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FIFTH UPDATE ON THE WFP MANAGEMENT PLAN (2008–2009)



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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration.

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 fifth update on the Management Plan (2008–2009) provides an overview of the changes in the Programme of Work since the approval of the original Plan, with particular emphasis on changes since the fourth Management Plan update. It outlines a total Programme of Work of US\$11.8 billion; the updated Programme of Work is presented together with an overview of the projected resource level and forecast balances of the PSA Equalization Account based on the approved appropriations. The projections for the unearmarked portion of the General Fund are also presented.

The 2008 Programme of Work estimate was increased to align it with the final budgeted Programme of Work. In line with the requirements of International Public Service Accounting Standards, the 2008 budget presented in this document will be the final approved budget amount for 2008, against which expenditures will be compared.

The 2009 Programme of Work was increased by US\$749 million because of operational requirements that emerged after the fourth Management Plan update had been prepared. Figures for these are provided, along with descriptions of the operations requiring significant increases.

DRAFT DECISION*

The Board takes note of the projected total Programme of Work for 2008–2009 of US\$11.8 billion, excluding provision for unseen emergencies. It further notes that the Secretariat intends to continue to hedge euro expenditure for 2010 and 2011 by entering into hedging arrangements for approximately € million per month from mid-2009.

* 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.

INTRODUCTION

1. With the approval of the Biennial Management Plan (2008–2009) the Secretariat reaffirmed its commitment to provide updates on changes to the Plan during the biennium. This is the fifth and final update of the Management Plan (2008–2009). The Management Plan (2010–2011) will be presented at the Board's 2009 Second Regular Session.

BACKGROUND

2. The original Management Plan (2008–2009), presented to the Board in October 2007, outlined the expected Programme of Work of US\$5.8 billion for the biennium. The Programme Support and Administrative (PSA) budget of US\$345 million took into consideration the expected level of indirect support cost (ISC) income on the basis of past funding levels and predicted reserve balances.
3. During the first year of implementation of the Management Plan (2008–2009), unprecedented volatility in global markets and large new operational requirements changed many of the assumptions on which the Programme of Work for the biennium had been based.
4. The rapid increase in food and fuel prices and the decline of the US dollar against many of WFP's other operating currencies meant that the Secretariat had to re-cost the Programme of Work continually during the first year of the biennium. Successive Management Plan updates in 2008 outlined the increasing requirements resulting from the price rises and the US\$4 billion in new operational requirements that emerged during the first eight months of the year. The final update of 2008, presented at the Board's 2008 Second Regular Session, outlined a Programme of Work of US\$11.4 billion, a 97 percent increase from the original Management Plan presented in October 2007.
5. In October 2008, the Board also approved a supplementary PSA appropriation of US\$66.1 million for the biennium, and one-time allocations of US\$40.8 million funded from the PSA Equalization Account. In December 2008, the Secretariat issued an informal document with information related to PSA levels and PSA prioritization, as requested during discussion of the third Management Plan update; it was reproduced as an Annex to the fourth Management Plan update.
6. By the end of 2008, food prices had fallen significantly from mid-year levels, resulting in a downward re-costing of US\$1 billion for the Programme of Work presented in the fourth Management Plan update. But new operational requirements continued to emerge, and the re-costed Programme of Work increased by close to US\$500 million because of new operations and increases in existing programmes. The Programme of Work for 2008–2009 presented in the fourth Management Plan update was therefore US\$10.8 billion.
7. This update provides an overview of the changes in the Programme of Work since the approval of the Management Plan (2008–2009), with particular emphasis on changes since the fourth Management Plan update. The updated Programme of Work is presented together with an overview of the projected resource level to fund it and forecast opening and closing balances of the PSA Equalization Account based on the approved appropriations. The projections for the unearmarked portion of the General Fund are also presented.



8. The figures for the Programme of Work and funding estimates in this update are as of 31 March 2009. In line with the requirements of International Public Sector Accounting Standards (IPSAS), the 2008 budget presented in this document will be the final approved budget amount for 2008, against which expenditures will be compared.

