Employee Benefit Funding Ratio	56%	51%		
Operational Fund Balance held (in months)	6.8	7.5	(0.7)	(10%)
% of Losses over total assets	0.3%	0.2%		

# Relationship between Key Financial Statements



\* The unrealized gains of 7.5 m of the investments is recorded directly in the reserves.

# 2011 Financial Seminar



## 3 Financial Position as of 31 December 2010



# Structure of WFP Financial Statements

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## ❖ Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Internal Control, Enterprise Risk Management and Financial Risk Management

## ❖ Financial Statements I to V provide financial views on WFP's operations; Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31.12.2010
- ❖ Statement II – states the financial performance of WFP for 2010
- ❖ Statement V – compares WFP's Actual performance against Budget

## ❖ Notes to the Financial Statements

- ❖ Disclose WFP's accounting policies (Note 1)
- ❖ Provide explanatory detail to elements of the Financial Statements (Notes 2 – 12)

# Statement I - Statement of Financial Position

(Annual Audited Accounts 2010, Statement I, page14)

US\$ million	31.12.2010	31.12.2009
Cash and cash equivalents	550.5	1,162.2
Short-term investments	778.6	582.2
Contributions receivable	2,352.6	1,896.7
Inventories	700.2	738.4
Other receivables	186.4	131.8
<b>TOTAL Current Assets</b>	<b>4,568.3</b>	<b>4,511.3</b>
Contributions receivable	117.9	148.9
Long-term investments	248.2	204.2
Property, plant and equipment	85.1	45.7
Intangible assets	36.5	43.6
<b>TOTAL Non-current Assets</b>	<b>487.7</b>	<b>442.4</b>
<b>TOTAL Assets</b>	<b>5,056.0</b>	<b>4,953.7</b>
Payables and accruals	522.0	480.8
Provisions	19.0	24.4
Employee benefits	22.2	23.3
<b>Total Current Liabilities</b>	<b>563.2</b>	<b>528.5</b>
Employee benefits	286.4	255.4
Long-term loan	112.3	111.7
<b>Total Non-current Liabilities</b>	<b>398.7</b>	<b>367.1</b>
<b>Total Liabilities</b>	<b>961.9</b>	<b>895.6</b>
<b>TOTAL NET ASSETS</b>	<b>4,094.1</b>	<b>4,058.1</b>
Fund Balances	3,834.7	3,792.0
Reserves	259.4	266.1
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>4,094.1</b>	<b>4,058.1</b>

**As we mentioned, the most important concepts in this statement are:**

- Cash and equivalents
- Short and Long term investments
- Contributions receivables
- Inventories
- Employee benefits
- Fund balances

**We will go to the detail of each one of these during this session.**



# Cash and cash equivalents, Short-term and Long-term Investments

(Annual Audited Accounts 2010, Notes 2.1, 2.2, 2.6, pages 24-25, 30)

	31.12.2010	31.12.2009	Change (\$M)	Change (%)
Cash and cash equivalents	550.5	1,162.2	(611.7)	(53)
Short-term investments	778.6	582.2	196.4	34
Long-term investments	248.2	204.2	44.0	22
<b>Total Cash and Investments</b>	<b>1,577.3</b>	<b>1,948.6</b>	<b>(371.3)</b>	<b>(19)</b>

- **Main reason for the decrease is explained by the timing of receipt of a number of large contributions**
- **In 2009, higher collections of cash occurred before the year-end; whereas in 2010 more collections occurred in early 2011**

# Cash and Short-term Investments

(Annual Audited Accounts 2010, Notes 2.1, 2.2 pages 24-25)

<b>Cash and equivalents</b>	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Change (\$M)</b>	<b>Change (%)</b>
Bank and cash at HQ	62.4	124.2	(61.8)	(50%)
Bank and cash at RB and CO	46.9	44.5	2.4	5%
Money Market	224.2	761.1	(536.9)	(71%)
Cash portion held in ST investments	<u>217.0</u>	<u>232.4</u>	<u>(15.4)</u>	<u>(7%)</u>
	<b>550.5</b>	<b>1,162.2</b>	<b>(611.7)</b>	<b>(53%)</b>

<b>Short-term investments</b>	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Change (\$M)</b>	<b>Change (%)</b>
Government bonds	539.4	359.7	179.7	50%
Non-agency securities	91.9	99.5	(7.6)	(8%)
Corporate bonds	145.2	120.9	24.3	20%
Current portion of LT investments	<u>2.1</u>	<u>2.1</u>	<u>-</u>	<u>-%</u>
	<b>778.6</b>	<b>582.2</b>	<b>196.4</b>	<b>34%</b>

<b>Total Cash and ST investments</b>	<b>1,329.1</b>	<b>1,744.4</b>	<b>(415.3)</b>	<b>(24%)</b>
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**We have increased effort to minimize cash in banks accounts at HQ and country offices (almost 60 million less than in 2009) to minimize risk and maximize return.**

# Contributions receivable

(Annual Audited Accounts 2010, Notes 2.3, pages 25-27)

	31.12.2010	31.12.2009	Change(\$M)	Change (%)
Current portion (receivable within one year)	2,352.6	1,896.7	455.9	24
Non-current portion (receivable beyond one year)	117.9	148.9	(31.0)	(21)
<b>Total Net Contributions Receivable</b>	<b>2,470.5</b>	<b>2,045.6</b>	<b>424.9</b>	<b>21</b>

	31.12.2010	31.12.2009	Change (\$M)	Change (%)
Monetary contributions	2,456.2	1,925.0	531.2	28
In-kind contributions	159.8	282.4	(122.6)	(43)
<b>Total Contributions Receivable before allowance</b>	<b>2,616.0</b>	<b>2,207.4</b>	<b>408.6</b>	<b>19</b>
Allowance for reductions in contributions revenue	(136.2)	(151.9)	15.7	(10)
Allowance for doubtful accounts	(9.3)	(9.9)	0.6	(6)
<b>Total Net Contribution Receivables</b>	<b>2,470.5</b>	<b>2,045.6</b>	<b>424.9</b>	<b>21</b>

