

SECOND UPDATE ON THE WFP BIENNIAL MANAGEMENT PLAN (2010-2011)



June 8, 2010



Annual Session of the Executive Board 2010

Overview

November 2009 WFP Biennial Management Plan (2010-2011)

- Original Programme of Work US\$8.95 billion

February 2010 First update on the WFP Management Plan (2010-2011)

- Programme of Work increased to US\$9.55 billion
- 2010 increase of US\$595 million to US\$5.2 billion

End April 2010 Second update on the WFP Management Plan (2010-2011)

- Programme of Work increase to US\$10.7 billion
- 2010 increase of US\$1.2 billion to US\$6.4 billion



The current funding projection remains unchanged for the 2010-2011 biennium

- US\$7.50 billion for the biennium
- US\$3.75 billion per year

The increases in 2010 are mainly due to additional requirements in Haiti, the Sahel Region, Pakistan and Ethiopia

Updated Programme of Work 2010

DRAFT DECISION

- I. **takes note** of the projected total Programme of Work of US\$10.7 billion, excluding provision for unforeseen requirements

Updated Programme of Work for year 2010 (US\$ million) *

Country	Original MP	Increases 1st Update	Increases 2nd Update	Revised Requirements	% of increase from Original MP vs Revised Requirements
Haiti	97.9		569.9	667.8	582%
Ethiopia	302.7	49.4	266.5	618.6	104%
Pakistan	75.4	240.8	111.5	427.7	467%
Niger	35.6		111.1	144.3	305%
Afghanistan	244.9	80.4	30.7	356.0	45%
Bangladesh	71.6		23.9	82.3	15%
Congo, Republic of the	8.9		21.3	23.6	165%
Sudan	858.9	110.5	13.4	982.8	14%
Nepal	84.3		6.1	90.5	8%
Other	2,826.0	113.5	42.8	3,004.4	6%
Total	4,606.2	594.6	1,197.2	6,398.0	39%

* including ISC



Improving Operational Efficiencies Sudan Example

The Sudan Regional Bureaux reviewed WFP's largest operation resulting in a DSC and LTSH reduction of **US\$66.8 million**

DSC

The reduction of US\$37.0 million was achieved by the decentralization of some functions from the Country Office to the field

LTSH

The reduction of US\$29.8 million due to the reduction of LTSH rates by revising road transport operations and contracts

The savings will allow for the purchase of more food for more beneficiaries based on the same contributions

Cereal and Fuel price development



Issue 7 | April 2010



The Market Monitor Trends of staple food prices in vulnerable countries

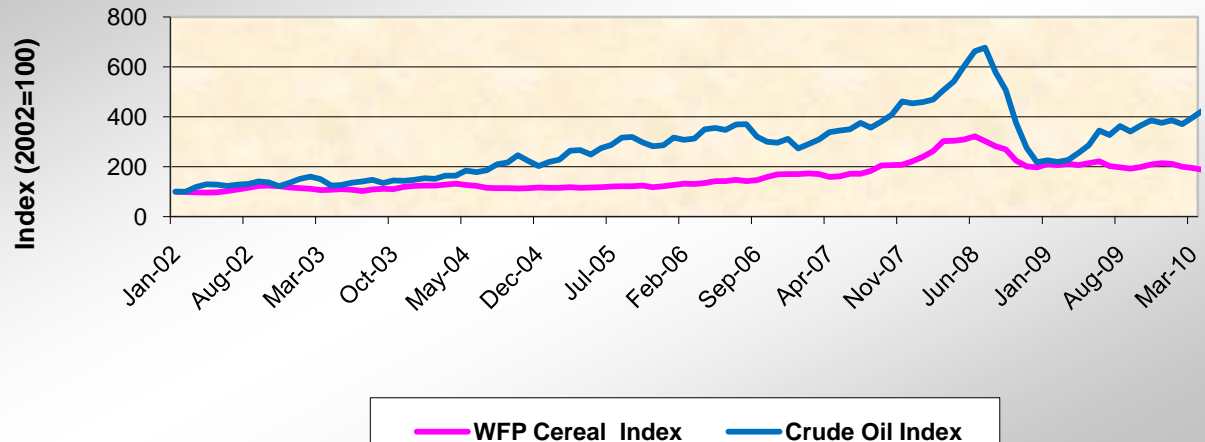
This bulletin provides information on price changes for the most commonly consumed staples and their potential impacts on the cost of the basic food basket. Staples contribute 40 - 80 percent of energy intake for the most vulnerable population groups in developing countries. Therefore, even a small increase in staple food prices has a high impact on overall food consumption, especially when the food basket is composed of very few food items. The bulletin covers 60 countries over the period January to March 2010.¹