PROGRAMME OF WORK (2008–2009)

9. The Programme of Work for 2008 and 2009, as estimated at 31 March 2009, is shown in Table 1.

	Fourth Management Plan update			Fifth Management Plan update		
	2008	2009	2008–2009	2008	2009	2008–2009
Food	2 715	2 485	5 201	2 815	2 801	5 616
External transport	567	592	1 159	587	621	1 208
LTSH*	1 072	1 031	2 103	1 089	1 227	2 316
ODOC**	396	262	658	406	329	735
DSC***	509	511	1 020	529	604	1 133
Total operational budget	5 259	4 882	10 141	5 425	5 582	11 008
ISC requirement	368	342	710	380	391	771
TOTAL	5 627	5 223	10 851	5 805	5 973	11 779

* Landside transport, storage and handling

** Other direct operational costs

*** Direct support costs

10. The 2008 Programme of Work estimate was increased slightly to align it with the final budgeted Programme of Work. The Programme of Work for 2009 was increased by US\$749 million because of operational requirements that emerged after the fourth update to the Management Plan had been prepared. They are detailed below.
11. Food prices, which had a major impact on the Programme of Work budget in 2008, have stabilized in 2009. The Secretariat continues to monitor food prices; the WFP Cereal Index and Crude Oil Index is included in Annex I of this document.

New Operational Requirements for 2009

12. Additional operational requirements for new and existing projects have arisen since the fourth Management Plan update was compiled; a summary is given in Table 2. This update includes known operational requirements up to 31 March 2009. The projects listed in Table 2 were approved or have been submitted for approval by the Board or by the Executive Director under delegated authority. Full details for each project are given in the project documents; a summary of significant increases is included in Annex II.



Uganda	EMOP*, PRRO** and CP****	204.04
Kenya	PRRO	117.17
Occupied Palestinian Territory	EMOP and SO***	82.31
Somalia	EMOP and SO	76.68
Pakistan	EMOP	64.30
Iraq	EMOP	46.10
Democratic Republic of the Congo	EMOP and SO	40.83
Haiti	EMOP	30.83
Others		86.79
Total		749.05

⁺ For details of new projects and/or budget revisions, including budgets by cost component, please see individual project documents.

* Emergency operation

** Protracted relief and recovery operation

*** Special Operation

**** Country programme

PROJECTED RESOURCE LEVELS

13. The original Management Plan (2008–2009) was based on an overall income projection of US\$5.2 billion, which represented 90 percent funding of the Programme of Work. The subsequent doubling of the Programme of Work to US\$11.8 billion and the food price crises elicited a generous donor response, and the funding projection has been increased to US\$8.4 billion, representing only 71 percent of the projected Programme of Work.
14. More than US\$5.0 billion in contribution income was received in 2008; it is estimated – for PSA planning purposes only – that US\$3.4 billion will be raised in 2009.
15. The ISC income projection based on this contribution income is outlined below.

Status of the PSA Equalization Account

16. As outlined in the Financial Statements for 2006–2007, the balance of the PSA Equalization Account at 31 December 2007 was US\$8.6 million. The ISC income forecast for 2008–2009 has been revised to US\$505 million to reflect the increase in forecast contributions. As outlined in the Audited Annual Accounts for 2008, US\$317 million of projected ISC income for the biennium was received in 2008. The forecast for the PSA Equalization Account, taking into account the higher ISC projection and the approved PSA expenditure, is outlined in Table 3.



TABLE 3: PSA EQUALIZATION ACCOUNT, 2008–2009 (US\$ millions)		
		PSA Equalization Account forecast, 2008–2009
1 January 2008 opening balance		8.6
Transfer of DSC advance facility, approved in the original Management Plan (2008–2009)		24.1
2008–2009 ISC income		505.0
2008–2009 PSA		
Approved PSA expenditure	(411.5)	
2008 foreign exchange impact	(15.0)	
Total revised PSA 2008–2009		(426.5)
One-time allocations		(40.8)
31 December 2009 forecast		70.4

17. The projected closing balance of the PSA Equalization Account is equivalent to a minimum of four months of PSA expenditure.
18. The Secretariat recognizes the importance of constant review of the PSA Equalization Account balance and will continue to monitor ISC income and PSA expenditures.
19. The Board is updated on the status of this account throughout the biennium.

