

WFP Executive Board

2013–2015 Management Plan

1st Informal Consultation

Friday, 6 July 2012

10:00-12:00

FAO, Red Room A121



World Food Programme

Agenda

1. Approach to 2013—2015 Management Plan
2. Preliminary Projected Operational Requirements
3. Financial Context
4. Aligning the 2013 Budget Exercise with the Framework for Action

1. Approach to 2013—2015 Management Plan

Key Dates

Objective

Present the 2013—2015 Management Plan during the Second Session of the Executive Board for approval

- Informal Board Consultations:
 - July 6th
 - July 27th
 - September 5th
- Management Plan released to Executive Board (September)
- ACABQ/FAO Finance Committee (October/November)
- Board Approval (November 13th)

2013–2015 Management Plan Approach

Elements continued from the 2012–2014 Management Plan

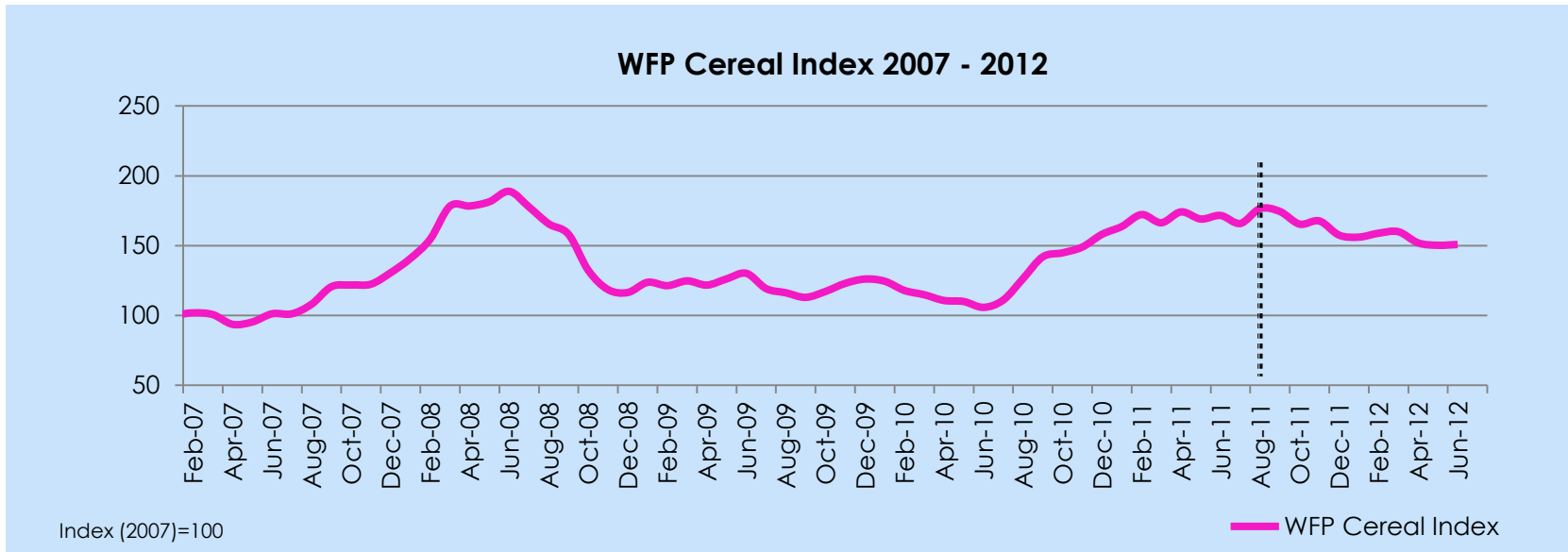
- Three year rolling Management Plan with annual budget
- Presentation of operational requirements under the new Financial Framework
- Costed by Strategic Objectives and Management Result Dimensions (MRD)

New elements in the 2013–2015 Management Plan

- Reflect organizational strengthening process
- Corporate trust fund requirements simultaneously prioritized with PSA exercise
- Budget Review Panel to prioritize and recommend PSA allocations based on a holistic review of requirements and available resources.

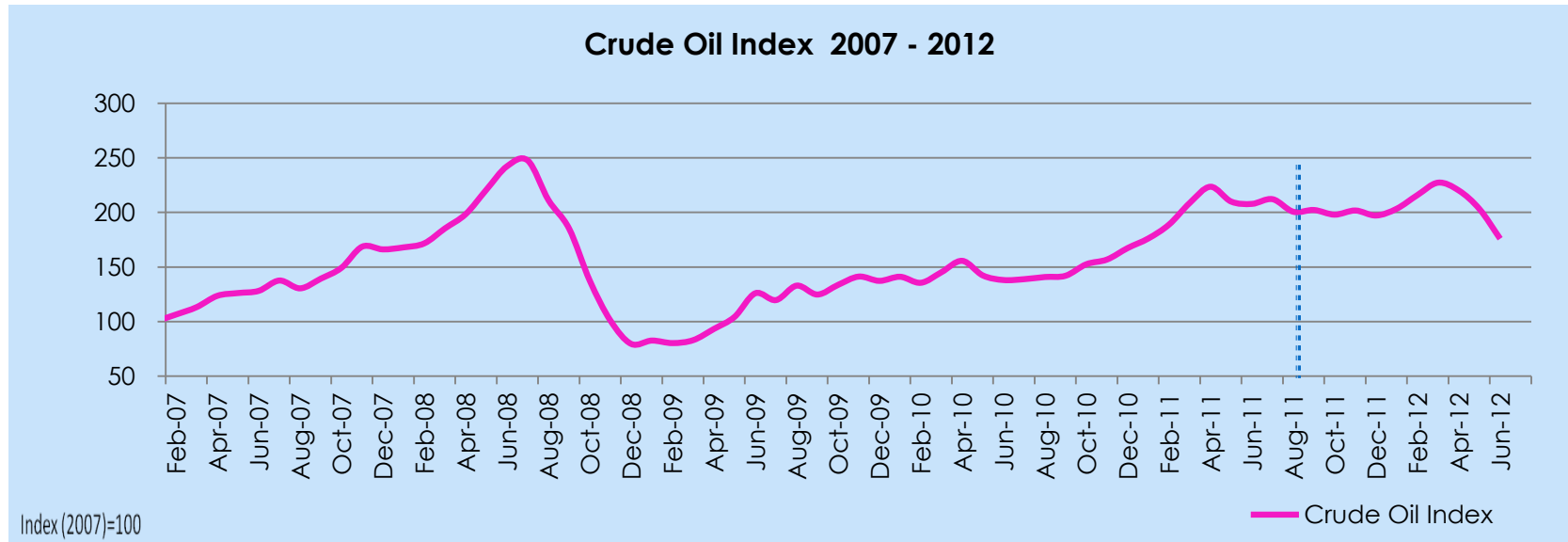
2. Preliminary Projected Operational Requirements

WFP Cereal Index - May 2012



- WFP's cereal index has decreased by 15 percent since August 2011 (the basis for 2012-2014 MP); currently 20 percent below the 2008 historic peak.
- However, the WFP cereal index is still 43 percent **over** mid-2010 levels.
- The continuing decrease in global cereal prices is primarily due to good production prospects and increased global inventories.

Crude Oil Index - May 2012



- The Crude Oil index has decreased 12 percent since August 2011 (basis for 2012-2014 MP)
- The index is also 29 percent below the 2008 historical peak and currently down 14 percent since the start of 2012.

Major Operational Changes in WFP's 2012 Programme of Work due to Unforeseen Requirements

The crisis in the Sahel Region and South Sudan represent 60 percent of the US\$1 billion increase.