- The decrease in cash at year-end was reflected in an increase of contributions receivable
- Allowances decreased reflecting lower historical actual write-down and write-off rates

# Contributions receivable - collection period

(Annual Audited Accounts 2010, Notes 2.3, pages 25-27)

- Average collection period increased from 6.3 months in 2009 to 7.6 months in 2010
- Increase due to specific large contributions confirmed later in 2010

Year of confirmation	31.12.2010		31.12.2009	
	\$M	%	\$M	%
2010	1,862.1	72	-	-
2009	567.4	22	1,742.8	79
2008 and earlier	172.8	6	455.2	21
<b>Subtotal</b>	<b>2,602.3</b>	<b>100</b>	<b>2,198.0</b>	<b>100</b>
Revaluation (non-US\$ contribution receivables)	13.7	-	9.4	-
<b>Total Contribution Receivables before allowance</b>	<b>2,616.0</b>	<b>100</b>	<b>2,207.4</b>	<b>100</b>

- **No write off of contributions receivable in 2010.**
- **Write-downs , \$39.0 million in 2010 (allowance for reductions in contribution revenue)**

# Food and non-food inventory

(Annual Audited Accounts 2010, Notes 2.4, pages 27-29)

	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>Change (\$M)</b>	<b>Change (%)</b>
Food Inventory	680.1	720.7	(40.6)	(6)
Non-food items	20.1	17.7	2.4	14
<b>Total Inventory</b>	<b>700.2</b>	<b>738.4</b>	<b>(38.2)</b>	<b>(5)</b>

- **Food inventory remains the most important inventory in WFP's operation**
- **The decrease in the value of inventory was mainly due to a decrease in the quantity of stock that was not offset by the higher prices paid for inventories during 2010 compared to 2009.**



# Food inventory

(Annual Audited Accounts 2010, Notes 2.4, pages 27-29)

Food Commodities	2010 (US\$M)	MT	2009 (US\$M)	MT
Opening Inventory	720.7	1.4	1,000.4	1.7
Add back: impairment allowance	2.9	-	4.0	-
Commodities purchased	1,142.8	2.9	1,052.1	2.6
In-kind commodities received	655.7	1.6	694.8	1.9
Transport and related costs	405.2	-	344.7	-
<b>Total Inventory available for distribution</b>	<b>2,927.3</b>	<b>5.9</b>	<b>3,096.0</b>	<b>6.2</b>
Less: Food commodities distributed	(2,244.2)	(4.6)	(2,372.4)	(4.8)
Allowance for impairment - Food	(3.0)	-	(2.9)	-
<b>Total Food Commodities</b>	<b>680.1</b>	<b>1.3</b>	<b>720.7</b>	<b>1.4</b>

The value of the food purchased increased vs 2009, but the food received in-kind decreased.

# Food inventory by top 10 locations

Country	31.12.2010		31.12.2009	
	'000 MT	US\$ millions	'000 MT	US\$ millions
1 Sudan	317	112.6	292	132.3
2 Chad	90	55.5	78	44.3
3 Ethiopia	146	55.5	249	102.8
4 Pakistan	97	55.4	55	25.7
5 Haiti	45	45.3	16	12.0
6 Niger	46	38.7	11	6.2
7 Kenya	64	36.6	106	59.9
8 Democratic Republic of Congo	56	34.6	39	30.5
9 Afghanistan	47	28.8	84	40.4
10 Bangladesh	40	15.8	17	7.3
	948 73%	478.8 70%	947 67%	461.4 64%
<b>Total Inventory</b>	<b>1,306</b>	<b>680.1</b>	<b>1,410</b>	<b>720.7</b>

- **Food inventory concentration in the top 10 countries increased compared to 2009**

# Food commodity inventory by top commodities

	31.12.2010		31.12.2009	
	000 MT		000 MT	
Wheat	321	25%	418	30%
Sorghum	332	25%	278	20%
Corn	191	15%	193	14%
Rice	143	11%	91	6%
other	320	24%	431	31%
	1,306	100%	1,410	100%

- In 2010, 76% of total food commodity inventory in MT is held in 4 commodities (69% in 2009)
- However, the distribution among these 4 commodities is less concentrated than in 2009
- It was the consequence of the needs of Emergencies in 2010 that pushed up the needs for rice

# Food inventory turnover ratio

	31.12.2010	31.12.2009
Commodities distributed in MT (in millions)	4.6	4.8
Average inventory balance in MT (in millions)	1.4	1.5
Inventory balance held ( <b>in months</b> )	3.5	3.9

- **Inventory turnover ratio shows that WFP had on average 3.5 months of inventory on hand.**

# Other receivables - VAT

(Annual Audited Accounts 2010, Note 2.5, pages 29-30)

(US\$ million)

Country	2010	Allowance	NET
Sudan	40.4	(40.4)	-
Mozambique	4.9	(4.9)	-
Uganda	1.8	-	1.8
Malawi	0.5	-	0.5
Rwanda	0.2	-	0.2
Ecuador	0.2	-	0.2
Zimbabwe	0.2	-	0.2
Nepal	0.2	-	0.2
Other COs	0.8	(0.1)	0.7
<b>Total</b>	<b>49.2</b>	<b>(45.4)</b>	<b>3.8</b>

- The VAT receivables from Sudan, Mozambique have been fully provided for, although collection efforts are still on-going.



# Employee Benefit Liabilities

(Annual Audited Accounts 2010, Note 2.11, pages 35-42; and Note 2.6, pages 30-31)

## Liabilities

US\$m	2010	2009
Short-term	22.2	23.3
Post employment	234.3	209.1
Other Long-term	52.1	46.3
<b>TOTAL</b>	<b>308.6</b>	<b>278.7</b>

- *Short-term* - annual leave and education grants.
- *Post-employment* - After-Service Health Insurance; Separation Payments Scheme; Compensation Plan Reserve Fund.
- *Other long-term* - home leave travel and other separation related benefits. (Annual leave, death grant, repatriation grant and repatriation travel.)