Hedging

20. The Board approved at its 2008 Annual Session a policy for hedging the euro component of PSA expenses.¹
21. Hedging euro expenditure involves buying the right to purchase a determined amount of euros at a fixed exchange rate. A hedge can result in financial gain or loss. The Secretariat is not in a position to predict market movements; it intends to minimize foreign exchange risk through hedging, in order to remove one of the uncertainties in PSA budget planning.
22. In line with this policy, the Secretariat entered into hedging arrangements for €4.8 million per month for 2009. The average exchange rate was fixed at €1 to US\$1.44. The current exchange rate is approximately €1 to US\$1.33. The Secretariat will report on the full impact of this arrangement once the year is over.
23. The Secretariat intends to continue to hedge euro expenditure for 2010 and 2011 by entering into hedging arrangements from mid-2009 for approximately €5 million per month.
24. The new standard position costs that will be used in the Management Plan (2010–2011) will incorporate the average euro/US\$ rate of the hedging contracts. This will result in certainty of the US\$ value of euro-denominated PSA expenditure and will benefit the planning process for the Management Plan (2010–2011), which is currently underway.

¹ Decision 2008/EB.A/7 (para i)



Status of the General Fund

25. The General Fund is an accounting entity used for recording ISC recoveries from projects and miscellaneous income that is not earmarked for a particular programme activity. ISC income is recorded in the PSA Equalization Account, which is a subset of the General Fund. The main income source for the unearmarked portion of the General Fund is interest income; market conditions and interest rates therefore have a large impact on the General Fund. The latest forecast for the unearmarked portion of the General Fund, unchanged from the fourth update of the Management Plan (2008–2009), is outlined in Table 4.

TABLE 4: UNEARMARKED PORTION OF THE GENERAL FUND (US\$ millions)	
	General Fund forecast
31 December 2007 balance	52.8
2008–2009 interest income	0
2008–2009 miscellaneous income	16.0
2008–2009 General Fund expenditures	
United Nations Department of Safety and Security (Decision 2007/EB.2/4, para. vii)	(26.6)
Private-sector fundraising loan (Decision 2008/EB.1/4)	(9.0)
Transition fund (Decision 2007/EB.2/4, para. vi)	(10.6)
Replenishment of operational reserve (Decision 2008/EB.A/5, para. ii)	(5.9)
WINGS II (Decision 2008/EB.A/7, para. iii)	(7.5)
Emergency Security Fund (Decision 2008/EB.A/7, para. ii)	(5.0)
31 December 2009 balance	4.2

ANNEX I

Indicators

1. This Annex contains the indicators used to monitor the financial parameters of WFP. The Secretariat has been following these parameters regularly. Reporting on them has been developed in response to requests from the Board.
2. The financial indicators in this Annex are: i) unit costs for food projects; ii) price indexes – international prices for cereals and crude oil; and iii) ISC income and PSA expenditure.

1) Unit Costs for Food Projects

3. Following the method set out in the WFP analysis of cost components¹ and followed in Annual Performance Reports (APRs), unit costs for food projects² are analysed on the basis of cost per metric ton of food distributed. Table 5 shows the evolution of unit costs for each cost component.

TABLE 5: WFP COST COMPONENTS FOR FOOD PROJECTS (US\$ millions)					
	Actual			Budget	
	2004–2005	2006	2007	2008	2009
Total expenditure					
Food	2 147.7	943.6	1 173.0	2 815.2	2 800.8
External transport	524.5	242.1	218.0	586.5	620.5
LTSH	1 240.2	720.3	600.0	1 088.7	1 227.3
ODOC	109.1	52.5	59.0	150.8	172
DSC	446.8	272.0	265.0	483.4	577.4
Total	4 468.3	2 230.5	2 315.0	5 124.7	5 398.0
Rate per mt					
Food	269.6	250.0	333.0	466.4	466.6
External transport	65.8	59.9	66.1	97.2	103.4
LTSH	155.7	178.3	181.8	180.3	204.5
ODOC	13.7	13.0	17.9	25.0	27.3
DSC	56.1	67.3	80.3	80.1	96
Total	560.9	568.5	679.1	848.9	897.8
Distribution (million mt)	7.97	4.04	3.30	6.04	6.01

¹ “Analysis of WFP Cost Components” (WFP/EB.A/2006/6-G/1).