CO	MP 2012 Projected Operational Requirements	Unforeseen Requirements	Current Operational Requirements ¹	% Variation
	US\$M	US\$M	US\$M	
Niger	74	285	359	384%
South Sudan	254	195	449	77%
Mali	18	86	104	472%
Burkina Faso	10	39	49	381%
Chad	180	77	257	42%
Sub-Total	536	682	1,218	127%
Other	4,288	445	4,733	10%
Total Projected Operational Requirements	4,824	1,127	5,951	23%
Total Programme of Work²	5,162	1,206	6,368	23%

¹ Approved as at 12 June 2012

² The term Programme of Work is used to denote operational requirements plus ISC

2013 Projected Operational Requirements

- Projected operational requirements are an aggregation of all active projects (EMOP, PRRO, DEV/CP, and SOP).
 - Represents the requirements: implementation is dependent on funding availability.
- Country Offices provide estimated requirements, under the new Financial Framework, for the 2013—2015 planning period.
- Regional Bureaux review and validate submissions.
- The planned requirements will continue to be refined over the coming month.

Preliminary 2013 Projected Operational Requirements by Programme Category and Tool

Programme Category	Food & Related	C&V & Related	Capacity Aug. & SOP	DSC	Total Plan
	US\$M	US\$M	US\$M	US\$M	US\$M
EMOP	791	184	2	135	1,112
PRRO	2,100	292	23	356	2,771
SOP			224	32	257
DEV/CP	624	36	55	130	846
Total Projected Operational Requirements¹	3,515	512	305	654	4,986
Total Programme of Work²					5,335

¹ Preliminary figures, subject to change

² The term Programme of Work is used to denote operational requirements plus ISC.

Comparing 2012 and 2013 Projected Operational Requirements by Tool

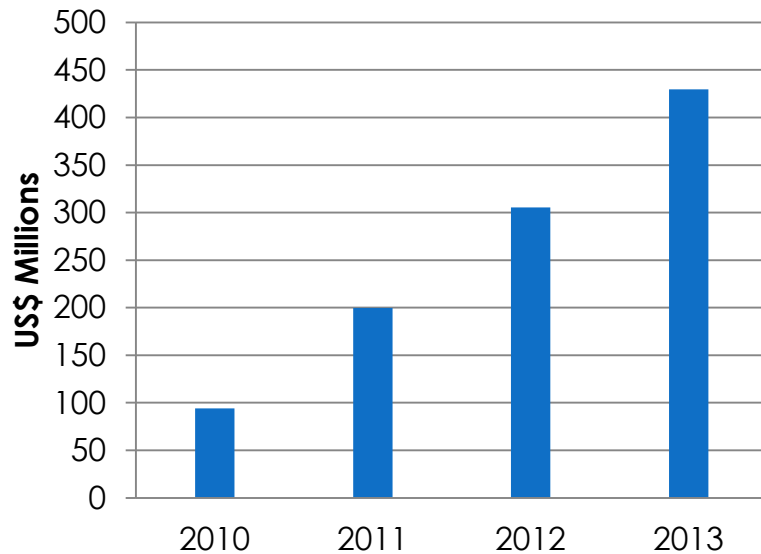
Programme Category	MP 2012 Projected Operational Requirements	MP 2013 Projected Operational Requirements ¹
	US\$M	US\$M
Food and related direct operational costs (DOC)	3,624	3,515
Cash & Vouchers and related DOC	255	512
Capacity Development and Augmentation	308	305
Subtotal	4,187	4,332
DSC Requirements	637	654
Total Projected Operational Requirements	4,824	4,986
Total Programme of Work²	5,162	5,335

¹ Preliminary figures, subject to change

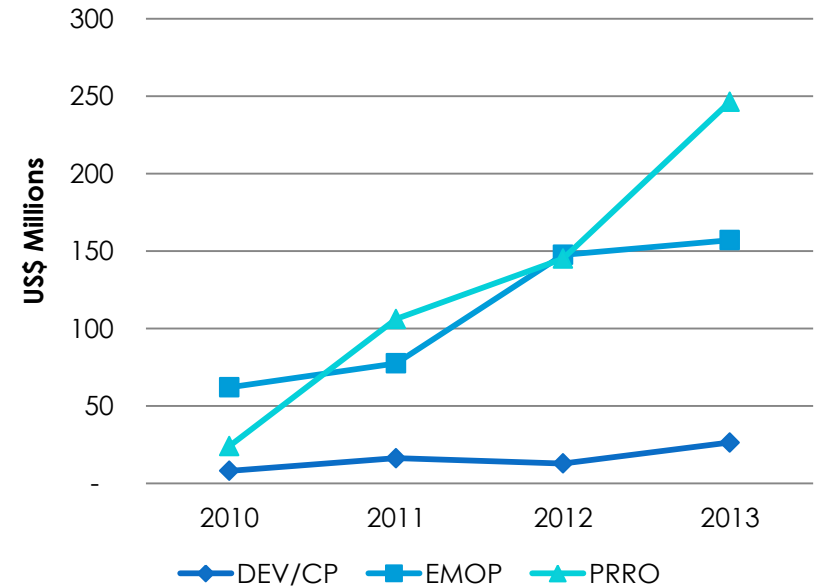
² The term Programme of Work is used to denote operational requirements plus ISC.

Cash and Voucher Transfer Trends

Total Cash and Vouchers Transfers
2010-2013



Cash and Voucher Transfer by Project Type
2010-2013



Preliminary 2013 Projected Operational Requirements by Strategic Objective

WFP Strategic Objectives

SO1: Save lives and protect livelihoods in emergencies

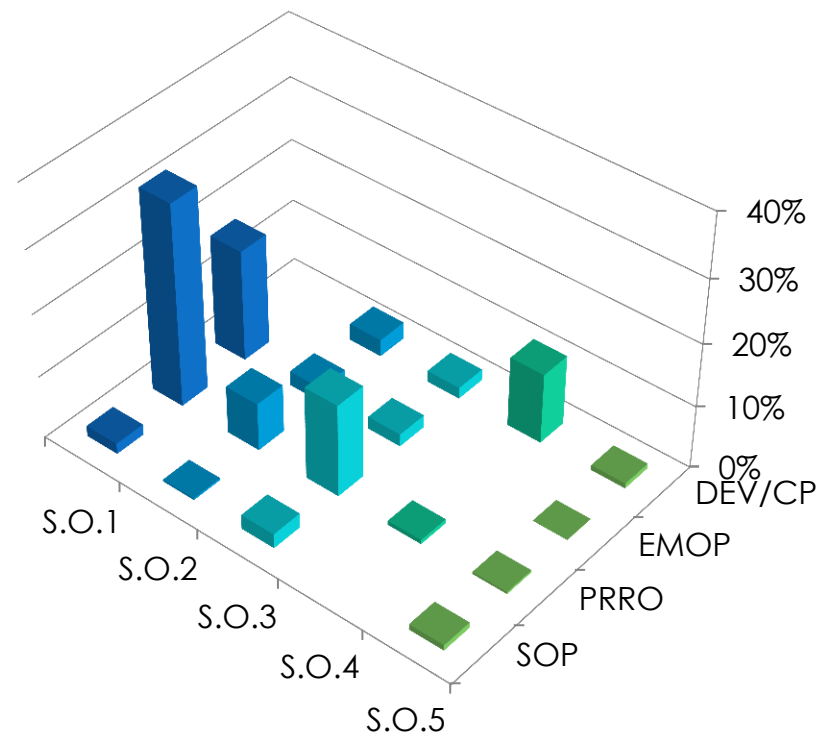
SO2: Prevent acute hunger and invest in disaster preparedness and mitigation measures

