



WFP's Use of Multilateral Funding

2012 Report



World Food Programme

Contents

WFP's Use of Multilateral Funding in 2012

Foreword by the Executive Director	3
List of acronyms	4
Multilateral Resources	5
Multilateral Partners	6
Prioritization and Allocation Process	7
Recipients of Multilateral Funds	9
Leveraging WFP's Financing Tools	13
Visibility and Recognition	16
Predictable Funding	17

FOREWORD

By the Executive Director

Flexible and reliable funds are among WFP's most valued assets, and this report on the use of multilateral funding demonstrates why. This report highlights the results and successes achieved through multilateral funding in 2012.

Multilateral funds are critical in all the humanitarian disasters in which WFP engages. Flexible resources help organizations such as WFP manage resources more effectively and mitigate operational disruptions caused by fluctuations in funding as well as the uneven timing and distribution of directed contributions. By directing flexible resources to projects with the most pressing needs, WFP can ensure a degree of continuity in its activities, avoiding destructive breaks in pipelines.

Multilateral contributions are an essential component of many of the innovative tools that help make WFP ever more efficient. This report describes how multilateral funding facilitates WFP's use of the Working Capital Facility, the Forward Purchase Facility and the Immediate Response Account. Combined with these innovative tools, multilateral funds play a significant role in WFP's ability to deliver effective food assistance around the globe.

WFP employs a rigorous prioritization process, ensuring that multilateral funds are allocated to the projects most in need. This report includes the main components of the programme selection process, together with the 2012 donations and expenditures, providing a complete picture of how WFP managed its multilateral resources last year. It is of paramount importance to WFP that our multilateral partners understand and are assured by the process governing the use of these valuable funds.

Allowing WFP to allocate donations according to prevailing priorities reflects multilateral donors' trust in WFP's ability to plan, prioritize and deliver. We thank you for this vote of confidence.

Ertharin Cousin, WFP Executive Director

List of acronyms

EMOP	Emergency Operation
FPF	Forward Purchase Facility
GCC	Government Counterpart Contribution
GHI	Global Hunger Index
IRA	Immediate Response Account
PRRO	Protracted Relief and Recovery Operation
SRAC	Strategic Resource Allocation Committee
WCF	Working Capital Facility

Multilateral Resources

A multilateral contribution is “a contribution, for which WFP determines the country programme or WFP activities in which the contribution will be used and how it will be used, or a contribution made in response to a broad-based appeal for which WFP determines, within the scope of the broad-based appeal, the country programme or WFP activities in which the contribution will be used and how it will be used, and for which the donor will accept reports submitted to the Board as sufficient to meet the requirements of the donor”.

(Financial Regulations I: Definitions)

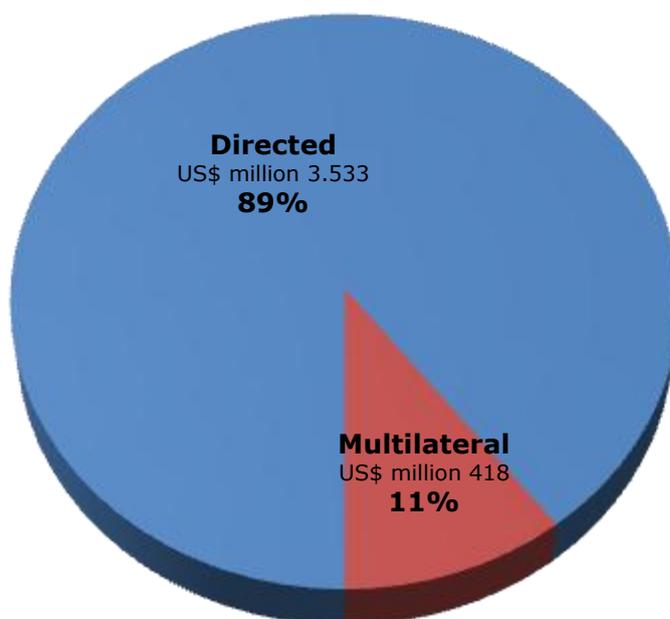
Multilateral donations are important complements to the donor contributions that are directed towards specific WFP projects and activities. Because directed contributions are received unevenly over time and location, funding gaps occur, which can harm WFP’s operations and beneficiaries. Flexible resources help cover the most critical of these gaps, thereby avoiding disruptive pipeline breaks and operational shutdowns.

In 2012, WFP received US\$418 million of multilateral contributions, representing approximately 11 percent of total contributions received. Although this was a small decrease compared with 2011 figures, the overall trend indicates that flexible donations to WFP are increasing.

Statistics on WFP’s multilateral resources also include government counterpart contributions (GCCs) – donations made by host governments to the WFP General Fund to cover expenses for WFP’s offices and other facilities in the host country. In 2012, such contributions amounted to US\$14.1 million, or 3.4 percent of multilateral resources.

This report deals with the benefits, results, prioritization and expenditure of flexible resources used in WFP’s food assistance projects.

