



November 9, 2010



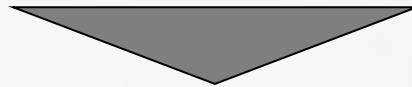
REVIEW OF THE WORKING CAPITAL FINANCING FACILITY

Second Regular Session of the Executive Board 2010



Draft Decision

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The Board takes note of the “Review of the Working Capital Financing Facility” (WFP/EB.2/2010/5-B/1) and **approves**:

- i. the transfer of the Direct Support Cost Advance Facility reserve of US\$35.9 million to the Operational Reserve to increase the total Operational Reserve from US\$57.0 million, to US\$92.9 million; and
- ii. the increase of the Working Capital Financing facility ceiling to US\$557 million, to enable the Executive Director to provide advance financing to projects, the Forward Purchase Facility and other corporate services.



Background

- ➔ **DSCAF** established in 1999 to advance DSC to projects based on forecasted contributions
- ➔ **Working Capital Advance Facility** established in 2004 to advance funds to projects on the basis of forecasted contributions
- ➔ **Forward Purchase Facility** established in 2008 to procure food commodities based on regional needs and contribution forecasts

Success of advance financing facilities:

- Decreasing lead time – getting food to beneficiaries earlier
- Generating cost savings
- Improving project planning



'Traditional' Advance Financing – Benefits

Since inception of Working Capital Financing in 2004 it is estimated:

- US\$1.2 billion advanced to
- 390 operations, to buy
- 1.23 million mt of food for
- 70-75 million beneficiaries in
- 52 countries for
- 57 days in average lead time savings



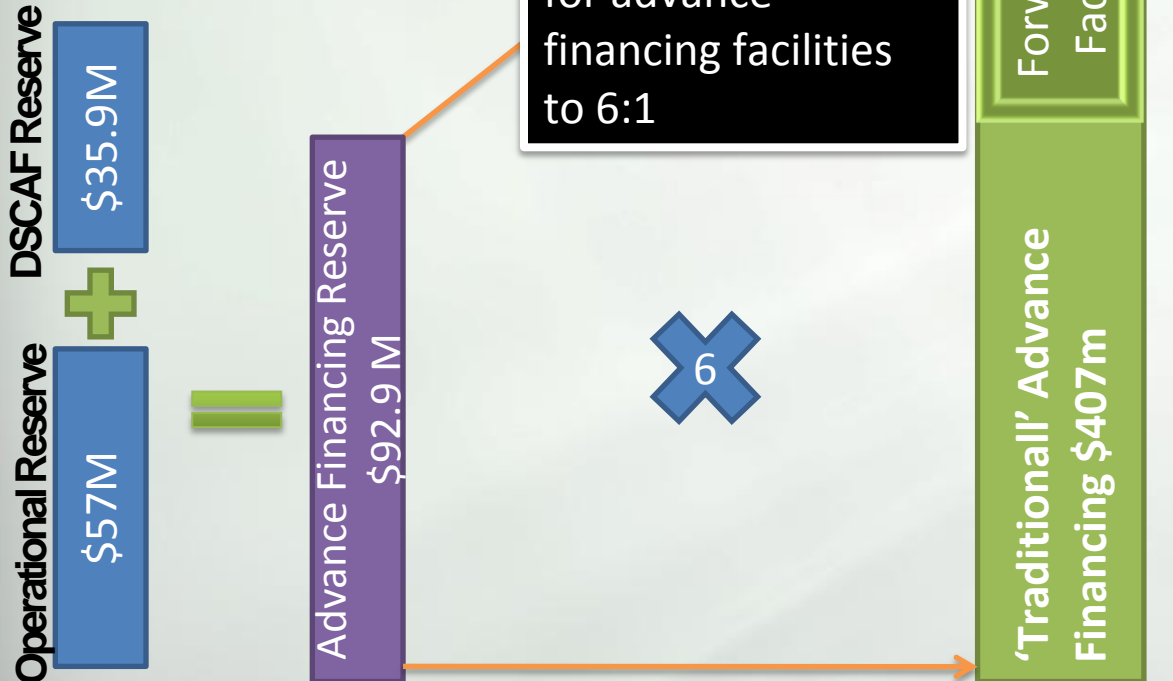
Proposed changes

1: Merge DSCAF and Operational Reserve into a consolidated advance financing reserve

2: Increase leverage for advance financing facilities to 6:1

3: Expand the scope of the Forward Purchase Facility

- Geographical scope
- Different commodities



Managed through a Special Account



Risk Overview

- WCF advance financing leverage is more conservative than that of banks.
- Since inception of WCF, only one loan has been written off (US\$5.9 mill in 2005).
- The Secretariat has proven risk management processes in place to manage the facilities, as demonstrated over the past 10 years.

THANK YOU