SO3: Restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations

SO4: Reduce chronic hunger and undernutrition

SO5: Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase

Continued predominance of SO1 and SO3 in 2013



Preliminary 2013 Projected Operational Requirements

10 largest country plans will comprise 60 percent of the 2013 Operational Budget

	2012 Current Operational Requirements ¹	% of Total	2013 Projected Operational Requirements ²	% of Total
	US\$M		US\$M	
Ethiopia	614	10%	613	12%
Afghanistan	456	8%	--	--
South Sudan	449	8%	446	9%
Sudan	418	7%	379	8%
Kenya	347	6%	307	6%
Somalia	248	4%	297	6%
Yemen	190	3%	278	6%
DR Congo	--	--	247	5%
Chad	256	4%	182	4%
Pakistan	425	7%	161	3%
Niger	359	6%	160	3%
Total Top 10	3,764	63%	3,070	62%
Total Projected Operational Requirements	5,951	100%	4,986	100%
Total Programme of Work³	6,368		5,335	

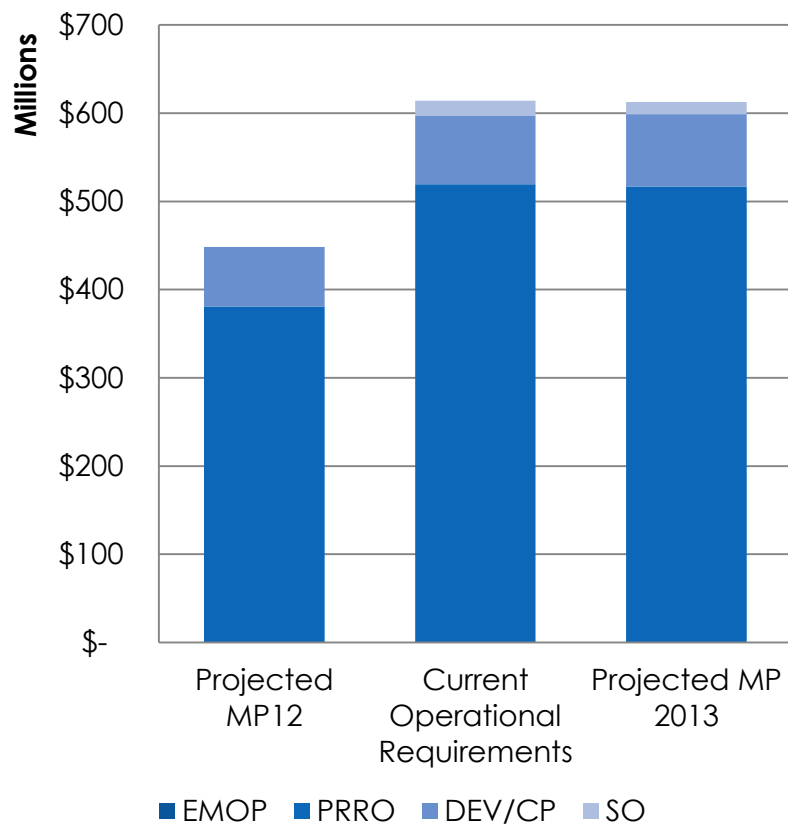
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Ethiopia

Total Amount (USD) by Project Type

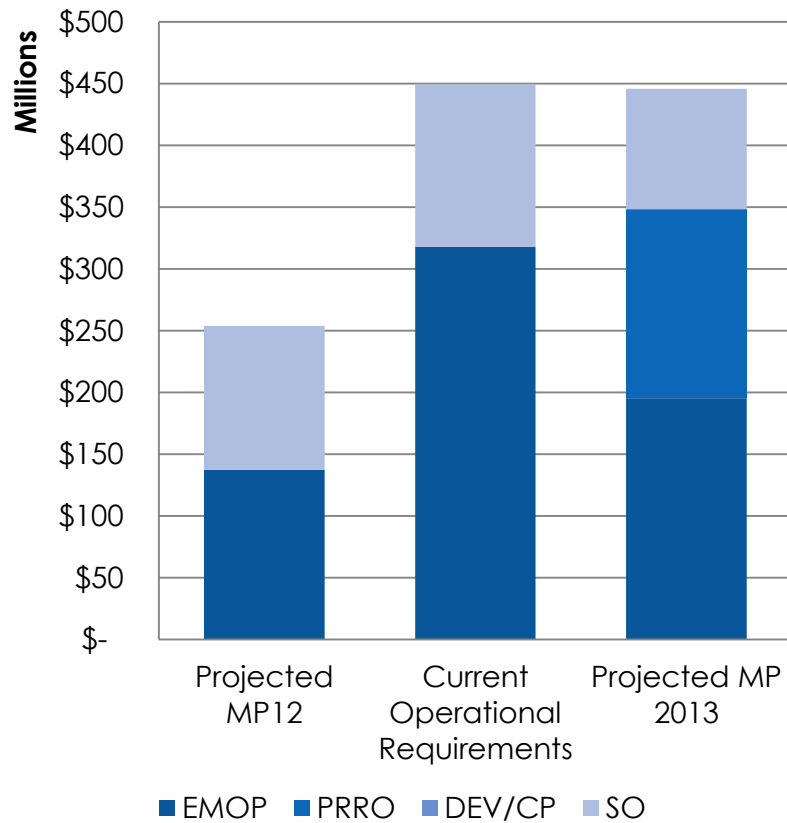


	MP 2012	MP 2013
Beneficiaries (millions)	5.9	7.4

- Assist refugees and emergency – affected households
- Special operation planned for construction of a humanitarian logistics base at Djibouti port
- Increase of 37 percent over 2012 projected plan needs
- Anticipated 16 percent increase in beneficiary numbers for relief operations
- US\$29 million projected in 2013 for Cash and Voucher transfers

South Sudan

Total Amount (USD) by Project Type

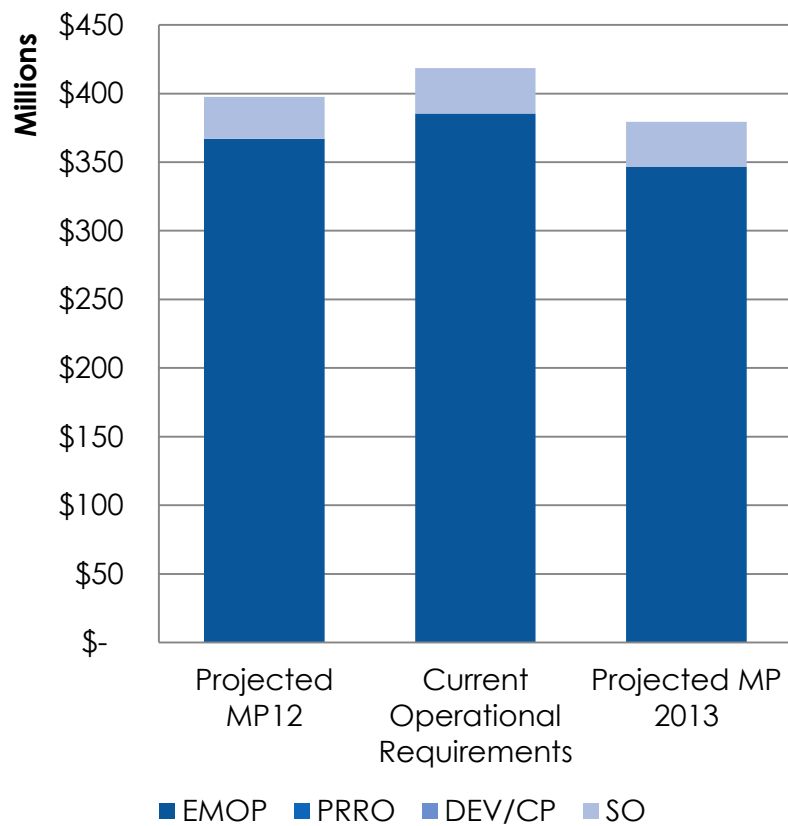


	MP 2012	MP 2013
Beneficiaries (millions)	1.8	5.3

- PRRO expected in 2013
- Anticipate a shift in focus from emergency relief to capacity and resilience building, including expansion of FFA activities