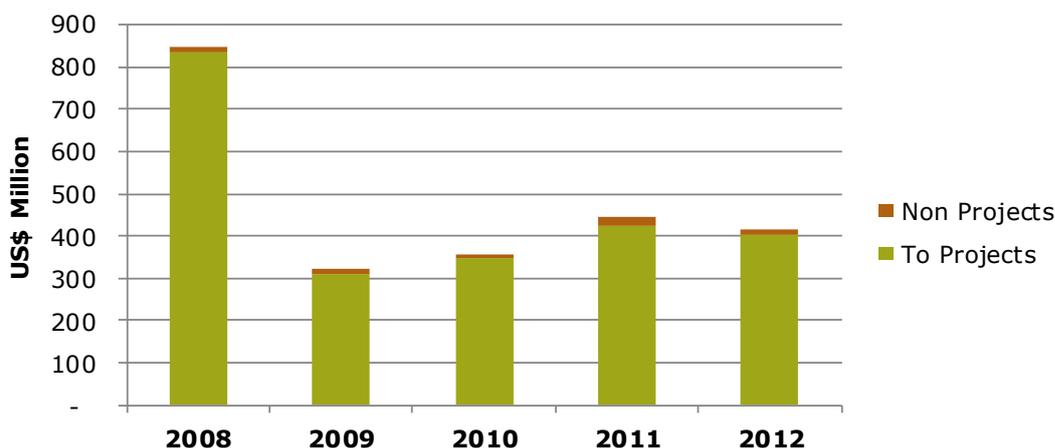
WFP Contributions in 2012



Multilateral Contributions

This chart shows received multilateral resources for the past five years. GCC donations are shown in brown.

In 2008, WFP received an exceptional multilateral donation of US\$500 million from the Kingdom of Saudi Arabia.



Multilateral Partners

“Recognizing the necessity of dynamic and flexible response to changing needs in humanitarian crises, strive to ensure predictability and flexibility in funding to United Nations agencies, funds and programmes and to other key humanitarian organisations”.

(Good Humanitarian Donorship, 2003: Article 12)

In 2012, WFP received multilateral donations from 41 government partners. These contributions ranged from US\$1,000 from Afghanistan, to US\$82.6 million from Sweden. 10 governments provided multilateral contributions in excess of US\$10 million each.

Many of WFP’s multilateral partners subscribe to the Principles of Good Humanitarian Donorship, which advocate for flexible and predictable funding to support effective humanitarian response.

Flexible resources are considered complements of, and not substitutes for, directed contributions; many of WFP’s multilateral partners also make directed donations to specific WFP projects and activities.

It is estimated that if multilateral funding accounted for 20–30 percent of total resources, WFP would be able to prioritize its resources optimally and manage its critical funding gaps.

Private Sector and Multilateral Funds

In 2012, WFP raised US\$17.5 million of multilateral resources from the private sector and the general public. This represented more than 27 percent of private sector contributions — a notable increase from 18 percent in 2011.

Part of this high proportion of multilateral funds in total private sector contributions derived from public fundraising campaigns, which often focus on a thematic area or region rather than specific projects. Individual on-line donors and campaigns raised 12 percent of private sector multilateral funds in 2012; another 13 percent stemmed from small company transfers and off-line individual donations.

However, the biggest private donor contributor to multilateral funding in 2012 was the company YUM! Brands Inc. – 60 percent of private multilateral funds received in 2012 came from the annual YUM! World Hunger Relief campaign. With the positive growth trend in private sector multilateral contributions expected to continue, WFP aims to raise US\$19 million in flexible resources from private donors in 2013.

2012 Multilateral Contributions > US\$1 million

	Donor	Multilateral contribution	% of multilateral vs. total to WFP
1	Sweden	\$82.6 million	86%
2	Netherlands	\$44.9 million	60%
3	Denmark	\$32.4 million	74%
4	United Kingdom	\$31.9 million	16%
5	Australia	\$31.6 million	26%
6	Canada	\$30.7 million	8%
7	Brazil	\$28.5 million	34%
8	Germany	\$27.8 million	19%
9	Norway	\$25.8 million	45%
10	Private Donors	\$17.5 million	27%
11	Ireland	\$13.6 million	68%
12	Italy	\$9.0 million	62%
13	Finland	\$7.5 million	29%
14	Switzerland	\$6.1 million	10%
15	USA	\$6.0 million	0%
16	Belgium	\$5.4 million	37%
17	New Zealand	\$4.9 million	71%
18	Japan	\$4.5 million	2%
19	Luxembourg	\$2.2 million	22%
20	Peru	\$2.0 million	100%

Prioritization and Allocation Process

“Unrestricted funds are given for the work of the organisation as a whole and to express support for the multilateral system”.

(Development Initiatives, 2007)

WFP’s allocations of multilateral resources follow a methodical process led by its Strategic Resource Allocation Committee (SRAC). Every month, the SRAC Secretariat prepares two types of analysis – quantitative and qualitative – the findings of which are used to guide a systematic approach to identifying the projects in greatest need of multilateral funds. The process differs slightly between relief and development projects.

Relief projects

For relief projects, which receive more than three-quarters of multilateral resources, quantitative analysis is based on the net resource shortfalls for each project over the coming eight months, taking into account:

1. the requirements for the next eight months of planned activities;
2. the availability of resources – in country, on the high sea or unutilized;
3. any outstanding advance financing.