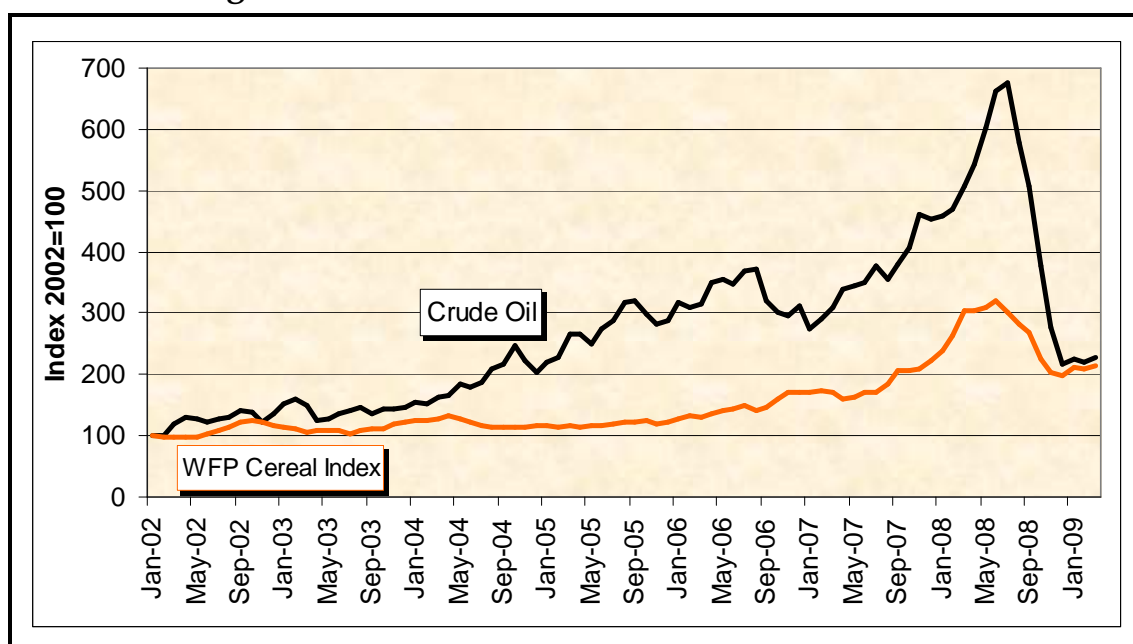
² Expenditures for Special Operations that do not have a food component are excluded.



2) Price Indexes

4. The WFP cereal index is intended to broadly represent the impact of changing prices on the cost of WFP cereals. It is composed of four commodities: wheat, maize, sorghum and rice. The price of the WFP cereal basket, calculated as the weighted average of these four cereals, is indexed from 1 January 2002. The weight of each cereal in the index is based on its value in the 2007 food basket. Wheat accounts for 28.2 percent of the index, maize 23.8 percent and sorghum and rice 24.0 percent each. Prices are based on the International Commodity Prices database of the Food and Agriculture Organization of the United Nations (FAO).
5. The crude oil index tracks the price of crude oil, indexed from January 2002. It is based on Brent crude futures.
6. Figure 1 shows the evolution of the WFP cereal index and the crude oil index up to March 2009.

Figure 1: WFP Cereal Index and Crude Oil Index



3) ISC Income and PSA Expenditure

7. The Secretariat regularly monitors PSA expenditure and ISC income to ensure that funding is available to cover support costs. Table 6 shows the approved PSA appropriations and the forecast ISC income for the 2008–2009 biennium, together with actual figures from past biennia. The difference between ISC income and PSA expenditure is transferred to the PSA Equalization Account.

TABLE 6: PSA EXPENDITURE AND ISC INCOME (US\$ millions)								
	Actual						Budget	
	2002	2003	2004	2005	2006	2007	2008	2009
ISC	144	209	204	162	159	166	317	188
PSA	98	134	173	212	212	214	189.9	236.6
Surplus/deficit	46	75	31	(50)	(53)	(48)	127.1	(48.6)

ANNEX II

1. Table 2 lists the major areas where beneficiary requirements for new or existing operations have increased significantly. The details of each budget revision or new project are given in the project documents. The project documents or budget revisions to which the increases relate have been approved by the Board or by the Executive Director under delegated authority or have been submitted for approval.
2. This Annex describes some of the major new operational requirements that have contributed to the increase in the Programme of Work for 2009.

Uganda

⇒ *Supporting Government-Led Initiatives to Address Hunger in Uganda*
(new project: CP 10807.0)

3. Since 1997, the Government of Uganda has promoted a development agenda based on its Poverty Eradication Action Plan. While there have been generally positive consequences for welfare and hunger indicators, considerable challenges remain. WFP Uganda in consultation with the Government of Uganda and partners has developed a Country Strategy (2009–2014) derived from an analysis of Uganda's policies and needs, the current state of assistance to the country and WFP's comparative advantage in Uganda. The aim of country programme 10807.0 is to achieve the second and third objectives of the Country Strategy: food and nutrition security, and agriculture and market support.