Sudan

Total Amount (USD) by Project Type

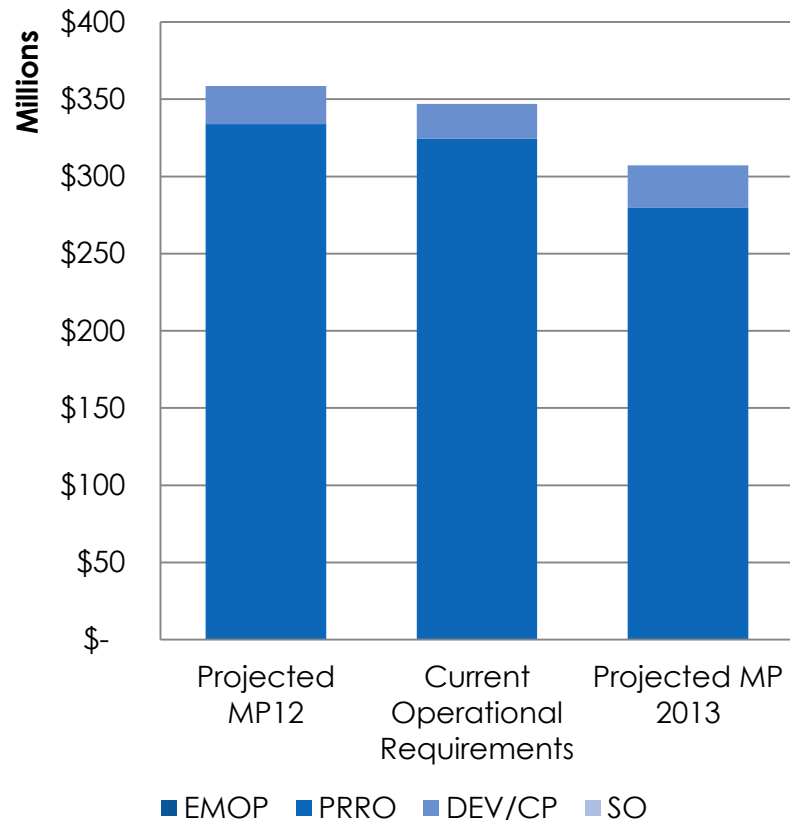


	MP 2012	MP 2013
Beneficiaries (millions)	4.1	3.3

- Continued response to emergency requirements
- Anticipated programme shift to early recovery activities
- Food for Work and Food for Training activities planned in the Darfur region.

Kenya

Total Amount (USD) by Project Type

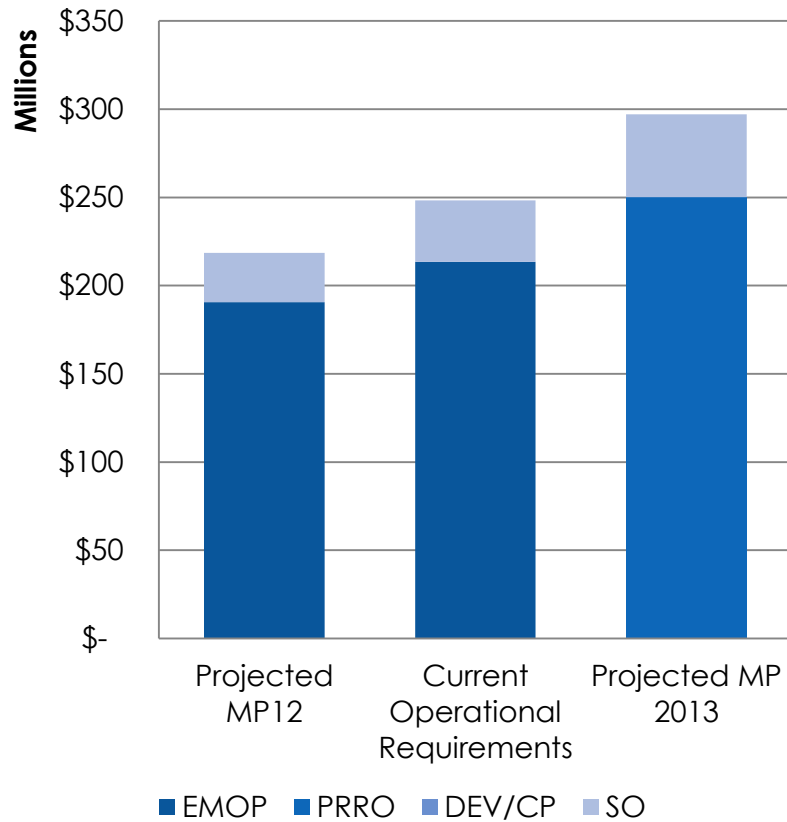


	MP 2012	MP 2013
Beneficiaries (millions)	4.3	3.2

- Food assistance to refugees and emergency affected households
- Building resilience, protecting and re-establishing livelihoods
- Decreased requirements in 2013 projected for PRRO 200294
- Increased use of nutritious products such as micro-nutrient powder for supplementary feeding programme

Somalia

Total Amount (USD) by Project Type

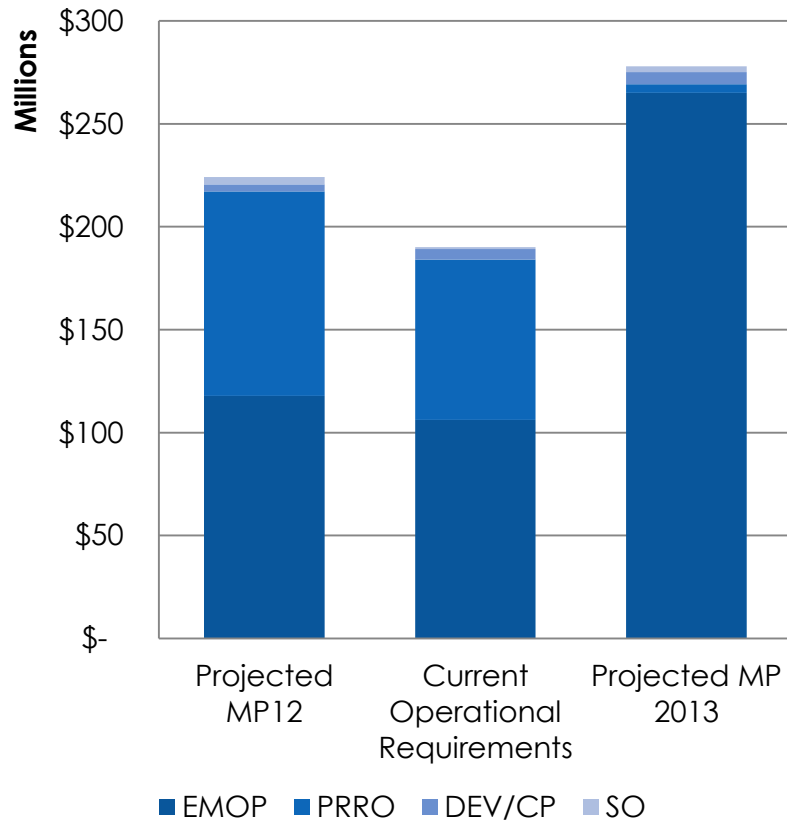


	MP 2012	MP 2013
Beneficiaries (millions)	2.7	1.6

- PRRO and Special Operations for 2013
- Increased utilization of cash and voucher transfers
- Greater incorporation of nutritious products into planned requirements