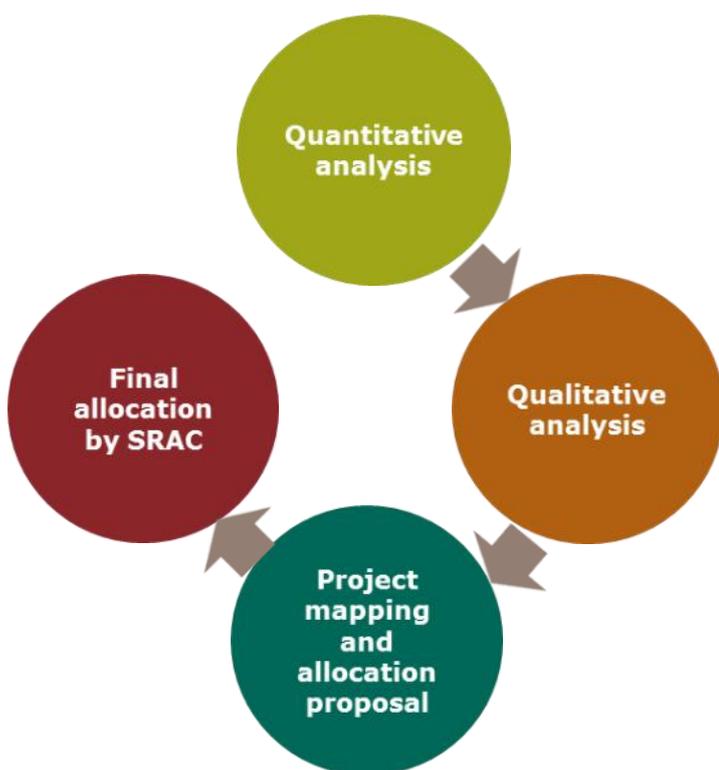
The quantitative analysis is overlaid with qualitative analysis based on three major factors:

Food security and seasonality – such as the lean season, the ability to deliver food in time if a multilateral allocation is provided, and the vulnerability of the beneficiary population;

Global/regional attention – priority may be given to a specific operation if there are urgent humanitarian needs in the country, or significant political implications or reputational risks associated with WFP not meeting planned objectives in the country;

The Global Hunger Index (GHI), which is a multidimensional tool established by the International Food Policy Research Institute to describe the hunger situation in individual countries – the higher the GHI score the more critical the hunger situation.

How does WFP Prioritize Needs?



Strategic Resource Allocation Committee

The SRAC is an advisory body to the WFP Executive Director that oversees the process for allocating resources. It also maintains an overview of global needs and shortfalls and their associated impacts, and is responsible for prioritizing areas for major appeals and fundraising efforts.

The SRAC develops criteria and guidelines for allocating multilateral resources, and gives its approval on all multilateral allocations before they are released. The committee meets on an ad-hoc basis to determine the allocation of recently donated multilateral funds and to review and update allocation criteria as needed.

The SRAC is co-chaired by the Deputy Executive Director & Chief Operating Officer and the Assistant Executive Director for Resource Management. Members include the Assistant Executive Director for Operations Services, the Assistant Executive Director for Partnership and Governance Services, the Director of Emergencies, the Director of Government Partnerships, the Director of Programme, Policy and Innovation, the Director of Budget and Programming, the Director of Communications, and the Director of Private Sector Partnerships.

By ranking each project according to the aggregated score of the three qualitative indicators and the quantitative resourcing data, projects can be objectively compared. WFP uses a prioritization chart that ranks projects on a scale ranging from *Low* criticality to *Very high* criticality (illustrated below).

In 2012, 92 percent of multilateral allocations went to projects rated as *Very high* or *High* criticality.

In other words, nearly all of the multilateral resources received in 2012 went to the projects and beneficiaries deemed as having the greatest humanitarian needs. The corresponding figure for directed funds, whose allocation WFP does not control, was 57 percent, meaning that 43 percent of directed contributions were provided to projects rated as *Medium* or lower criticality. These figures demonstrate the effectiveness of WFP’s internal prioritization process.

Based on the rankings of individual projects, the SRAC Secretariat prepares a proposal suggesting the allocation of available multilateral funds for each project. The SRAC reviews this proposal and makes amendments as needed. When a project’s resourcing situation improves as a result of receiving a multilateral allocation, the project shifts to a lower level of criticality.

Development portfolio

The quantitative analysis for development projects is similar, but reflects *annual* net resource shortfalls. This analysis also takes into account such factors as carry-overs from previous years, outstanding advances and forecasted contributions. The quantitative analysis for development projects is coupled with a qualitative analysis that encompasses two dimensions, consistent with the Executive Board’s decision on concentration countries:

- the stunting rate for children under 5 – rates greater than 25 percent indicate chronic malnutrition;
- status as a least developed country, or one with equally low income.

In 2012, over 90% of multilateral funds for the development portfolio went to these concentration countries.

Similar to the process for relief operations, the SRAC Secretariat prepares a proposal recommending the allocation of multilateral funding for each development project.