Change in value of liability mainly result of:-

- a. Increase in earned benefit entitlement
- b. Decreased discount rate used in valuation
- c. Movement in EURO-USD exchange rate

## Assets

At 31 December 2010, 56% of the total employee benefits are funded (51% in 2009).

Of the total amount charged against relevant funds and projects of US\$173.5 million, US\$166.3 million pertain to the long-term employee benefits. Assets have been set aside for these long-term employee benefits in the form of cash and long term investments (bonds and equities).

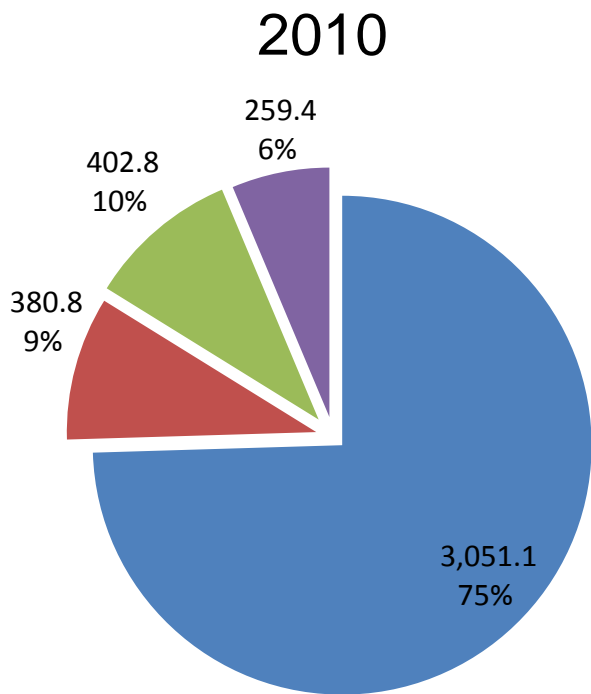
	US\$m
Bonds	76.9
Equity	87.6
<b>TOTAL</b>	<b>164.5</b>

WFP sets aside investments for the long-term employee benefits liabilities to the extent of amount charged against relevant funds and projects.

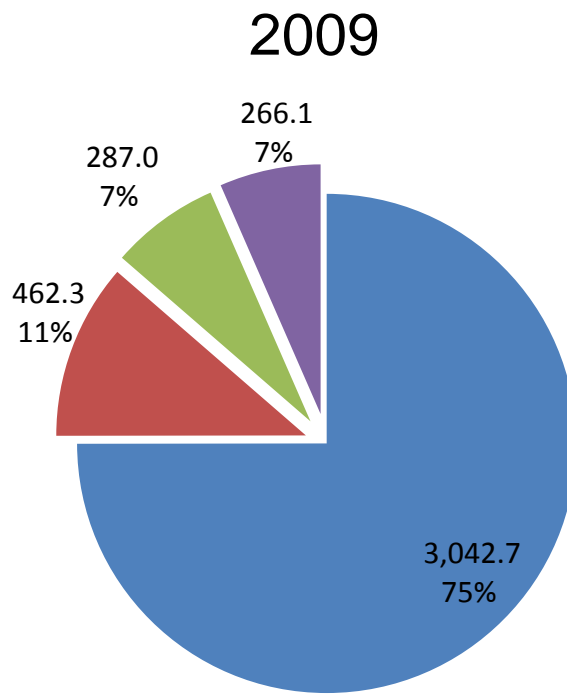
# Understanding WFP's Fund Balance and Reserves

(Annual Audited Accounts 2010, Note 2.14, pages 45-47)

The total Fund and Reserve balances consisted of:



**(Total 4,094.1 US\$ million)**



**(Total 4,058.1 US\$ million)**

- Programme Category Funds
- General Fund and Special Accounts
- Bilaterals and Trust Funds
- Reserves

# Fund Balances vs. Project Balances Analysis

## STATEMENT I\_NOTE 7: SEGMENT REPORTING

### Note 7.1: Statement of Financial Position by Segment

	2010				Total
	Programme Category Funds	General Fund and Special Accounts	Bilateral Operations and Trust Funds	Inter-Segment Transactions	
<i>(US\$ millions)</i>					
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and short-term investments	556.6	543.4	230.1	-	1 329.1
Contributions receivable	2 077.2	111.5	163.9	-	2 352.6
Inventories	③ 571.7	20.5	③ 8.0	-	700.2
Other receivables	133.7	168.6	6.4	(122.3)	186.4
	<b>3 438.2</b>	<b>844.0</b>	<b>408.4</b>	<b>(122.3)</b>	<b>4 568.3</b>
<b>Non-Current Assets</b>					
Contributions receivable	21.1	66.8	30.0	-	117.9
Long-term investments	-	248.2	-	-	248.2
Property, plant and equipment	② 60.2	23.6	② 1.3	-	85.1
Intangible assets	-	36.5	-	-	36.5
	<b>81.3</b>	<b>375.1</b>	<b>31.3</b>	<b>-</b>	<b>487.7</b>
<b>TOTAL ASSETS</b>	<b>3 519.5</b>	<b>1 219.1</b>	<b>439.7</b>	<b>(122.3)</b>	<b>5 056.0</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Payable and accruals	459.1	157.3	27.9	(122.3)	522.0
Provisions	9.3	0.7	9.0	-	19.0
Employee benefits	-	22.2	-	-	22.2
	<b>468.4</b>	<b>180.2</b>	<b>36.9</b>	<b>(122.3)</b>	<b>563.2</b>
<b>Non-Current Liabilities</b>					
Employee benefits	-	286.4	-	-	286.4
Long-term loan	-	112.3	-	-	112.3
	<b>-</b>	<b>398.7</b>	<b>-</b>	<b>-</b>	<b>398.7</b>
<b>TOTAL LIABILITIES</b>	<b>468.4</b>	<b>578.9</b>	<b>36.9</b>	<b>(122.3)</b>	<b>961.9</b>
<b>NET ASSETS</b>	<b>3 051.1</b>	<b>640.2</b>	<b>402.8</b>	<b>-</b>	<b>4 094.1</b>
<b>FUND BALANCES AND RESERVES</b>					
Fund balances	3 051.1	380.8	402.8	-	3 834.7
Reserves	-	259.4	-	-	259.4
<b>TOTAL FUND BALANCES AND RESERVES, 31 December 2010</b>	<b>3 051.1</b>	<b>① 640.2</b>	<b>402.8</b>	<b>-</b>	<b>4 094.1</b>