Yemen

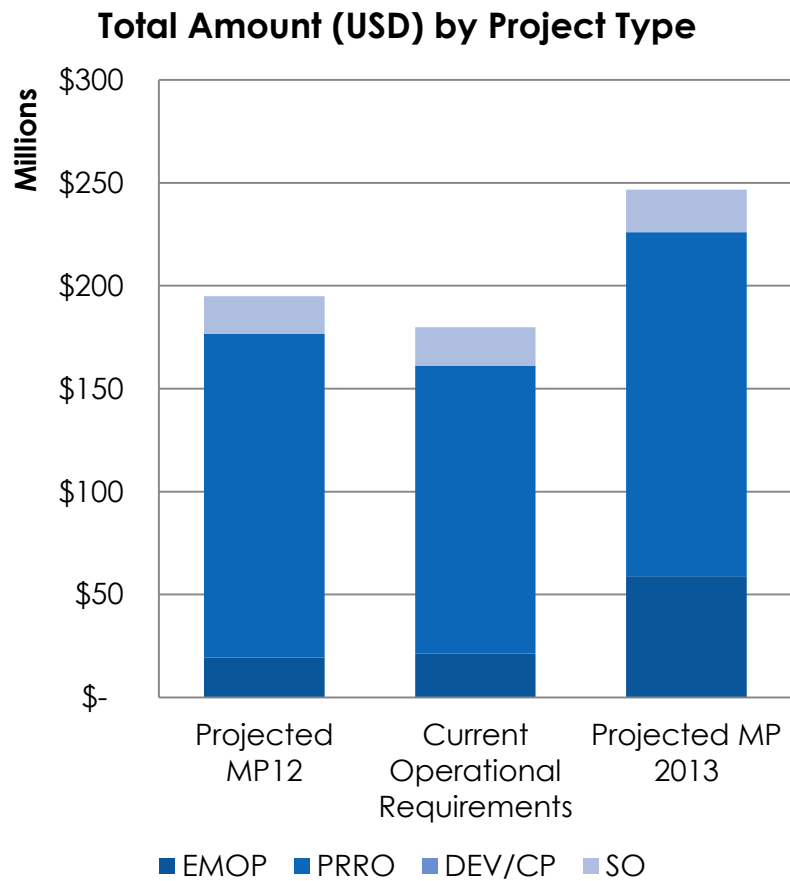
Total Amount (USD) by Project Type



	MP 2012	MP 2013
Beneficiaries (millions)	2.7	4.9

- Operation scale-up in response to alarming food security situation
- According to the Comprehensive Food Security Survey, conducted in December 2011, **44.5 percent** of the population is food insecure, i.e. 10 million Yemeni people, and **22 percent** is severely food insecure, i.e. **5 million** people.
- Largest proportion of nutritious commodities in ODC's 2013 portfolio

DR Congo

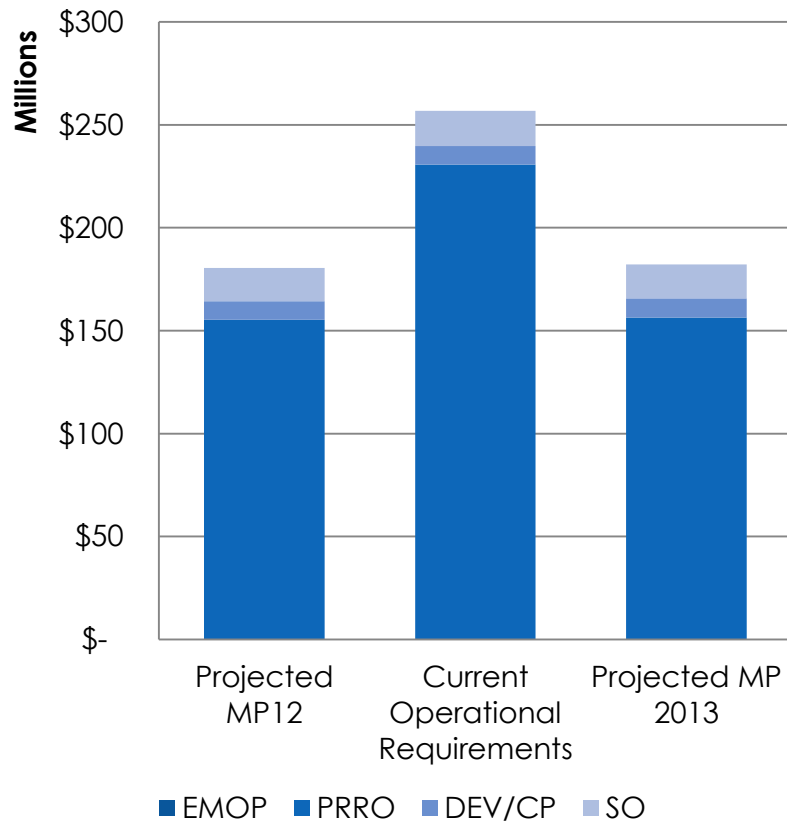


	MP 2012	MP 2013
Beneficiaries (millions)	3.0	3.7

- Food assistance to severely food insecure households
- Increase in displacements due to recent conflicts
- Large increase planned for cash and voucher transfers

Chad

Total Amount (USD) by Project Type

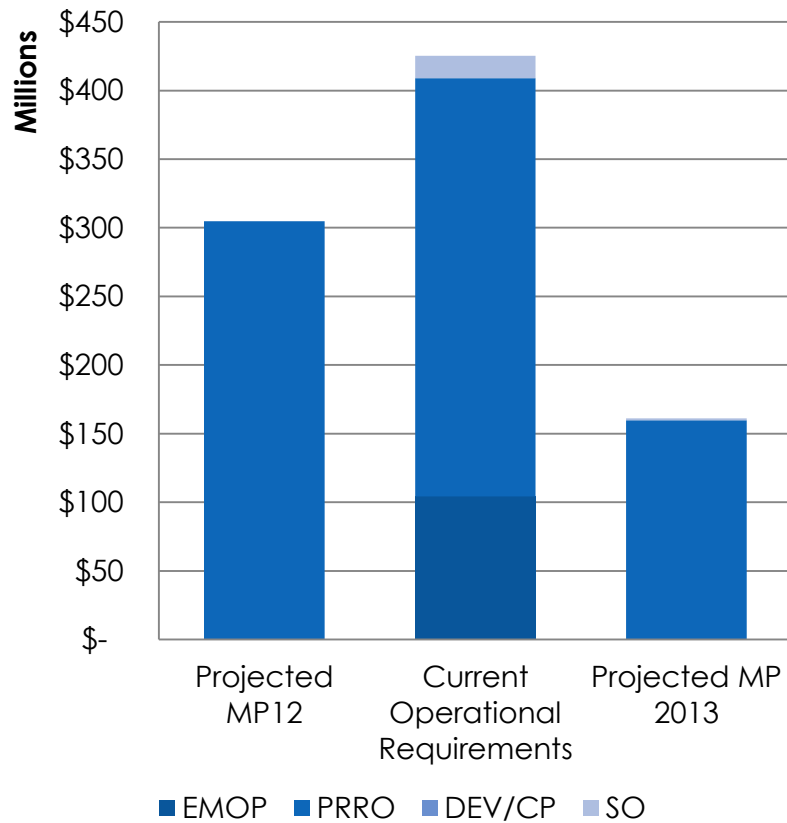


	MP 2012	MP 2013
Beneficiaries (millions)	1.9	1.3

- Reduce prevalence of acute malnutrition in children under 5 and pregnant and lactating women
- Increased use of nutritious commodities in planned requirements
- Restore livelihoods and strengthen government capacity
- An increased proportion of the budget on capacity augmentation activities:
 - 10 percent in 2013;
 - 15 percent in 2014;
 - Approximate 20 percent in 2015