Prioritization Matrix for Relief Projects

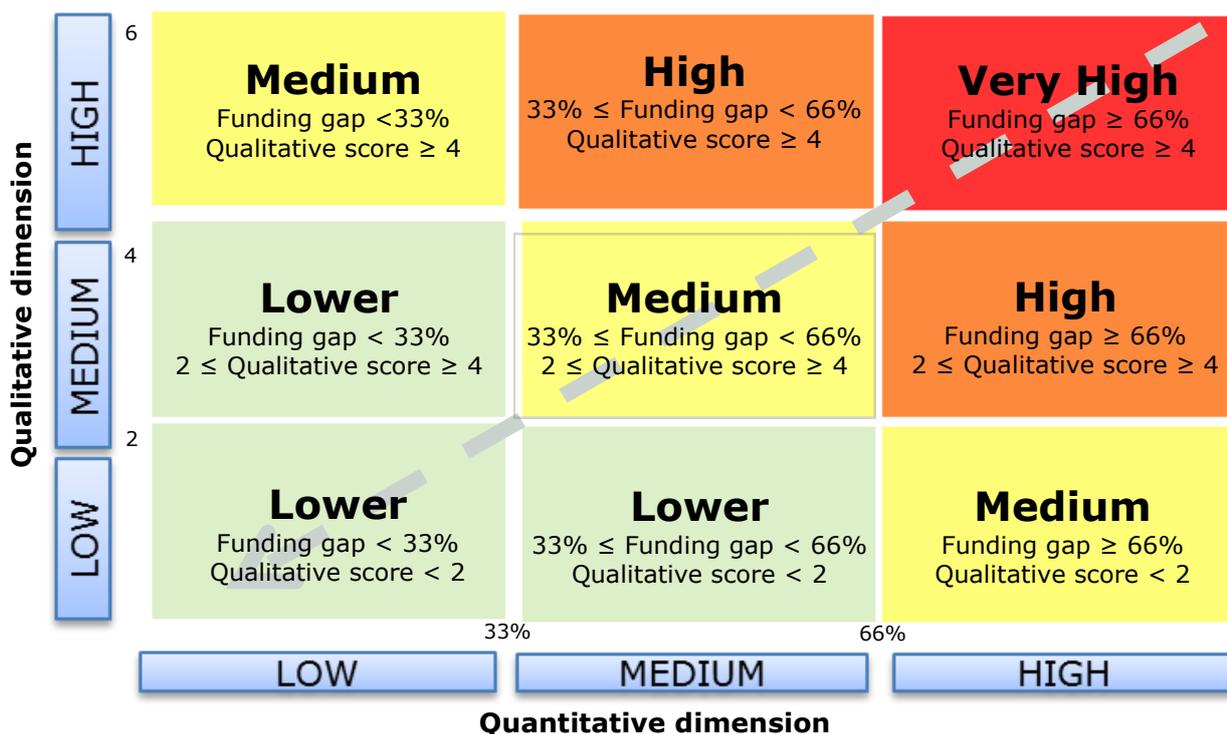




Photo: WFP/George Fominyen

Multilateral allocations to South Sudan help avoid air-drops

In early 2012, South Sudan experienced the multiple shocks of conflict, erratic rainfall, closed borders and a loss in government revenue from the halt of oil exports to Sudan. The humanitarian community estimated that the food security of approximately 4.7 million people would be under pressure in 2012, with at least one million at risk of being severely food insecure. Based on this assessment, WFP decided to scale up its emergency operation to assist 2.9 million people.

To achieve this target, WFP planned to transport 67,000 mt of relief food to various parts of South Sudan within the first four months of the year. Because of the poor transport network, 60 percent of the country becomes inaccessible during the rainy season, so it was essential to pre-position commodities prior to the start of the rains in April/May.

As direct donor funding was lacking at the beginning of the year, WFP used internal resources to get the South Sudan operation off the ground. Multilateral contributions of US\$8 million were combined with a US\$26 million advance from the Working Capital Facility (WCF), using multilateral funding forecasts as collateral. The flexibility and immediate availability of these resources enabled WFP to ensure that 95 percent of the pre-positioning was complete before the start of the rainy season.

The option of using multilateral resources in those crucial first months of the year, before hundreds of thousands of vulnerable people were isolated by the rains, allowed WFP to deliver food assistance in a timely and cost efficient manner. Had these resources not been available, WFP would likely have had to make expensive airdrops later in the year, costing the donor community several times the amount spent on multilateral funding.

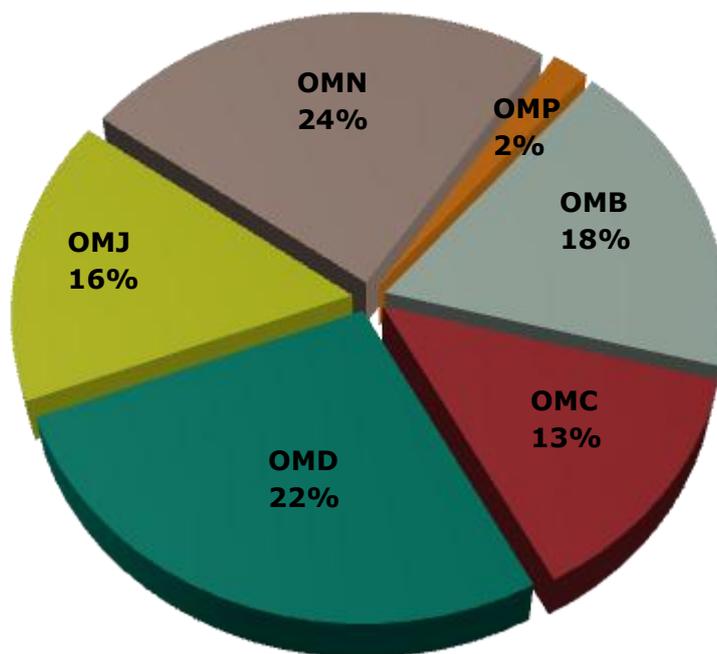
In 2012, WFP was able to support 2.7 million conflict-affected and food-insecure people in South Sudan, and contributed to stabilizing the food security and nutrition status of vulnerable South Sudanese families. Multilateral resources played a key role in achieving this result.

Recipients of Multilateral Funds

WFP's distribution of multilateral funds tends to mirror its overall needs across the regions. In 2012, more than one-quarter of multilateral contributions went to the West Africa region, closely followed by the Central and East Africa region – the regions with the greatest needs.

The Latin America region had the least multilateral expenditures, primarily because many WFP projects in this region are financed by host governments through trust funds.

**2012 Multilateral Expenditures
By Region**



OMN: Central and Eastern Africa

OMP: Latin America and Caribbean

OMB: Asia

OMC: Middle East and North Africa, Eastern Europe, and Central Asia

OMD: Western Africa

OMJ: Southern Africa

Multilateral funds kick-start WFP response in the Sahel

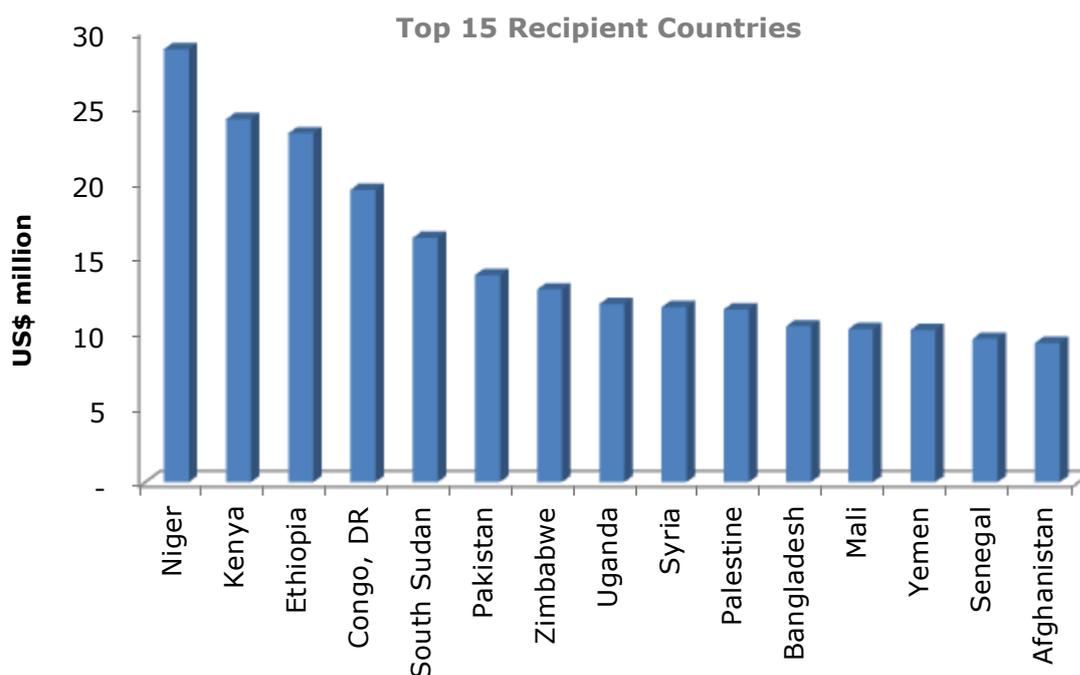
At the beginning of 2012, WFP sought to support almost 8.8 million beneficiaries in eight Sahel countries that were threatened by the looming food security and nutrition crisis. The estimated requirements for the planned response were more than US\$800 million. While a number of donors had provided funding as early as November 2011, the necessary large-scale donor support was not yet mobilized. However, WFP needed to kick-start operations immediately to strengthen vulnerable communities before the start of the lean season, to prevent yet another humanitarian crisis in the region.

Fortunately, WFP was in a good position to act rapidly and effectively. The extensive use of advance financing mechanisms, an early activation of the forward purchase facility (FPF), and multilateral resources of US\$105 million allowed WFP to reduce lead times significantly, ensuring that life-saving food assistance reached beneficiaries when help was most needed.

Niger was one of the countries worst hit by the crisis. At the onset of the crisis, approximately US\$17 million in multilateral funds was allocated to projects in this land-locked country to support asset creation and prevent the adoption of negative coping mechanisms in vulnerable communities. WFP used multilateral resources to purchase maize through the FPF, enabling it to reduce lead times by an average of 68 days. The multilateral funds allowed WFP Niger to reach 580,000 drought-affected people and the first refugees from conflict-ridden Mali.

Overall, WFP's response to the 2012 Sahel crisis supported almost 10 million people in Burkina Faso, Cameroon, Chad, the Gambia, Mali, Mauritania, the Niger and Senegal. Thanks to the timely response, kick-started with multilateral funding, millions of people were able to cope better with the food security and nutrition crisis, and were not hit by famine as during previous crises in the region.

2012 Multilateral Expenditures (US\$ Million)



Top Recipients of Multilateral Funds

In 2012, multilateral funding to a value of US\$345.8 million was spent in WFP projects globally.

These expenditures took place in 77 countries, meaning that multilateral funds were used in almost all countries where WFP had active projects in 2012.

Of the fifteen countries with the highest multilateral expenditures in 2012 (above), ten (in bold in the table below) are also among WFP's largest in terms of total operational needs.

Together, the top-15 countries in terms of needs accounted for 59 percent of total multilateral expenditures in 2012.