Highlights

- **Overall:** Prices of the main staple food commodities have increased in most of the countries compared to the previous quarter. This increase is mainly driven by rice, wheat and maize prices. Staple food price increases together with the recent increase in fuel prices could result in an upward pressure on international prices which could then affect negatively food importing countries. In 79 percent of the countries monitored, the cost of the basic food basket is more than 20 percent above the 2003-2007 averages. The increase of the cost of the basic food basket is particularly high (above 50 percent) in Burundi, Ethiopia, Somalia, Sri Lanka, Sudan, Tajikistan and Zimbabwe.
- **Asia:** Due to rice and wheat price increases, the cost of the basic food basket has increased in all the countries compared to the last quarter. Rice price rose during the last quarter by 59 percent in Afghanistan, 30 percent in Sri Lanka, 27 percent in Bangladesh and 21 percent in Laos. Bangladesh continues to experience the highest increase (22 percent) of the cost of the basic food basket compared to the previous quarter.
- **West Africa:** Prices remained stable compared to the last quarter, except in Cape Verde, Ghana and Mali. However, abnormally high seasonal price increases are observed particularly in Benin for sorghum (22 percent) and rice (93 percent) and in Mauritania for rice (99 percent).
- **Southern, Eastern and Central Africa:** Burundi, Djibouti, Ethiopia, Lesotho, Mozambique, Rwanda, Somalia and Zimbabwe are still experiencing significant price increases. Compared to the last quarter, maize prices increased by more than 50 percent in Mozambique (57 percent) and in Zimbabwe (59 percent). Prices remain very high for the region, compared to their long-term averages, except in Rwanda and Uganda. The increase in the cost of the basic food basket is above 20 percent in Lesotho (22 percent) and Zimbabwe (25 percent).
- **Latin America and Caribbean:** Haiti continues to face substantially high prices compared to the neighbouring Dominican Republic. Prices increased from last quarter by 28 percent for imported rice, 36 percent for wheat flour and 11 percent for domestic maize. Staple food prices increased significantly in Bolivia, Colombia, El Salvador, Guatemala and Nicaragua, compared to the last quarter.
- **Middle East, Central Asia and Eastern Europe:** Prices of wheat and rice increased significantly in Azerbaijan, Iraq, Occupied Palestinian Territory and Tajikistan compared to the last quarter. Prices remained two times higher than their long-term seasonal average for rice in Iraq (115 percent) and the Occupied Palestinian Territory (91 percent) and for wheat in Tajikistan (105 percent).

Fighting Hunger Worldwide

WFP Cereal Index & Crude Oil Index 2002 - 2010



COUNTRY LEVEL

- WFP continues to monitor food prices through its Market Monitor providing information on price changes for common staples and the potential impacts on the cost of the basic food basket
- In the majority of countries, the cost of the food basket is still higher compared to the long term average and compared to pre-crisis levels

GLOBAL LEVEL

- Wheat prices have remained stable in recent months due to sluggish growth in global consumption and ample supply
- The price of crude oil has increased slightly in response to the expected global economic recovery

Staff Liabilities

For
Approval

DRAFT DECISION

- ii. **approves** the plan to provide for the unfunded staff liabilities over a 15-year period as outlined in this document
- iii. **approves** a one-time appropriation of US\$7.5 million from the PSA Equalization Account for the funding of unfunded staff liabilities for 2010 under the above plan

- As of 31 December 2009, 52% of WFP long term staff liabilities are funded
- Option (ii) As agreed at the annual board session in June 2008, it was proposed to include the required amount in the standard salary costs for ongoing and future projects or PSA
- An Asset Liability Study conducted by a leading provider proposed funding Policy options to achieve full funding of long term employee benefit liabilities over time
- Over a 15 year time horizon, study determined that additional funding of US\$7.5 million per annum is needed to achieve full funding

Draft Decision

- iv. **approves** an increase in the PSA appropriation for 2011 of US\$3.37 million to fund the PSA-related impact of the above plan in 2011

Over the 15 year funding horizon, **US\$7.5** million will be included in the Standard staff costs

For 2011:

- US\$3.37 million will be included in PSA funded positions
- US\$4.13 million to be included in DSC funded positions

Unearmarked portion of the General Fund

For
Approval

Draft Decision

v. **approves** the use of the PSA Equalization Account as an alternative source of funding to cover expenditure totalling US\$38.9 million, originally approved for 2010–2011 against the unearmarked portion of the General Fund as outlined in this document.

- The unearmarked portion of the General Fund is an accounting entity used to record income not specifically earmarked against a programme activity, i.e. interest income and miscellaneous income
- Expenditure for UNDSS (US\$24.4 million) and the Security Fund (US\$14.5 million) were approved in the original WFP Biennial Management Plan 2010-2011 to be funded from the unearmarked portion of the General Fund
- The negative staff cost variance of US\$23.3 million in the General Fund resulted in an unfavourable closing balance for 2009

The alternative funding for the US\$38.9 million is proposed to come from the PSA Equalization account and is proposed for approval

Proposed Transfer of Expenditure

UNEARMARKED PORTION OF THE GENERAL FUND 2010-2011 (US\$ million)

1 January 2010 opening balance		(25.7)
2010–2011 Income		31.0
United Nations Department of Safety and Security	(24.4)	
Security Fund	(14.5)	
Private-Sector Fundraising loan	(4.5)	
Subtotal		(43.4)
Proposed Transfer of 2010-2011 expenditure to PSA Equalization account		38.9
31 December 2011 forecast		0.8

Staff Cost Variance



EQUALIZATION ACCOUNT 2010–2011 (US\$ million)

1 January 2010 opening balance		152.0
2010–2011 projected income at 7%		476.0
2010–2011 Approved PSA	(476.0)	
2010–2011 one-time allocation	(25.9)	
Funding for 2010-2011 unfunded staff liabilities	(7.5)	
Proposed Transfer of 2010-2011 expenditure to PSA Equalization account	(38.9)	
Subtotal, Expenditure		(548.3)
31 December 2011 forecast		79.7



For approval

Hedging

- ❑ The First hedging arrangement was approved in 2005 :
 - € 4.1 million for each month (average rate US\$1.21) – **gain US\$8.83 mill.**

- ❑ The second hedging arrangement was approved in 2008:
 - € 4.86 million for each month (average rate US\$1.44) – **loss US\$3.18 mill.**

- ❑ Foreign Exchange hedging strategy has increased the certainty of the US\$ value of staff expenditures

- ❑ WFP is able to convert planned € amounts as a known rate without incurring any unforeseen consequences from a foreign exchange risk perspective

THANK YOU