Pakistan

Total Amount (USD) by Project Type

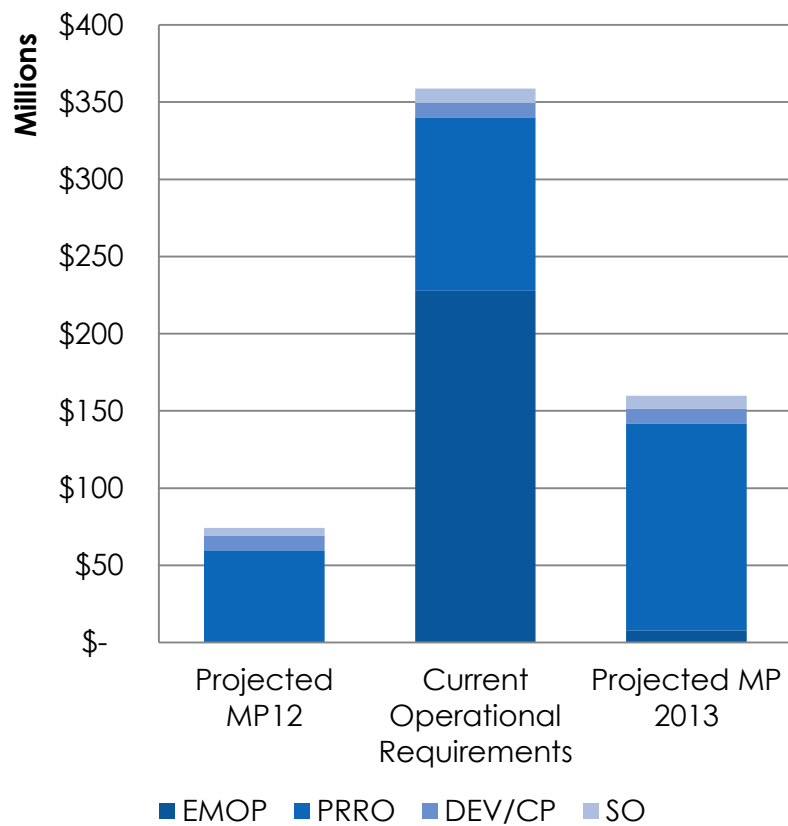


	MP 2012	MP 2013
Beneficiaries (millions)	9.5	2.4

- In line with the transition plan for the region and in the absence of emergency operations, requirements over the next three years are expected to decline
- Cash & Voucher transfers will continue to increase

Niger

Total Amount (USD) by Project Type



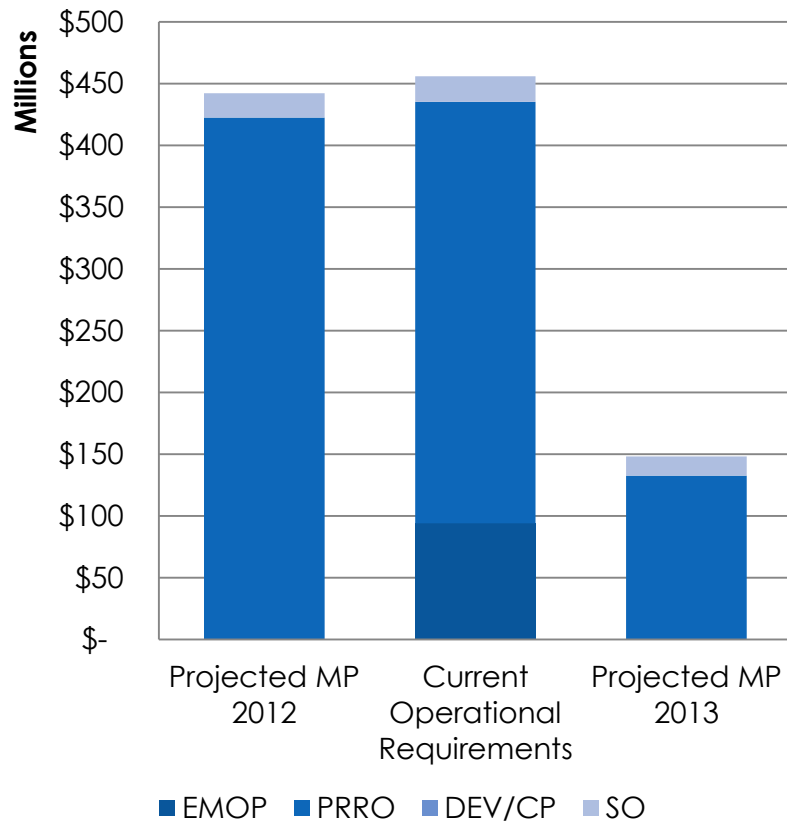
	MP 2012	MP 2013
Beneficiaries (millions)	2.0	2.3

- Recurrence of the food and nutritional crisis in 2012
- Reduce levels of acute malnutrition, focusing on the 1,000-day window
- Improve food consumption among populations affected by droughts or floods

Afghanistan

Excluded from Top 10 Largest Plans

Total Amount (USD) by Project Type



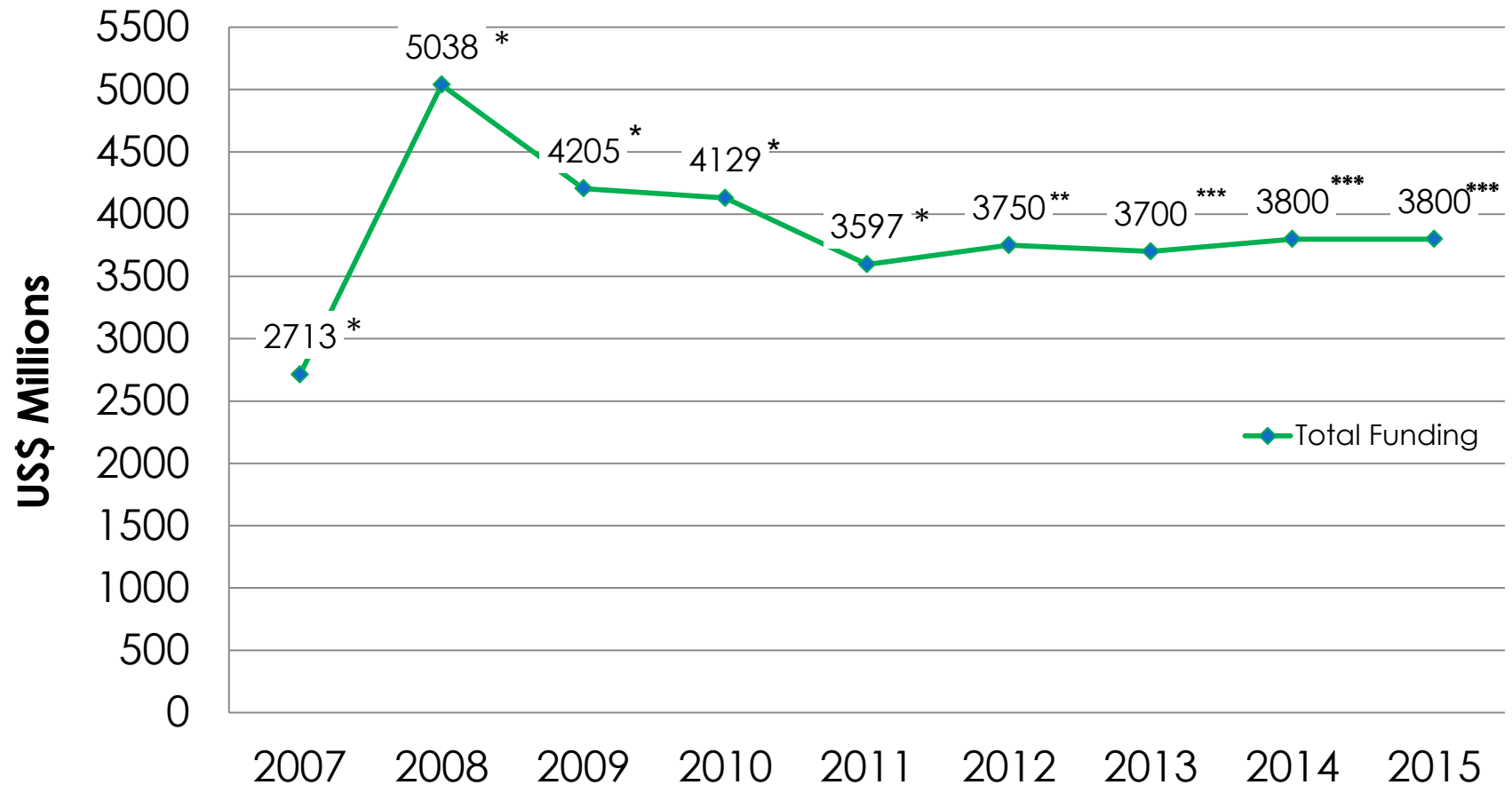
	MP 2012	MP 2013
Beneficiaries (millions)	7.6	2.8

- Programme being refocused to target most vulnerable people in areas with very high and high food insecurity
- Significant challenges to staff safety and security
- Expected decrease in 2013 contributions
- Reduction in school feeding activities
- Continued scale-up of nutrition and C&V activities

3. Financial Context

Contributions, including Forecasts

Trend of Total Funding (2007-2015)



*Based on total contribution income as per Financial Statements

**Estimated

***Forecast

Total Income/ISC Income Trend 2007-2015

	2007	2008*	2009*	2010*	2011*	Projected 2012	Projected 2013	Projected 2014	Projected 2015
	US\$ million								
Total Contribution Income	2,713	5,038	4,205	4,129	3,597	3,750	3,700	3,800	3,800
ISC Income	166	317	265	266	231	239	236	242	242
Actual ISC rate "realized"	6.5%	6.7%	6.7%	6.9%	6.8%	6.8%	6.8%	6.8%	6.8%

* Based on total contribution income as per Financial Statements

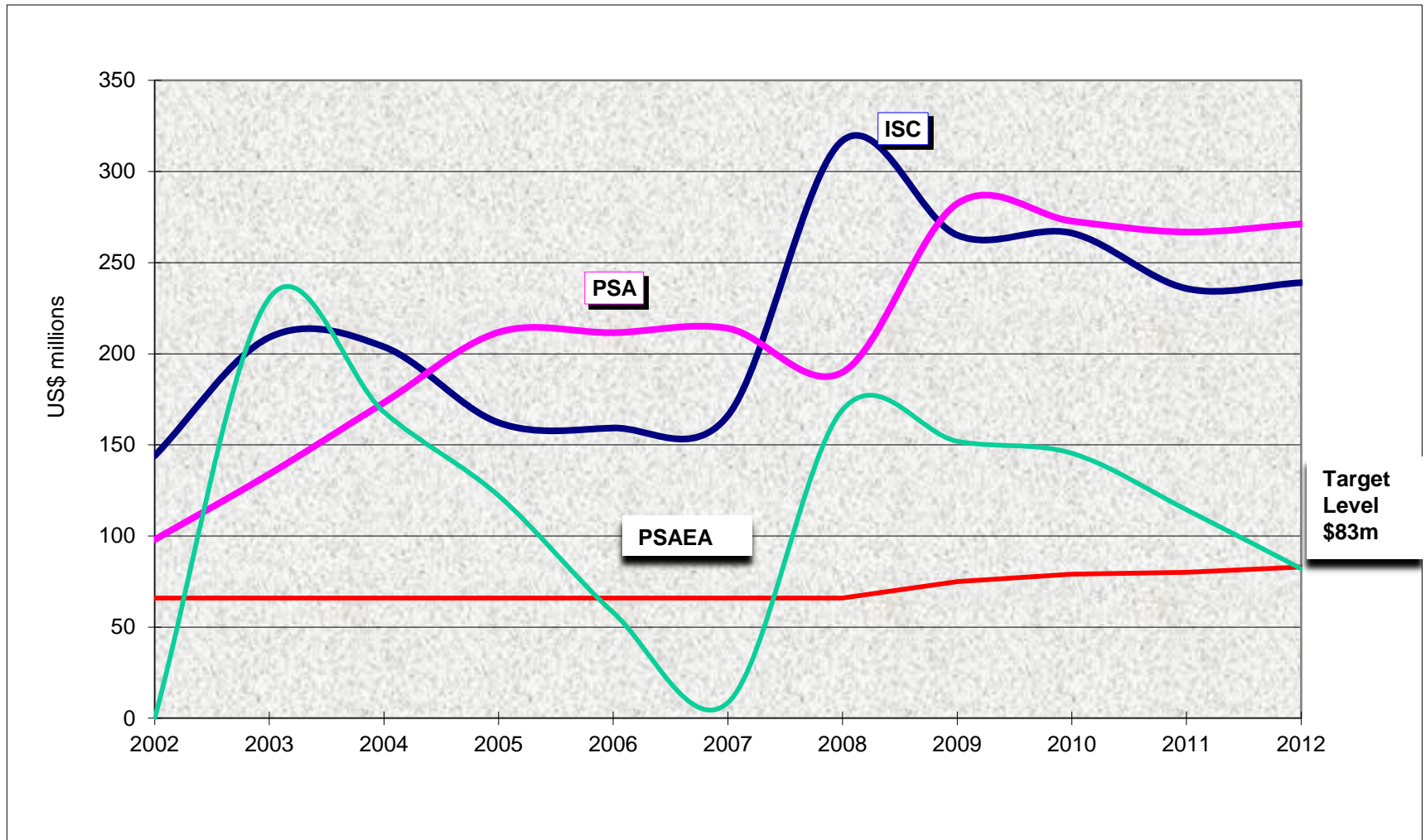
What is the Programme Support & Administrative (PSA) budget?

- Portion of the WFP budget that pertains to providing indirect support to WFP's activities
- Funded through the indirect support cost income portion of contribution income
- Covers the majority of Headquarter and Regional Bureaux costs, as well as a core presence in each country office
- Planned and presented within the Management Plan
- Board approval of the PSA appropriation within the Management Plan gives authority to the Executive Director to spend

What is the PSA Equalization Account?