Top-15 Countries ranked by WFP total needs	2012 Multilateral expenditure	2012 Country Needs	Multilateral as % of total needs
Ethiopia	\$23.2 million	\$700 million	3.3%
Sudan	\$0.3 million	\$490 million	0.1%
South Sudan	\$16.2 million	\$481 million	3.4%
Pakistan	\$13.8 million	\$454 million	3.0%
Afghanistan	\$9.2 million	\$441 million	2.1%
Kenya	\$24.1 million	\$408 million	5.9%
Niger	\$28.8 million	\$345 million	8.3%
Chad	\$8.7 million	\$274 million	3.2%
Somalia	\$3.2 million	\$269 million	1.2%
Congo, DR	\$19.4 million	\$259 million	7.5%
Yemen	\$10.1 million	\$221 million	4.6%
Korea, DPR	\$8.5 million	\$163	5.2%
Syria	\$11.6 million	\$144 million	8.0%
Haiti	\$3.3 million	\$127 million	2.6%
Zimbabwe	\$12.8 million	\$119 million	10.8%
Subtotal top-15	\$193.2 million	\$4,894 million	3.9%
Others	\$152.6 million	\$1,937 million	7.9%
Total	\$345.8 million	\$6,831 million	5.1%

Leveraging WFP's Financing Tools

Multilateral contributions have always enhanced WFP's ability to fund the priorities set by its mission and mandate. As WFP business processes evolve to embrace principles of operational efficiency and timely response, the flexibility of multilateral contributions has become even more valuable.

Forward Purchase Facility (FPF)

In 2012, WFP purchased food in advance to front load the food pipeline. Such use of the FPF has reduced average lead times for delivery from 106 to just 31 days. The importance of this achievement in the humanitarian context is clear.

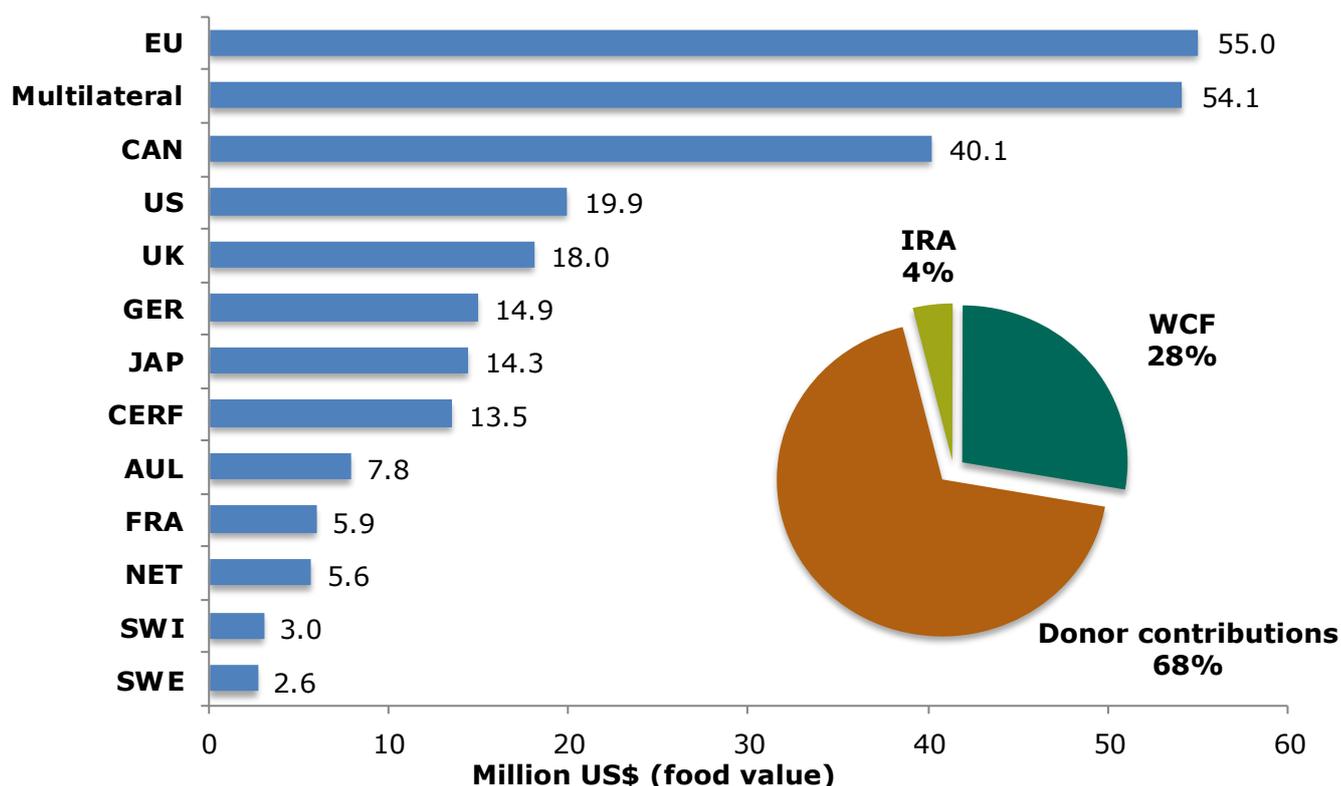
Multilateral funds are among the most suitable funding sources for the FPF. Although multilateral funding represented just 11 percent of contributions in 2012, it accounted for 20 percent of the resources used in the FPF. In total, multilateral resources were the second largest funding source for purchases through the FPF – delivering more than 116,000 mt of food at a value of US\$54 million.

Better fulfilment of WFP's mandate

This is a clear example of how the consolidation of WFP's financing into more generic funding streams has a direct impact on WFP's ability to fulfil its mandate. As WFP continues to enhance its business processes, flexible funding is expected to maintain a pivotal role.

2012 FPF Performance indicators	Value	Unit
Lead time with conventional supply line	106	days
Lead time with FPF supply line	31	days
Process anticipation	75	days
Supply time improvement	70	%
Total FPF purchase	806	thousands MT
Total sales to COs	584	thousands MT
Average supply line (volume)	196	thousands MT
Average supply line (funded demand)	4	months
Capital utilised (purchases)	365	millions US\$
Capital revolved (sales)	280	millions US\$
Capital rotation	3	rotations/year

FPF by donor (top 90%)



Immediate Response Account

Many multilateral donors provide flexible support by contributing to WFP's Immediate Response Account (IRA). Donors may support the IRA by making direct cash contributions, transferring funds from closing projects, or donating the interest income from bilateral projects; all count as multilateral contributions to WFP.

An Effective Tool

The IRA is a flexible facility that enables WFP to respond quickly to emergency situations. Use of the IRA is usually limited to the first three months of a new EMOP.

The IRA may also be used to meet urgent food or non-food requirements when the needs of ongoing relief operations increase sharply or when severe pipeline breaks are imminent.

The IRA is primarily used as a revolving fund, with IRA allocations being repaid once regular donor contributions have been mobilized. In life-threatening emergencies, however, IRA allocations can be provided as grants that do not need to be repaid.

Since its inception in 1991, the IRA has repeatedly proved to be one of WFP's most effective relief response mechanisms. In 2012 it enabled WFP to respond immediately to situations that demanded rapid injections of resources. IRA allocations in 2012 amounted to US\$126.1 million, to start and support 48 relief operations – 35 EMOPs, 12 PRROs and one special operation.

IRA Mitigates Pipeline Breaks in Syria

Three years into the crisis in Syria, WFP is providing life-saving food assistance to affected population. As unrest continues, humanitarian needs increase, and more and more people are in need of aid. WFP's response to these growing needs started with slightly more than 20,000 beneficiaries and currently targets 2.5 million people – more than 100 times as many as it first assisted.

With WFP's operational needs continuing to increase, and eight budget revisions so far, securing funds is the greatest challenge. Sporadic funding has been one of the main risks for the operation; alongside persistent resource mobilization efforts, the IRA has become an important element in ensuring the continuity of life-saving assistance.

In 2012, the provision of more than US\$22.3 million from the IRA – as an interim solution until contributions were received – prevented significant pipeline breaks in the Syrian EMOP. The funds provided important fall-back resources, facilitating a robust supply chain to ensure timely arrivals of commodities, and enabling the front-loading of food supplies in a complex and volatile environment.

The flexibility and timely releases of IRA funds have allowed WFP to procure resources up to nine months before contributions were confirmed, with confirmed contributions used to repay the IRA.



Photo: WFP/Jiro Ose

Multilateral Funds and WCF provide continuity in Karamoja

In April 2012, the Uganda Country Programme was facing immediate pipeline breaks. A directed contribution was expected, but not until August, and to make it through the next five months the Country Office was preparing to cut rations. The Karamoja region of Uganda suffers from severe environmental degradation, poor infrastructure, poor health and sanitation conditions, and high prevalence of diarrhea and other preventable diseases among children. In the lean season, most of the region registers global acute malnutrition rates above the alert threshold. During previous pipeline breaks in WFP food deliveries to schools, attendance dropped by as much as 50 percent.

"In Karamoja, the relationship between food and class attendance is direct. Children keep an eye on the kitchen; if they don't see smoke, they won't turn up the following day," says Moses Lokoru, a former WFP beneficiary now working as a district community worker.

Fortunately, WFP was able to facilitate a WCF loan of US\$1.3 million, using forecasted multilateral donations for development projects as collateral. With the advance, WFP purchased the 2,400 MT of commodities required to provide school meals for the second term for 104,000 school children in Karamoja. The food was provided through the FPF, so there was no break in school meals and children continued to attend school.

Working Capital Facility (WCF)

The Working Capital Facility (WCF) also benefits from flexible resources. Since its inception in 2004, this fund has been very effective in addressing the needs of WFP's beneficiaries: US\$2.4 billion has been advanced to 237 operations in 69 countries. Forecasted multilateral resources are often used as collateral for these advances.

WCF advances allow WFP to minimize pipeline breaks and operational disruptions by front loading resources before contributions are confirmed. By facilitating early tenders, procurement and transport, WCF advances

save an average of 75 days in lead times. This often means that the food is in place and ready for distribution as soon as a donation is confirmed. The flexibility of multilateral contributions makes them ideal for using the WCF.

Multilateral as collateral

In 2012, multilateral funding forecasts allowed WFP to advance a total of US\$101 million to 64 projects. Relief projects accounted for 67 percent of the total value, distributed among ten EMOPs and 20 PRROs. Development projects also benefited, with 34 projects allocated a total of US\$33 million.



Photo: WFP/Vanessa Vick

Visibility and Recognition

“The operational flexibility that multilateral contributions provide are an important part of WFP’s ability to respond quickly to those in need. The top 10 multilateral donors for 2012 are: Sweden, the Netherlands, United Kingdom, Denmark, Australia, Canada, Brazil, Germany, Norway and Ireland.”

(WFP Operational Priorities, December 2012)

WFP aims to provide appropriate visibility and recognition to all the partners that support its mission. Recognition is expressed in different ways and contexts, depending on the nature of the support and the preference of the individual partner.

Multilateral donors provide WFP with some of its most valuable resources. As multilateral donations are by definition not allocated to individual projects, WFP strives to provide visibility on a global level.

Rankings of multilateral donors and contributions are prominently featured on WFP’s official website, and WFP strives to make special mention of multilateral donors in its official reports.

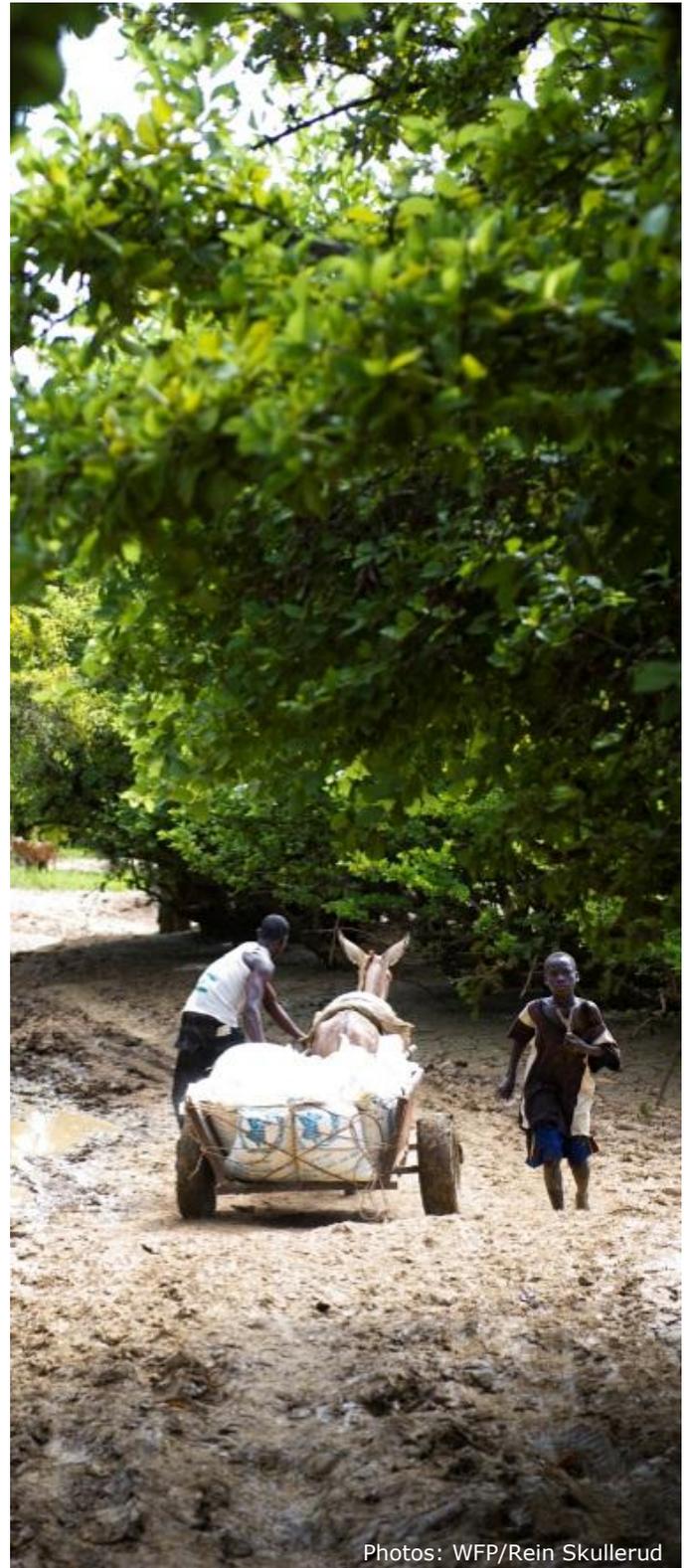
Investors in WFP

Multilateral donors support the WFP Strategic Plan, rather than specific activities in individual projects. WFP therefore sees multilateral donors as investors in WFP as the world’s largest humanitarian agency fighting hunger. Any WFP success is a success for multilateral donors; wherever the WFP logo is featured, the multilateral donor community is being recognized.

“I want to express our appreciation to donors making multilateral, multi-year commitments.

Multi-year contributions in 2012 reached a record high of US\$386 million. These multilateral and multi-year contributions bring essential flexibility and predictability that helps WFP reduce risks, plan ahead, and do better for the people we serve.”

WFP Executive Director
Executive Board, Rome
18 February 2013



Photos: WFP/Rein Skullerud

Strategic Partnerships

Predictable and multi-year funding

Predictable funding provided by multi-year contributions helps avoid food pipeline breaks and is essential for supporting safety net and long-term recovery programmes, which require continuity in resourcing.

Multi-year funding also allows WFP to strike better deals and forge stronger partnerships with transportation services, host governments, partner agencies and implementing partners. In-house planning for staffing, strategic focus and office space is also greatly facilitated when resourcing is predictable.



Photo: WFP/Rein Skullerud

Reliability of multi-year funding also provides operational benefits for WFP. Funding predictability and continuity allow WFP to mitigate price volatility by negotiating and procuring food commodities at beneficial market prices.

Addressing long-term challenges

Multi-year funding also provides the opportunity to develop innovative contingency plans for the medium to long term. Tools such as risk financing, weather insurance and other mitigation measures can more easily be developed and deployed with financing that aims to address long-term challenges.

WFP has multi-year strategic partnership agreements, which stipulate annual multilateral allocations, with five donors (Australia, Canada, Luxembourg, Norway and Ireland), while similar agreements are under negotiations with a number of other governments. Finland has announced that it will provide its core contribution as multi-year funding starting in 2014.



Photo: WFP/John Wreford



Government Partnership Division (PGG)
World Food Programme
Via Cesare Giulio Viola, 68/70, Rome, 00148, Italy
Telephone: +39-06-6513-1
Email: PGG.Support@wfp.org