⇒ *Emergency Assistance to Communities Affected by the 2008 Drought in Karamoja, North-Eastern Uganda*
(new project: EMOP 10811.0)

4. At the end of 2008, the Karamoja region of northeastern Uganda faced a humanitarian catastrophe following a drought that reduced agricultural output to an estimated 30 percent of normal levels. In response to the impending disaster, the proposed EMOP 10811.0 will fill the food gap until the October 2009 harvest, hence saving lives. The multi-tiered intervention will provide: i) general food assistance to all food-insecure households; ii) soap to ensure that poor utilization does not undermine the effectiveness of the food assistance; and iii) supplementary and therapeutic feeding for people who have become moderately or severely malnourished. The EMOP will also ensure that hunger does not send the region into a vicious cycle in which negative coping strategies undermine rural livelihoods and the precarious security situation deteriorates.

⇒ *Targeted Food Assistance for Relief and Recovery of Refugees, Displaced Persons and Other Vulnerable Groups in Uganda*
(existing project: PRRO 10121.2)

5. The aim of PRRO 10121.2 is to support the Government's assistance for food-insecure households to make the transition from relief to greater self-sufficiency in a manner consistent with the unique challenges and opportunities in each location.



⇒ *Protracted Relief for Internally Displaced Persons and Refugees in Uganda*
(new project: PRRO 10121.3)

6. In recent decades Uganda has suffered the effects of civil conflict and political instability in neighbouring countries. A civil war fought across the Acholi sub-region in North region has left much of the population displaced in camps and transit sites. Instability in the Sudan and the Democratic Republic of the Congo has led thousands of refugees to seek asylum in the West Nile and Southwest sub-regions of Western Uganda. In response to this changing context, the Government launched its Peace, Recovery and Development Plan to mobilize human and financial resources in the affected areas. The aim of the new PRRO is to support the Government's efforts to save lives and address acute undernutrition among internally displaced persons (IDPs) and refugees affected by protracted crises.

Kenya

⇒ *Protecting and Rebuilding Livelihoods in the Arid and Semi-Arid Areas*
(existing project: PRRO 10666.0)

7. Food security is precarious in the arid and semi-arid lands of Kenya, which are vulnerable to market and climatic shocks and insecurity. The proportion of Kenyans living below the poverty line has fallen from 55 percent to 46 percent, but social indicators such as illiteracy rates and mortality among children and mothers have declined. There is extreme inequality in the distribution of incomes. The three main components of the project are: i) recovery – building household and community assets to enhance resilience to shocks; ii) social protection – supporting a national social protection system for the most vulnerable people by working with the Government and partners to ensure that emergency food gaps are covered; and iii) preparedness – responding promptly to new shocks. WFP will continue to align its activities with government strategies and the United Nations Development Assistance Framework (UNDAF) 2009–2013 with a view to: i) improving food security by reducing vulnerability to shocks; ii) increasing human and productive capital where food insecurity is severe; and iii) enhancing environmental management for economic growth with equitable access to services and response to climate change.

Occupied Palestinian Territory

⇒ *Emergency Food Assistance for Operation Lifeline Gaza*
(new project: EMOP 10817.0)

8. A sharp escalation in hostilities in the Gaza Strip since the end of December 2008 has generated a humanitarian crisis. Most of the Palestinian population has been unable to access food and basic services and movement into and inside the Gaza Strip is severely restricted. The humanitarian situation in the Gaza Strip was already fragile, with limited assistance entering Gaza. WFP's main objectives for EMOP 10817.0 are to: i) meet urgent needs and improve food consumption for people affected by conflict, by providing rations and food vouchers; and ii) provide school feeding to maintain pre-crisis enrolment levels of girls and boys, including IDPs and refugees, attending assisted schools.



⇒ *Logistics Coordination in Support of the Crisis in Gaza*
(new project: SO 10815.0)

9. Given the conflict situation and the increased requirements of humanitarian assistance for the population of the Gaza Strip, the United Nations country team requested WFP to activate the logistics cluster. Through SO 10815.0, WFP will increase logistics staffing in the Occupied Palestinian Territory, Israel and Egypt, and will set up and expand cargo hubs in the West Bank, Israel and Egypt to help ensure efficient and timely delivery of humanitarian aid to the Gaza Strip.