- As PSA appropriations are relatively fixed and ISC income varies with changes in operations and voluntary contributions, temporal gaps may arise between ISC income and PSA expenditure.
- The PSA Equalization Account (PSAEA) is a reserve set up to record any surpluses or deficits between ISC revenue and PSA expenditures for the financial period.
- PSAEA provides a level of certainty in PSA planning if ISC income does not materialize at the expected rate.
- All uses of the PSAEA are approved by the Executive Board and are generally limited to support costs, including capital and capacity-building costs.
- The Executive Board has established a target level for the PSAEA equivalent to four months of PSA expenditure.

PSA Equalization Account at current activity level



Review of 2012 PSA Equalization Account

	MP 2012-2014	Current Estimate 2012	Variation Explanation
	US\$M	US\$M	
Opening balance at 1 January 2012	123.4	114.4	Actual 2011 ISC income US\$9 million lower than expected.
2012 ISC Revenue	239.0	239.0	
Approved PSA Expenditure	(249.1)	(249.1)	
Sub-total	113.3	104.3	
One-Time Activities	(22.2)	(22.2)	
Forecast closing balance at 31 December 2012	91.1	82.1	

Projected 2013 PSA Equalization Account

	Current Estimate 2012	Projected 2013
	US\$M	US\$M
Opening balance	114.4	82.1
ISC Revenue	239	236
Approved PSA Expenditure	(249.1)	tbd
Sub-total	104.3	318.1
One-Time Activities	(22.2)	tbd
Forecast Closing Balance	82.1	tbd

Hedging the Euro component of the PSA

Rationale for Currency Hedging

- In 2008, the Executive Board approved a policy for hedging the Euro component of PSA expenses
- Foreign Exchange hedging strategy has increased the certainty of the US\$ value of staff expenditures and provided PSA stability
- WFP is able to convert planned € amounts at a known rate without incurring any unforeseen consequences from a foreign exchange risk perspective

2012 and 2013 Hedging Arrangements

2012

- € 6.2 million for each month
- Average exchange rate fixed at US\$1.41

2013

- € 6.0 million for each month
- Average exchange rate fixed US\$1.28
- Improved rate will have a favorable impact on 2013 PSA Standard Staff cost of US\$9.6 million

Hedging gain expected to cover any regular standard rate increases

4. Aligning the 2013 Budget Exercise with the Framework for Action

Strengthening WFP –A Framework for Action

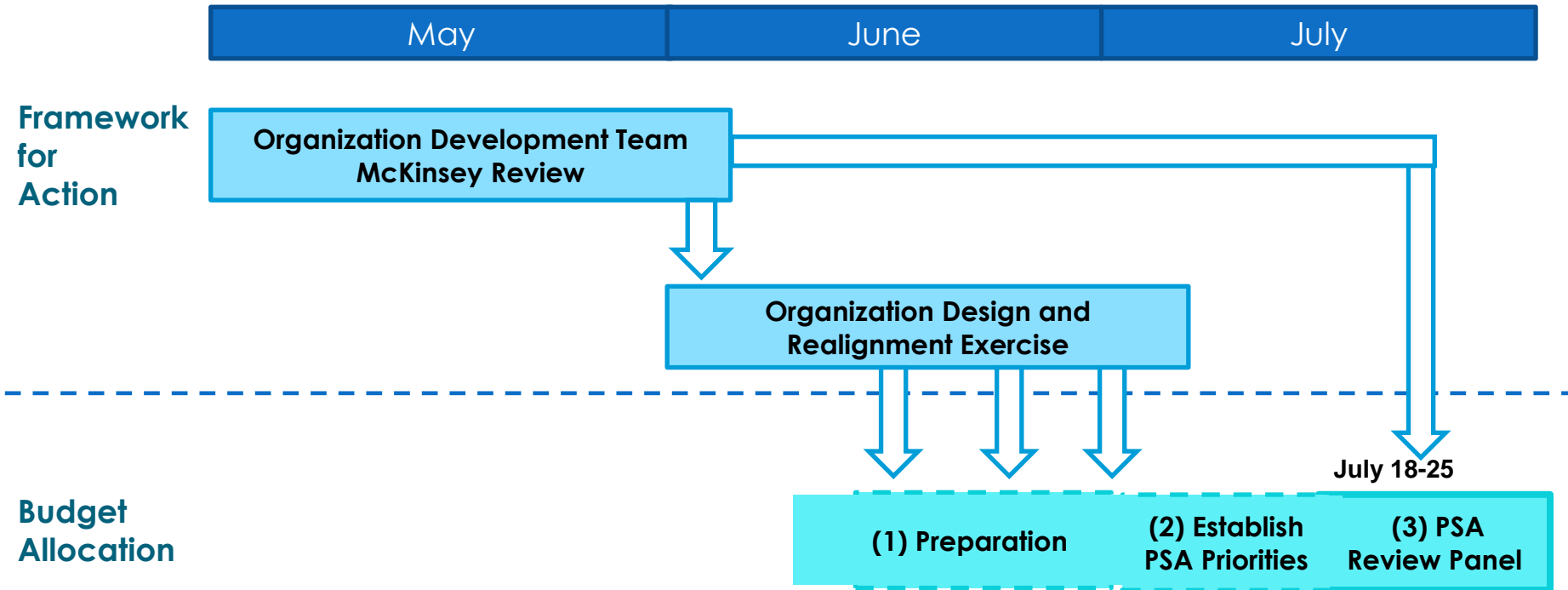
Objective

Identify actions to strengthen WFP's effectiveness and efficiency

Our work is on-going...

- Rapid Organizational Assessment
 - External review Led by McKinsey & Company
 - Conducted a rapid overall diagnostic and analysis of the main issues
- Organizational Development Team
 - Internal independent team
 - Gathered data and staff input to identify main issues and concerns
- Organizational Design and Realignment task team
 - Review organizational design
 - Develop a high-level organizational structure

Aligning the 2013 Budget Exercise with the Framework for Action



Clear linkages between the ROA, ODT and budget allocations will ensure the proposed PSA budget reflects WFP's operational capacity demands and management strategy.

2013 Budget Exercise

(1) Preparation, Status: Completed

Collection of Prioritized Requirements:

- Bottom-up collection of all PSA-funded activities and available resources, including corporate trust funds
- PSA divisional activities prioritized and aligned to the Management Results Dimensions
- Corporate Trust Funds linked to 'thematic areas' (e.g. Cash & vouchers, ICT, etc.)

2013 Budget Exercise

(2) PSA Priorities, Status: On-going

Identified
during EB
Discussions

- Gender
- Monitoring, Reporting and Evaluation
- ...[on-going discussion for today and in future consultations]

Additional
priorities
identified in
Framework
for Action

- Country offices at the centre
- Regional Bureaux primary platform for managing, overseeing and supporting country offices
- ...[internal prioritization on-going]

2013 Budget Exercise

(3) PSA Review Panel, Status: July 18th-25th

Objective

Facilitate a clear, transparent process for prioritizing WFP's support activities

- Conduct a broad-based review of all proposed 2013 PSA-funded activities and available resources, including corporate trust funds
- Provide recommendation on core activity prioritization to form the basis for PSA allocation decisions
- Support alignment of PSA and corporate trust funds to the organizational strengthening process and Management Results Dimensions
- A cross-section of WFP management; Regional Bureaux representatives; and Country Office representatives

Thank You!