### 8.1.2 Other Commitments

187. At 31 December 2010, WFP had commitments for the acquisition of food commodities, non-food items, transportation, services and capital commitments contracted but not delivered as follows:

	2010	2009
<i>US\$ millions</i>		
Food commodities	372.3	455.2
Non-food items	45.2	44.2
Transportation	81.0	120.6
Services	77.6	93.9
Capital commitments	7.8	7.3
<b>Total open commitments</b>	<b>④ 583.9</b>	<b>721.2</b>

### Balances as of 31 December 2010

Amount  
(US\$B)

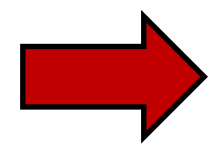
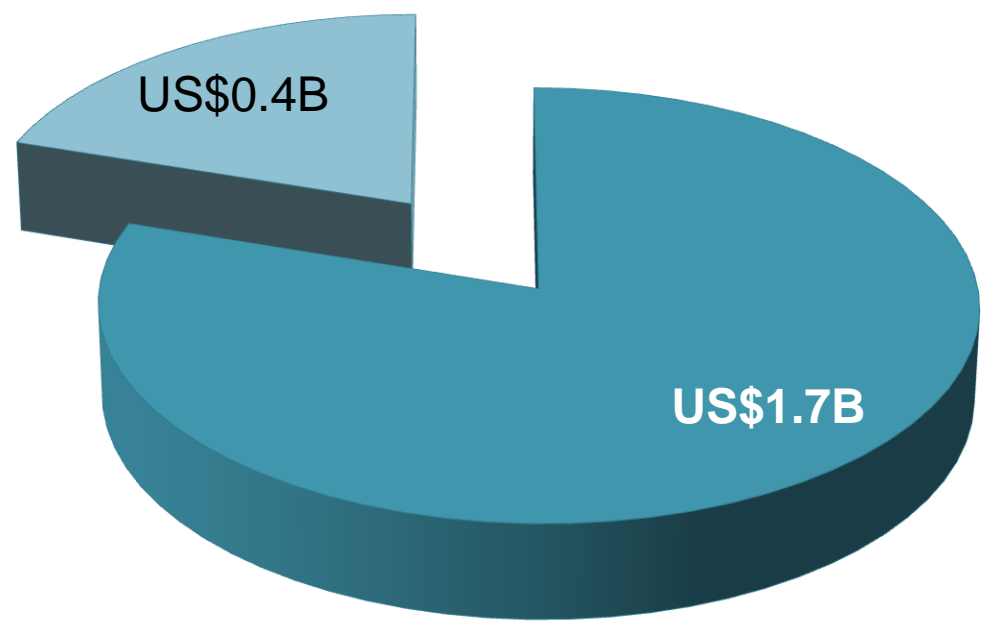
<b>Total Fund Balances and Reserves</b> (as per Statement of Financial Position as of 31 Dec 2010)	<b>4.1</b>
① General Fund (including Reserves) and Special Accounts	0.6
② Fixed Assets	0.1
③ Inventories (Food and non-food)	0.7
④ Commitments	0.6
<b>Total Project Balances</b> (Programme Category, Bilateral Operations and Trust Funds)	<b>= 2.1</b>

# Fund Balances vs. Project Balances Analysis

Balances as of 31 December 2010	Amount (US\$B)
<b>Total Fund Balances and Reserves</b> (as per Statement of Financial Position as of 31 December 2010)	<b>4.1</b>
General Fund (including Reserves) and Special Accounts	- 0.6
Fixed Assets	- 0.1
Inventories (Food and non-food)	- 0.7
Commitments	- 0.6
<b>Total Project Balances</b> (Programme Category, Bilateral Operations and Trust Funds)	= <b>2.1</b>

# Project Balances Overview\*

Total project balances: US\$2.1B



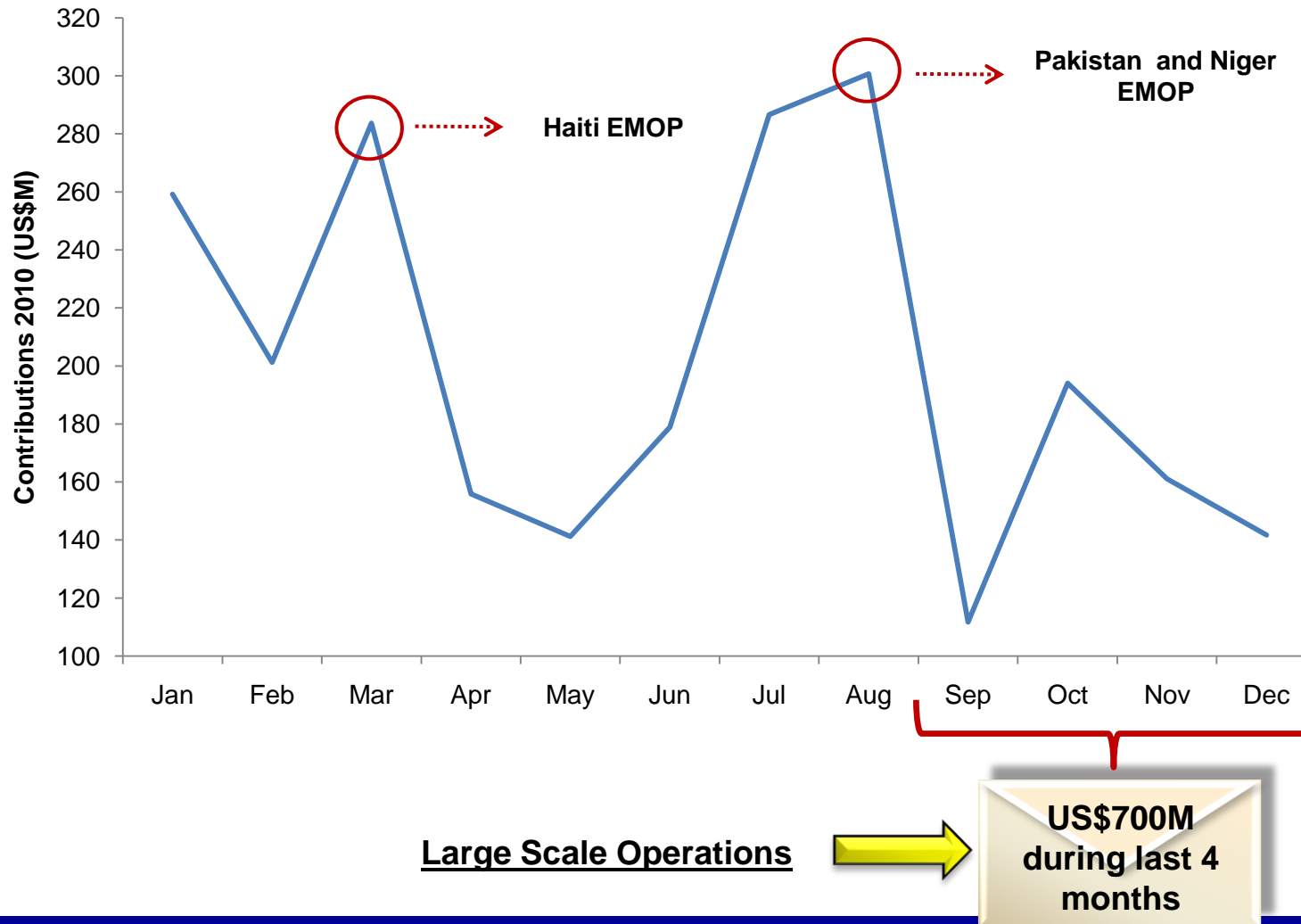
**Country offices accounting for the largest share:**

- Afghanistan, Chad, DRC, Ethiopia, Haiti, Kenya, Niger, Pakistan, Somalia, Sudan, Uganda, Zimbabwe

***80 percent of project balances held under large scale operations***

\* Programme Category, Bilateral Operations and Trust Funds.

# Contributions flow 2010: large scale operations



# Understanding WFP's Fund Balance and Reserves

(Annual Audited Accounts 2010, Note 2.14, pages 45-47)

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## CONCLUSIONS

- The fund balance relating to the Programme's projects of US\$3,051.1 million represents approximately 6.8 months of operational requirements (7.5 months in 2009).
- 80% of Project fund balances held in large scale operations



# 2011 Financial Seminar



## 4 Financial Performance for the Year ended 31 December 2010



# Statement II - Statement of Financial Performance

(Annual Audited Accounts 2010, Statement II, page 15)

(US\$ million)	01.01.2010 to 31.12.2010	01.01.2009 to 31.12.2009
<b>REVENUE</b>		
Monetary contributions	3,546.7	3,445.0
In-Kind contributions	583.1	760.2
Other revenue	136.4	168.1
<b>TOTAL REVENUE</b>	<b>4,266.2</b>	<b>4,373.3</b>
<b>EXPENSES</b>		
Cash and Vouchers distributed	60.3	15.1
Commodities distributed	2,254.6	2,380.4
Distribution and related services	659.0	734.5
Wages, salaries, employee benefits and other staff costs	646.4	617.8
Supplies, consumables and other running costs	152.5	115.6
Contracted and other services	374.3	303.5
Finance Costs	2.7	2.7
Depreciation and amortization	25.1	12.5
Other expenses	62.8	46.0
<b>TOTAL EXPENSES</b>	<b>4,237.7</b>	<b>4,228.1</b>
<b>SURPLUS FOR THE YEAR</b>	<b>28.5</b>	<b>145.2</b>

•Monetary contributions increased by more than 100 m vs 2009

•But, In-Kind contributions decreased by more than 177 million

•However, in 2010 we managed to spend almost 10 million more than in 2009

# Other Revenue

(Annual Audited Accounts 2010, Note 3, page 48)

	01.01.2010 to 31.12.2010	01.01.2010 to 31.12.2009	Change (\$M)	Change (%)
Currency exchange differences	7.3	44.2	(36.9)	(83)
Return on investments	22.6	38.7	(16.1)	(42)
Other revenue	106.5	85.2	21.3	25
<b>Total other revenue</b>	<b>136.4</b>	<b>168.1</b>	<b>(31.7)</b>	<b>(19)</b>

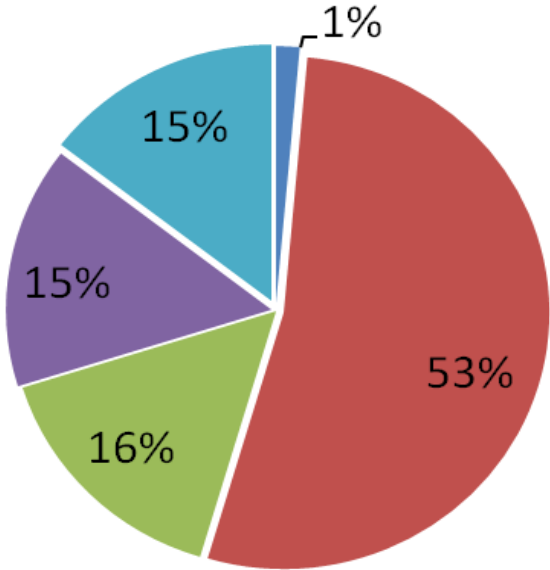
- **Currency exchange differences decreased as the impact of foreign exchange movements reduced in 2010**
- **Return on investments decreased mainly because the net unrealised gains were less than 2009 because of a normalisation of market environment and stable, low interest rates**
- **Other revenue (78% of total Other Revenue) increased because of higher level of Special Account activity: UNHAS, UNHRD, GVLP, FESO, Aviation**

# Expenses

(Annual Audited Accounts 2010, Note 4, page 49)

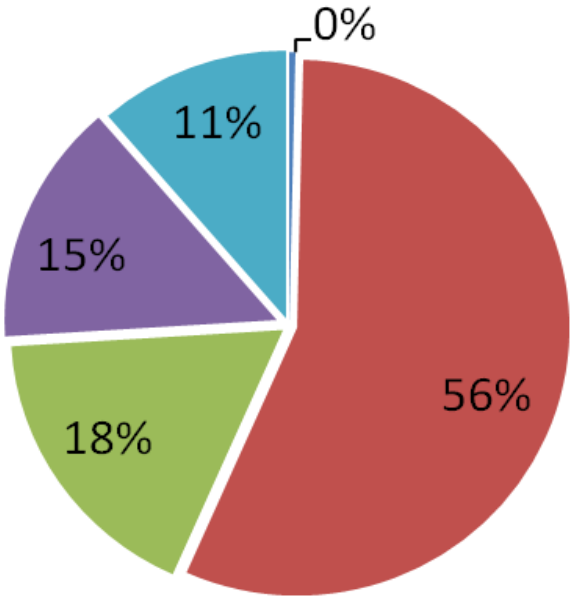
- The chart below details expense by nature:-

### 2010 Expenses



TOTAL – US\$4,237.7 million

### 2009 Expenses



TOTAL US\$4,228.1 million

- Cash and Vouchers distributed
- Commodities distributed
- Distribution and related services
- Wages, salaries, employee benefits and other staff costs
- Others

# Expenses

(Annual Audited Accounts 2010, Note 4, page 49)

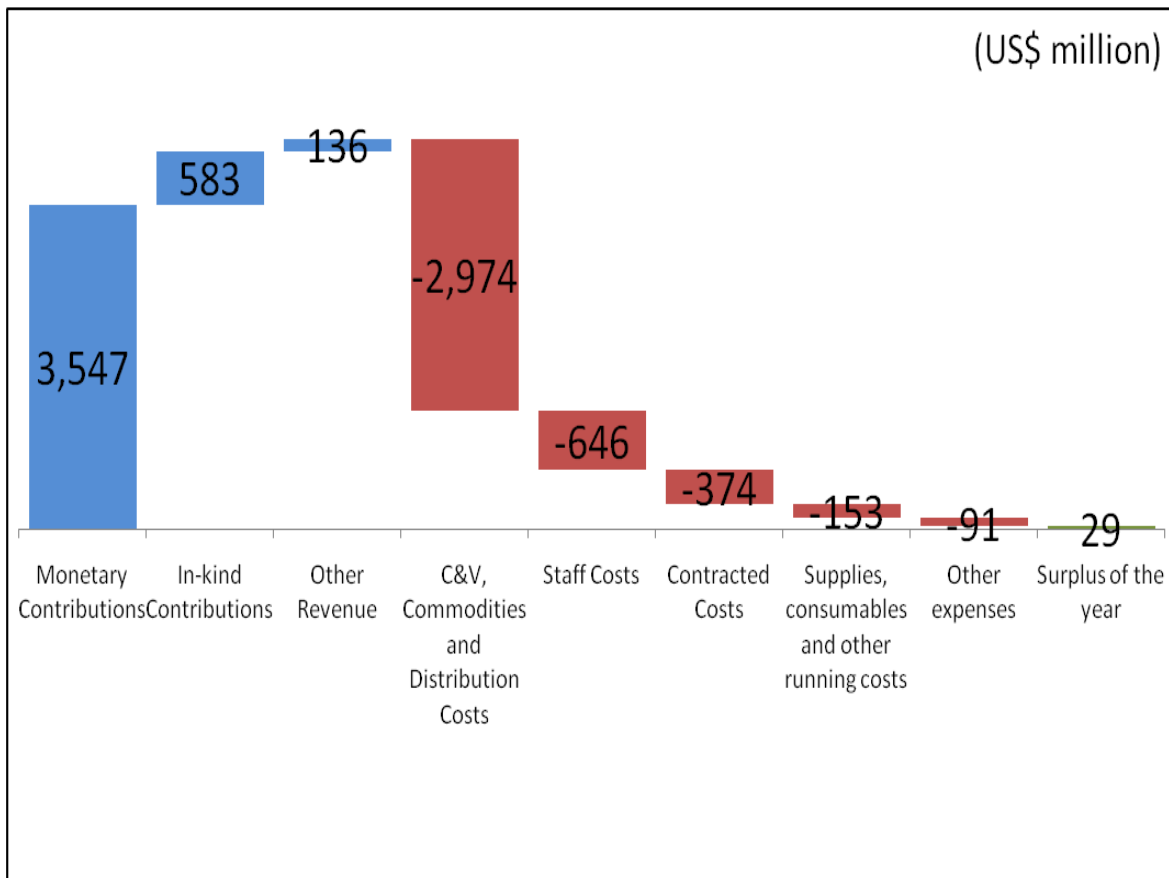
- 70% of total expenses relate to key direct costs:-

	01.01.2010 to 31.12.2010		01.01.2010 to 31.12.2009		Change	Change
	US\$ million	%	US\$ million	%	(\$M)	(%)
Cash and Vouchers distributed	60.3	1	15.1	-	45.2	299
Commodities distributed	2,254.6	53	2,380.4	56	(125.8)	(5)
Distribution and related services	659.0	16	734.5	18	(75.5)	(10)
<b>Food distributed (Millions of Metric Tonnes)</b>	4.6		4.8		(0.2)	(4)
<b>Total Beneficiaries reached (Millions)</b>	109.2		101.8		7.4	7

# Surplus Overview

How the 2010 surplus was generated:-

How the surplus is reflected in changes in net assets:-



Inventories	-38
Cash and Investments	-379
Contributions Receivables	425
Property, Plant and Equipment	39
Liabilities	-66
Other items	48
<b>Increase in net assets from surplus</b>	<b>29</b>
Increase from change in value of LT investments	7
<b>Total increase in net assets</b>	<b>36</b>

# Provisions and related Utilization and Losses and Write-Offs

- The table below details the provisions and related utilization recorded in the Financial Statements:

	2010	2009	2010	2009
	Provisions		Utilization	
Contributions receivable - Allowance for reductions in contribution revenue (note 2.3)	136.2	151.9	39.0	29.2
Contributions receivable - Allowance for doubtful accounts (note 2.3)	9.3	9.9	-	-
Contributions - Provision for refunds (note 2.10)	18.1	21.0	3.5	33.7
Inventory - Allowance for impairment - FOOD (note 2.4)	3.0	2.9	1.1	3.3
Inventory - Allowance for impairment - non-FOOD (note 2.4)	0.2	0.2	-	-
VAT receivable - Allowance for doubtful accounts (note 2.5)	45.4	25.3	0	0

- The table below details the losses and write-offs incurred by WFP in the period:

	2010	2009	2008
Cash losses	0.0	0.0	0.0
Other receivables losses	1.0	0.1	3.8
Non-food item losses	0.0	1.4	0.0
Commodity losses	12.9	9.4	11.4
	13.9	10.9	15.3
<b>Total assets</b>	<b>5,056.0</b>	<b>4,953.7</b>	<b>3,336.7</b>
<b>Loss % over total assets</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.5%</b>



**LOSSES OF ASSETS  
ARE LESS THAN 1%  
OF TOTAL ASSETS**



# Statement V - Comparison of Budget and Actual Amounts

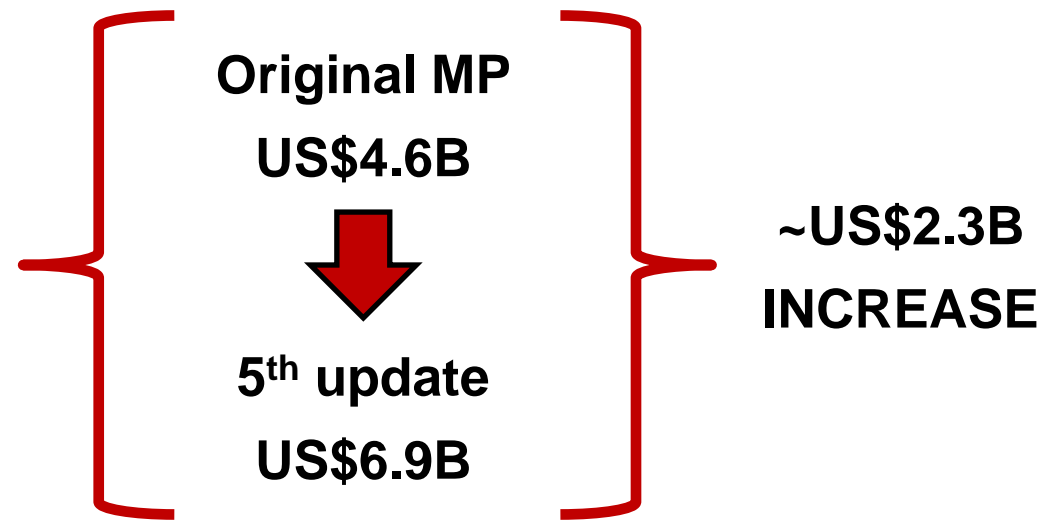
(Annual Audited Accounts 2010, Statement V, page 18)

US\$ million	Budget Amount		Actual on comparable basis	Difference: final budget and actual
	Original	Final		
<b>Cost components</b>				
Food	2,097.4	3,075.4	1,758.1	1,317.3
External transport	373.4	574.9	230.2	344.7
Landside transport, storage and handling	976.9	1,247.6	792.3	455.3
Other direct operational costs	301.3	665.1	366.7	298.4
Direct support costs	556.0	836.7	528.9	307.8
<b>Subtotal direct costs</b>	<b>4,305.0</b>	<b>6,399.7</b>	<b>3,676.2</b>	<b>2,723.5</b>
Regular PSA	238.0	243.3	235.8	7.5
Capital and capacity funds	34.7	34.7	28.2	6.5
<b>Indirect costs</b>	<b>272.7</b>	<b>278.0</b>	<b>264.0</b>	<b>14.0</b>
<b>TOTAL</b>	<b>4,577.7</b>	<b>6,677.7</b>	<b>3,940.2</b>	<b>2,737.5</b>

Prepared on a **Commitment basis** – ‘Actual’ includes goods and services received and commitments outstanding at year end.

# Original Management Plan vs. 5<sup>th</sup> update (March 2011)

**Direct cost requirements + ISC**  
= **Programme of Work**



RECIPIENT COUNTRY	INCREASE (US\$M)	JUSTIFICATION	% OF TOTAL INCREASE
Pakistan	735	Floods + IDPs increase	33%
Haiti	494	Earthquake	22%
Ethiopia	325	Drought	15%
Niger	315	Drought	14%
Others	372		16%
<b>TOTAL</b>	<b>2,241</b>		<b>100%</b>

**84% of total increase**

**16% of total increase**  
(246 variations)

# Statement V - Comparison of Budget and Actual Amounts

(Annual Audited Accounts 2010, Statement V, page 18)

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- The original 2010 Programme of Work of US\$4,577.7 million was presented to the Board in November 2009. Between then and the end of 2010, it expanded to reflect changes due to the earthquake in Haiti, floods in Pakistan and droughts in the Sahel and Horn of Africa.
- The final Programme of Work was US\$6,677.7 million, an increase of US\$2,100 million or 45.9 percent.
- During 2010, WFP utilized US\$3,940.2 million or 59% of its total final Programme of Work.
- Utilization is limited by the availability of resources made to fund the Programme of Work. WFP's business model involves a time-lag between when a contribution is confirmed and when it is used.

# 2011 Financial Seminar



## 5 2010 Annual Report on WFP Investment Management



# Annual Report on Investment Management

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1. Introduction and background
2. Governance structure and access to expert advice
3. Liquidity Portfolio
4. Employee Benefit Funds Portfolio
5. Risk management, investment monitoring and compliance

# 1. Introduction and Background

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## 2010 Annual Report on WFP Investment Management

- Recommended by External Auditor NAO last year
- Reviewed by Investment Committee and Audit Committee in March 2011

## WFP Investment management

- Governed by Financial Regulation 11.2 and Financial Rule 111.3
- The Secretariat reported on investment policy and guidelines at EB.2 2009 (WFP/EB.2/2009/5-F/1)
- The liquidity portfolio policy and guidelines presented at EB.2 2009 are still applicable

## 2. Governance Structure and Access to External Expertise

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### Investment Committee

- Consists of senior WFP directors and meets quarterly
- Strategic advisory and monitoring role to the ED
- Reviews proposals and monitors policy implementation

### Investment Advisory Panel

- Established in 2010 to enhance access to external expertise
- Reviewed impact of financial markets on management of WFP's financial resources with the Executive Director
- Reviewed specific investment management issues in joint session with the Investment Committee

### World Bank Treasury

- Provider of technical advisory services since 2004
- Enhancing partnership with the Bank to obtain further access to advisory, capacity building and portfolio management services



### 3. Liquidity Portfolio - Overview

Portfolio Tranche	31 December 2009		31 December 2010	
	Market Value	% of Total	Market Value	% of Total
P0 / Money Market (3 funds)	603,462,421	42.6%	203,413,590	17.0%
P1 (4 portfolios)	621,307,932	43.8%	825,769,928	68.8%
P2 (1 portfolio)	147,280,513	10.4%	149,944,627	12.5%
Legacy (2 portfolios)	45,970,483	3.2%	20,349,332	1.7%
<b>TOTAL *</b>	<b>1,418,021,349</b>	<b>100%</b>	<b>1,199,477,477</b>	<b>100%</b>
* Market values include accrued interest which is recorded separately in the Audited Accounts				

- Main considerations are security of principle, liquidity and rate of return
- Main change during the year was allocation of US\$ 200 mln from P0 to P1 portfolio to improve interest income while containing overall investment risk
- Portfolio remains very conservative in view capital preservation objective and the very low absolute levels of interest rates

# 3. Liquidity Portfolio - Performance

Investment Manager	Market Value as at 31/12/10	2010 Performance	2009 Performance
<b>Portfolio Tranche P1</b>	<b>825,769,927</b>	<b>0.61%</b>	<b>2.35%</b>
<i>Benchmark: US 3 month T-Bill index</i>		<i>0.13%</i>	<i>1.45%</i>
<b>Portfolio Tranche P2</b>	<b>149,944,627</b>	<b>1.81%</b>	<b>3.78%</b>
<i>Benchmark: ML US Treasury 0-3 year</i>		<i>1.83%</i>	<i>0.78%</i>
<b>Legacy</b>	<b>20,349,333</b>	<b>19.88%</b>	<b>23.72%</b>
<b>Total Short Term Investments</b>	<b>996,063,887</b>	<b>1.63%</b>	<b>4.53%</b>
<b>Money Market Accounts - P0</b>	<b>203,413,590</b>	<b>0.06%</b>	<b>0.20%</b>
<i>Benchmark: US 0-3 month T-Bill index</i>		<i>0.13%</i>	<i>0.14%</i>
<b>Total Liquidity Portfolio *</b>	<b>1,199,477,477</b>	<b>0.93%</b>	<b>2.33%</b>

- Significant outperformance versus primary US T-Bill 3 month benchmark
- Short-term investments have returned 3.17% p.a. since inception in 2000
- Interest rates are to remain very low in 2011 therefore 2011 return expectations are very low

# 4. Employee Benefit Funds Portfolio - Overview

Asset Class	31 December 2009		31 December 2010	
	Market Values US\$	% Total	Market Values US\$	% Total
Cash & equivalents	547,539	0%	870,271	1%
Government Bonds	46,009,222	37%	51,343,117	31%
Government Agency	6,754,227	5%	3,981,457	2%
Corporate & Municipal	22,253,753	18%	21,675,254	13%
Equities	48,428,203	39%	87,576,239	53%
<b>TOTAL *</b>	<b>123,992,944</b>	<b>100%</b>	<b>165,446,339</b>	<b>100%</b>

\* Market values include accrued interest which is recorded separately in the Audited Accounts

- Long term portfolio of assets set aside to cover long-term employee benefit liabilities
- Value accumulation objective aligned to employee benefit liabilities and related higher risk tolerance level to optimize longer term risk-return profile
- Funding of US\$ 127.3 mln since 2003 reached value of US\$ 165.4 mln
- Investment return of 7.51% in 2010 (13.98% in 2009) and annual return of 4.79% since inception in 2003

## 4. Employee Benefit Funds Portfolio - Policy Issues

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- Asset-Liability Management study completed in January 2010 to determine appropriate asset allocation policy and funding policy
- Revised asset allocation of 50% global equities and 50% global bonds, and 50% US\$ and 50% EUR currency exposure
- Increased diversification with exposure to emerging markets and currencies to enhance risk-return profile of the portfolio
- Funding policy to achieve full funding over 15 year period from 2011 was approved by the Executive Board in June 2010 (additional funding of US\$ 7.5 mln per annum)

## 5. Risk management, Investment Monitoring and Compliance

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- Global custodian bank used for safekeeping, administration and independent reporting for accounting purposes
- Northern Trust selected for this service upon joint procurement with FAO and IFAD
- Daily on-line compliance tool and monthly risk & performance reports used for review and main indicators assessed by Investment Committee quarterly
- Annual due diligence visits to all investment managers and annual presentations by investment managers at WFP headquarters
- Reviews performed by Audit Committee and External Auditor