Somalia

⇒ *Food Aid for Emergency Relief and Protection of Livelihoods*
(new project: EMOP 10812.0)

10. WFP has over 200 staff members working in Somalia in five sub-offices and six field offices, and there are plans to expand operations. WFP is one of the few agencies in Somalia capable of reaching the most vulnerable populations. Cooperating partners have handed the responsibility for feeding 1 million people to WFP, increasing the number of WFP beneficiaries to 3.5 million by 1 April 2009. The aim of EMOP 10812.0 is to save lives and restore livelihoods by contributing to the food security and nutritional status of IDPs, host communities, urban and rural poor and other vulnerable groups who have suffered conflict and recurrent natural disasters.

⇒ *United Nations Humanitarian Air Service*
(existing project: SO 10681.0)

11. The United Nations Common Air Services (UNCAS) was established in Somalia in 1996 by the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and WFP; these were later joined by the Office of the United Nations High Commissioner for Refugees (UNHCR). The aim was to provide passenger air services for the humanitarian community. The United Nations Humanitarian Air Service (UNHAS) is essential for the humanitarian operations in Somalia, given the lack of reliable local air operators.

Pakistan

⇒ *Food Assistance to Internally Displaced and Conflict-Affected Persons in Pakistan's North-West Frontier Province (NWFP) and Federally Administered Tribal Areas (FATA)*
(new project: EMOP 10828.0)

12. EMOP 10828.0 aims to reach IDPs and people whose food and nutrition security has been adversely affected by the conflict, and to reduce malnutrition caused by displacement. A budget revision to PRRO 10671.0 had covered 211,000 IDPs up to February 2009. This EMOP is needed to provide for the substantial increase in the number of registered IDPs and other people affected.



Iraq

⇒ *Food Assistance to Iraq*
(existing project: EMOP 10717.0)

13. The purpose of this budget revision is to extend the period of EMOP 10717.0 by nine months, until 31 December 2009. The EMOP acts as a stop-gap measure to meet the immediate needs of IDPs before they are able to access the public distribution system in their places of displacement and will reach 510,000 beneficiaries. Priority will be given to households headed by women and IDPs in camps or camp-like settlements.

Democratic Republic of the Congo

⇒ *Emergency Support to the Population Affected by Insecurity in the Haut Uele District in Oriental Province of the Democratic Republic of the Congo (DRC)*
(new Project: EMOP 10824.0)

14. Repeated attacks by the Ugandan rebel group the Lord's Resistance Army since December 2007 in the Haut Uele district of the DRC put the local population in a constant state of insecurity. This EMOP will address the immediate food needs of the IDPs and host communities to ensure their immediate food security and reduce the risk of deterioration of their nutritional status. The EMOP will also provide for the needs of possible repatriates from Southern Sudan should the security situation in DRC stabilize.

⇒ *Logistics Augmentation aimed at Managing Logistics Cluster Activities*
(existing Project: SO 10556.0)

15. Since August 2008, heavy fighting between government forces and rebel groups in the North Kivu and Oriental provinces of the DRC has jeopardized the January 2008 ceasefire agreement and caused an increase in the number of IDPs. This budget revision will provide additional resources to continue the range of inter-agency logistics services already provided under SO 10556.0, including logistics cluster management, and operation of the inter-agency logistics service and the eastern DRC fleet.

Haiti

⇒ *Food Assistance for the Relief and Protection of Vulnerable Groups Exposed to Food Insecurity*
(existing project: PRRO 10674.0)

16. PRRO 10674.0 was originally approved by the Executive Board in October 2007 for activities in 2008 and 2009. In 2008, the impact of these activities was diminished by a series of fierce hurricanes and tropical storms that struck in the space of a few weeks, causing losses of up to 15 percent of Haiti's gross domestic product. The objective of this budget revision is to support post-disaster recovery efforts and meet urgent food requirements to provide a short-term safety net for the vulnerable population.



ACRONYMS USED IN THE DOCUMENT

APR	Annual Performance Report
DRC	Democratic Republic of the Congo
DSC	direct support costs
EMOP	emergency operation
FAO	Food and Agriculture Organization of the United Nations
IDP	internally displaced person
IPSAS	International Public Sector Accounting Standards
ISC	indirect support costs
LTSH	landside transport, storage and handling
ODOC	other direct operational costs
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative (budget)
SO	Special Operation
UNCAS	United Nations Common Air Services
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNHAS	United Nations Humanitarian Air Service
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund