



# WFP's Use of Multilateral Funding

## 2013 Report



**World Food Programme**



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WFP's Use of Multilateral Funding in 2013

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## Acronyms

<b>EMOP</b>	emergency operation
<b>FPF</b>	Forward Purchase Facility
<b>GHI</b>	Global Hunger Index
<b>IRA</b>	Immediate Response Account
<b>PRRO</b>	protracted relief and recovery operation
<b>SO</b>	special operation
<b>SPR</b>	Standard Project Report
<b>SRAC</b>	Strategic Resource Allocation Committee
<b>WCF</b>	Working Capital Financing Facility



# The international aid context: flexible and predictable funding

The value of flexible and predictable funding cannot be overstated. Aid literature recognises that this funding increases programmatic and cost efficiencies, which are critical in an era of tighter fiscal budgets. It lessens the administrative burden on an organization, host countries, implementing partners, and donors alike. More than any other type of funding, it allows aid agencies to be agile, predictable, and needs-based in their endeavour to reach those most in need.

The principles of Good Humanitarian Donorship expressly recognise the enormous value of flexible and predictable funding. In particular, principles 12 and 13 state:

- “Recognising 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 organizations;
- While stressing the importance of transparent and strategic priority-setting and financial planning by implementing organizations, explore the possibility

of reducing, or enhancing the flexibility of, earmarking, and of introducing longer-term funding arrangements.”

The Paris Declaration on Aid Effectiveness explicitly discusses the need for more predictable funding in the context of bilateral development aid. It commits donors “to taking concrete and effective action to address [...] the failure to provide more predictable and multi-year commitments on aid flows”.

Similarly, with the European Consensus on Humanitarian Aid, the European Union members agreed on reducing “the administrative burden on implementing organizations” (Article 52) and on supporting “the aim of enhancing the predictability and flexibility of humanitarian financing”.

This shows that the aid community recognises the importance of flexible funds both in emergency and development operations, demonstrating how powerful a tool multilateral funding can be for supporting WFP’s mandate.



WFP/Giulio d'Adamo

# Flexible support for WFP: multilateral contributions

**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)**

For WFP, multilateral contributions are the most flexible type of support. They are defined as contributions for which: a) WFP determines the use (instead of donors directing it); and b) donors accept reports submitted to the Executive Board (instead of standard project reports (SPRs) or tailored reports).

Within WFP, the Strategic Resource Allocation Committee (SRAC) allocates multilateral contributions through a comprehensive and strategic prioritization process.

Why is multilateral funding so important for WFP?

Overall, multilateral resources are crucial for WFP to fulfil its mandate of fighting hunger worldwide:

The flexibility of multilateral funding makes it a crucial funding source for our emergency response programmes, especially when unexpected crises occur.

The use of multilateral funds is subject to an accurate prioritisation and allocation process. WFP’s expertise in need assessment, food markets and logistics guarantees the value of donations is maximised, by allocating funds where most needed.

Our multilateral donors allow us to mitigate against funding fluctuations, which can cause pipeline breaks and operation shutdowns, with deleterious effects on the people WFP serves.

Not requiring any additional reporting, multilateral contributions reduce the administrative burden on WFP, thus ensuring that a larger share of the contributions is devoted to operations, with a positive impact on efficiency.

The ongoing availability of multilateral funding allows WFP to pre-position food and to procure when the market is most favourable.

Multilateral funding may be used for twinning, for instance by engaging least developed countries in WFP operations and thus broadening the donor base.



WFP/Rein Skullerud

# Multilateral donations

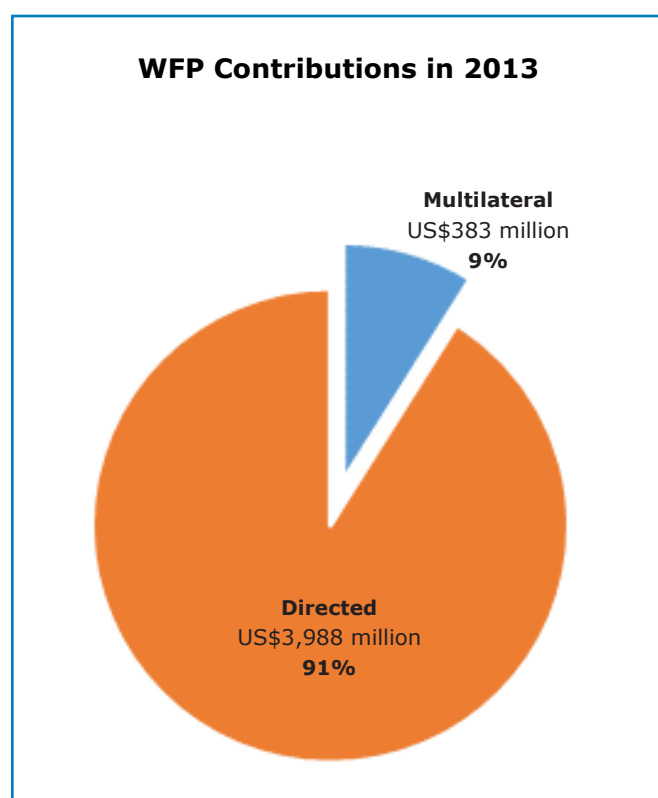
In 2013, WFP received about US\$4.38 billion, of which US\$383 million were registered as multilateral. In other words: only 9 percent of WFP's total funding received was multilateral. WFP received multilateral funding from 39 governments, private corporate partners and UN common funds and agencies.

WFP's multilateral funding can be divided into three sub-categories:

First, flexible contributions which WFP allocates to projects and operations, which in 2013 constituted 82 percent of total multilateral funding.

Second, contributions to the Immediate Response Account (IRA), a flexible, replenishable, revolving multilateral funding mechanism that enables WFP to respond quickly to emergency situations.

Thirdly, the smallest portion of multilateral funding comes from donations to WFP's General Fund to offset administrative costs in various countries.



**Table 1: 2013 Multilateral contributions**

Donors	Multilateral contribution (USD)	Multilateral share of total contribution to WFP
Sweden	78,769,561	76.80%
Netherlands	44,776,119	67.20%
United Kingdom	33,027,692	7.30%
Denmark	32,973,591	54.70%
Germany	32,322,652	14.10%
Australia	31,482,469	33.10%
Canada	28,776,054	7.80%
Norway	25,395,566	36.60%
Ireland	12,803,011	55.30%
Italy	12,712,536	55.80%
Private Donors	9,476,528	10.70%
Finland	7,822,686	25.30%
Belgium	6,785,571	18.30%
Switzerland	6,658,646	8.40%
New Zealand	5,128,205	65.40%
USA	5,000,000	0.30%
Japan	3,225,132	1.40%
Luxembourg	2,254,642	18.10%
China	1,065,359	16.20%
Guatemala	942,038	38.00%
Spain	690,780	17.60%
Egypt	372,448	48.20%
Bolivia	322,094	100.00%
Peru	271,364	100.00%
Ecuador	247,780	100.00%
Thailand	110,590	100.00%
Liechtenstein	109,769	25.30%
Tanzania	104,861	100.00%
India	56,275	3.00%
Pakistan	46,686	0.10%
Jordan	46,610	100.00%
Syria	40,339	100.00%
UN Common Funds and Agencies (excl CERF)	29,832	0.00%
Panama	21,885	100.00%
Chile	20,000	100.00%
Colombia	20,000	0.10%
Nicaragua	15,000	0.50%
Slovakia	15,000	100.00%
Sri Lanka	9,384	100.00%
Cyprus	2,587	100.00%
Mozambique	2,000	100.00%



## **Twinning for emergency response in Lao People’s Democratic Republic**

In 2013, Luang Prabang province in northern Lao PDR faced a drought and pest infestation which affected 119 villages and resulted in more than 5,000 families losing all their crops. Lacking access to an alternative food supply and living in remote mountainous areas, those affected by the disaster became rapidly food insecure.

A lack of media coverage and the relatively isolated nature of the drought and pest infestation challenged fundraising for WFP’s emergency response. However, WFP managed to respond to the crisis by immediately allocating a portion of multilateral funding to twin a rice donation received by the ASEAN Plus Three Emergency Rice Reserve. The most food insecure people living in the severely drought and pest-affected

areas were provided with a two-month food ration, critical food assistance which helped ensure that villagers had adequate food resources to sustain themselves during the lean season. Thus, the flexibility of multilateral funding allowed WFP to provide urgently needed food to more than 16,000 people, preventing severe food insecurity and pre-empting negative coping mechanisms.

Twinning is a funding approach to WFP’s operations which allows an in-kind donation to be matched with a cash donation from a different donor, supporting South-South cooperation and “burden-sharing” by non-traditional donor partners. The year-round availability of multilateral funding allows WFP to accelerate the twinning of in-kind donations, helping to deliver food more quickly. In 2013, multilateral contributions were the fifth largest source of cash in twinning agreements.

## **The prioritization and allocation process**

The Strategic Resource Allocation Committee (SRAC) is the WFP body in charge of the prioritization and allocation process of multilateral funding. The SRAC’s allocation process ensures that earmarked and non-earmarked contributions complement each other, by diversifying the allocations of multilateral funding, bridging funding gaps and kick-starting operations even before directed donors respond to specific appeals. Every month, the SRAC Secretariat prioritizes the use of multilateral funding according to an established set of objective criteria and according to WFP needs through a quantitative and a qualitative analysis. Based on the prioritization and on a set of guiding principles, the Secretariat suggests possible allocations to the SRAC. The prioritization indicators differ according to the project categories:

The SRAC produces qualitative analysis for EMOPs and PRROs on the basis of three indicators:

1. Food security indicators: these include market and food access of beneficiaries and the seasonal price patterns. Particular attention is given to countries where a majority of beneficiaries are refugees or internally displaced.
2. Global and regional attention: priority may be given to countries with urgent humanitarian needs or with political implications. Reputational risks of not meeting WFP objectives are also taken into consideration.
3. Global Hunger Index (GHI): the GHI is a multi-dimensional tool developed by the International Food Policy Research Institute to measure food insecurity. Higher priority is given to countries with a higher GHI score.

## **Relief Operations**

For emergency operations (EMOP), protracted relief and recovery operations (PRRO) and special operations (SO), the SRAC bases the quantitative analysis on the projected net shortfalls for the upcoming 6 months.

This is calculated taking into account:

1. Any outstanding advance financing;
2. Availability of unassigned resources;
3. Pipeline shortfalls for the next 6 months;
4. Any contribution forecasts expected within 4 months which have not yet been used for advance financing.

By combining qualitative and quantitative analysis, projects are ranked from lower to very high criticality.

In 2013, 81 percent of multilateral funds were allocated to EMOPs and PRROs. Among these, 98 percent of the SRAC's multilateral allocations went to EMOPs and PRROs rated as very high or high criticality. This shows that the accurate and methodical prioritization process is fundamental in ensuring that WFP makes good and efficient use of multilateral donations, by allocating resources to the operations with greatest needs.

## Development Operations

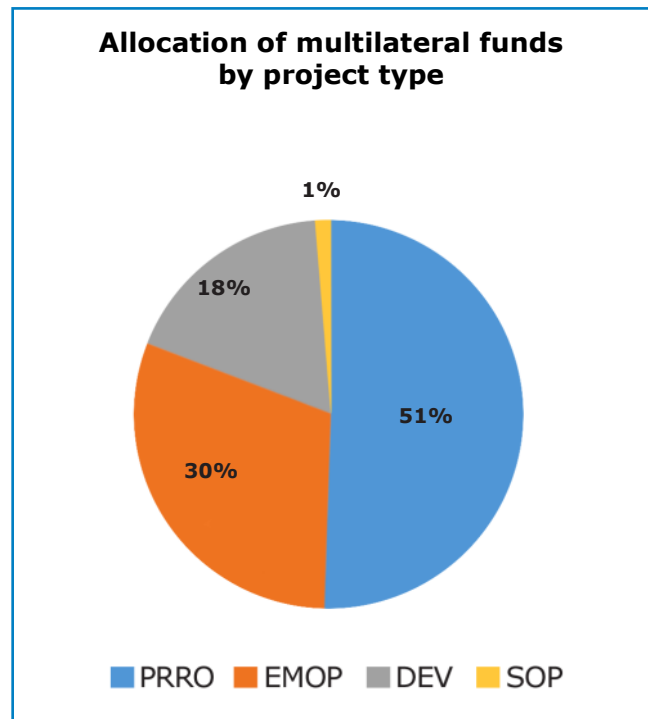
For development operations, the SRAC applies the same quantitative analysis; however, since development projects require higher funding predictability, the projected net shortfalls are estimated for the entire calendar year. The qualitative analysis, according to the Strategic Plan 2004-2007 approved by the Executive Board, prioritizes concentration countries.

These are defined as:

1. Least developed countries or low income countries;
  2. Countries where the stunting rate (measure of chronic malnutrition) for children under 5 is greater than 25 percent.
- In addition, the SRAC Secretariat proposes allocations to the SRAC based on the following guidelines:
1. Allocations should cover between 10 and 25 percent of the projected shortfalls;
  2. Allocations should not exceed 10 percent of the available multilateral resources.

Furthermore, for development projects, the SRAC Secretariat sets an annual target of allocation to development projects based on the estimation of available multilateral resources for the upcoming year.

The SRAC reviews the proposals of the SRAC Secretariat and recommends preliminary allocations. A final allocation is approved by the SRAC after having consulted regional directors.



## The Strategic Resource Allocation Committee

The SRAC is an advisory body to the WFP Executive Director that oversees the process for allocating resources. It 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.



## Importance of multilateral funds for nutrition programmes in Cambodia

Despite the impressive economic growth Cambodia has achieved over the last two decades, food insecurity and malnutrition are still a major concern. WFP started a Country Programme in Cambodia in 2011, to support government efforts in reducing hunger, with food assistance in the sectors of education, nutrition and productive assets/livelihoods support.

In 2013, multilateral contributions were fundamental for the success of the nutrition component of the programme. Multilateral funding was the only source of funding for the blanket supplementary feeding programme for the prevention of stunting. These contributions allowed WFP to purchase 1,000 metric tonnes of fortified complementary food to maintain assistance to 36,000 pregnant and nursing women and young children in areas with the highest malnutrition and food insecurity rates.

## Supporting protracted emergencies

While recognising the great support received from donors in response to WFP's high-level emergencies, there is a striking contrast in terms of funding between these more visible emergencies and the so-called "protracted emergencies". In 2013, for example, conflicts in the East of the Democratic Republic of Congo (DRC) coupled with a food production deficit estimated at 30-40 percent further deteriorated the already precarious food security situation. During the last quarter of the year, WFP was also facing its most severe funding crisis in DRC since 2009. Multilateral funding offered the only realistic option for assisting vulnerable IDPs in the war-torn east. Similarly, in the Democratic People's Republic of Korea, where ongoing issues and adjusted priorities saw vulnerable targeted populations having their assistance reduced by 43 percent. In these protracted emergencies, multilateral funding, thanks to its flexibility and an allocation process based solely on needs, has allowed WFP to tackle the funding shortfalls and ensure continuity of operations.



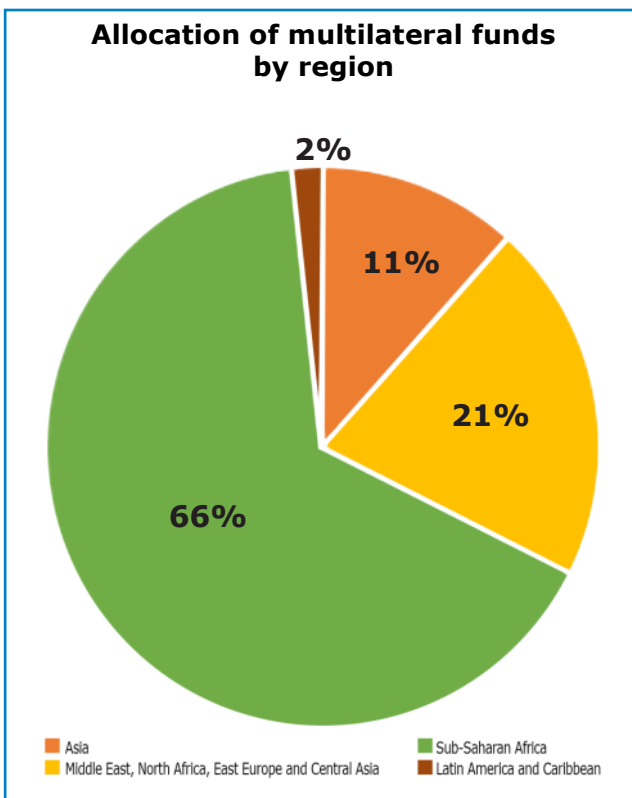
# Recipients of multilateral funding

The distribution of multilateral expenditures tends to mirror the overall funding needs across regions.

In 2013, 66 percent of the multilateral funds went to sub-Saharan Africa, which constituted half of the global operational needs. Twenty-one percent of total multilateral funding supported the Middle Eastern region, especially in response to the Syria crisis. The lowest share of multilateral funds went to the South America and Caribbean Region, mainly because most of WFP's activities in the area are funded directly by host governments.

In 2013, 81 percent of multilateral funding was used to support relief operations, further showing that the flexibility of multilateral funding is essential for running our emergency response programmes.

Out of the top 15 multilateral funding recipients, 13 were also among the countries and operations with the largest needs. Together, the top 15 countries and operations in terms of needs accounted for 64 percent of total multilateral allocations in 2013.



WFP/Marco Frattini

## Haiti

In 2012, Haiti was hit by tropical storm Isaac, hurricane Sandy and a prolonged drought, which caused 70 percent of Haitians to live in food insecurity. To provide an emergency short-term safety net, WFP planned to implement a food-for-asset programme in the worst-affected areas. The programme would provide immediate access to food while rehabilitating damaged infrastructure before the spring harvest. In the wake of these shocks, the Haiti operation was facing severe shortfalls, being funded only at 20 percent. Although directed contributions were expected later in the year, the next harvest was fast approaching and the need for assets was crucial to avoid a greater food crisis. Thanks to the flexibility of multilateral funding and to the prioritization process, Haiti managed to secure US\$1.2 million to implement activities reaching over 70,000 food-insecure and highly vulnerable people in the affected areas. Despite the ongoing large-scale operations in Haiti, the option to use multilateral funding proved to be crucial for the initial implementation of the project, preventing hundreds of families from plunging deeper into food insecurity.

## Advance financing facilities

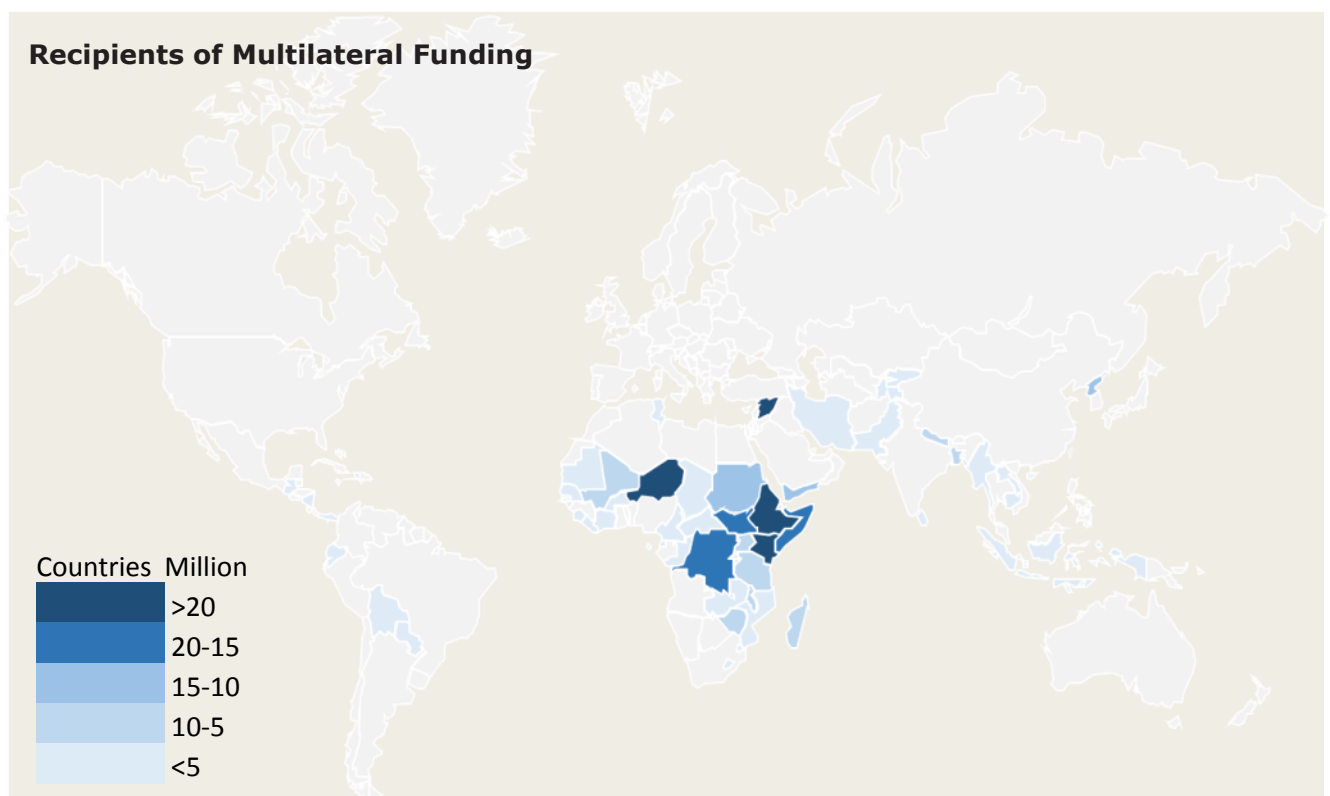
Delivering food on time is the primary success factor for WFP's operations. Advance financing facilities allow WFP to improve its effectiveness by reducing lead times and ensuring that food reaches the population as quickly as possible. Multilateral funds not only contribute greatly to the use of advance financing facilities but also allow WFP to procure the goods when market prices are most favourable, thus playing an important role in the timeliness of food deliveries.

## Immediate response account

In 2013, donors contributed US\$52.8 million to replenish the Immediate Response Account (IRA) through multilateral cash contributions.

WFP uses the IRA during the first three months of an emergency or when an ongoing relief operation faces funding shortfalls. It may also be used to fund specific preparedness activities. For instance, in Afghanistan, an IRA allocation allowed WFP to explore new logistics corridors for the delivery of humanitarian assistance. In highly volatile parts of Afghanistan such contingency planning is vital as it allows WFP to remain operational even if established transport corridors suddenly become inaccessible.

In 2013, WFP's total IRA allocations amounted to US\$165 million, supporting 46 relief operations in more than 29 countries - 17 EMOPs, 18 PRROs, 3 SOPs and 8 preparedness activities. Among the top recipients of IRA funds were WFP's operations in the Central African Republic, South Sudan, the Philippines and WFP's Regional Syria Operation.







WFP/Marco Frattini

## Using IRA to speed up response to Typhoon Haiyan

On 8th November 2013, Typhoon Haiyan struck the Philippines. WFP responded quickly, supporting the government's life-saving assistance.

The scale of the emergency required prompt action which was only possible thanks to using WFP's advance financing facilities. In particular, US\$7 million from the Immediate Response Account were made available. This, coupled with US\$17 million from the Working Capital Financing Facility, allowed WFP to use a total of US\$24 million to procure, deliver and distribute 13,000 metric tonnes of rice for 2.7 million people.

In order to augment logistics, coordinate and provide support to the Government of the Philippines and the humanitarian community, WFP also used US\$1 million from the IRA to support a Special Operation.

This crucial contribution ensured that the much-needed relief items reached the most vulnerable people in a timely and efficient manner through strategic airlifts and logistical coordination.

## Ensuring food stocks before the rainy season in South Sudan

In South Sudan, WFP typically faces the challenge of having to pre-position food before the rainy season, when 60 percent of the country becomes inaccessible by road.

In early 2013, 10 percent of the population as well as a large number of refugees from Sudan, returnees and people displaced from Abyei were suffering from severe food insecurity. Given the food and nutrition needs, approximately 94,000 metric tonnes of food needed to be prepositioned. However, the Country Office was facing a critical funding shortfall. In view of the rapidly closing road access to many locations, a total of US\$19 million of advance financing was used: funds from the Immediate Response Account were coupled with contributions from the Working Capital Financing Facility. As there was no indication of future contributions to use as collateral, future expected multilateral contributions were used as guarantee for the advance. These resources were used to procure 15,000 metric tonnes of food through stocks of the Forward Purchase Facility. As these stocks were available in close proximity, the commodities were delivered in time.



WFP/Giulio d'Adamo



# Visibility and recognition

The operational flexibility that multilateral contributions provide are an important element in WFP's ability to respond quickly to those in need. WFP therefore aims to provide donor visibility to all partners that support its work. As multilateral donations are, by definition, not allocated to individual projects, WFP strives to provide visibility on a global level.

Any visibility activity takes into account the definition of multilateral funding and no specific donor recognition is offered. For this reason, WFP has developed new guidelines on how to engage effectively in multilateral donor visibility. Furthermore,

multilateral donors and their contributions are prominently featured on WFP's official website and WFP strives to make special mention of multilateral donors through various communication tools, according to the contribution, the type of operation funded and the preferences of donors.

As this report demonstrates, multilateral funding is one of the most valuable sources of funding for 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 implicitly recognized.





# Multi-year funding

More predictable funds are crucial for better programming of WFP's operations. This is guaranteed by multi-year contributions, which in 2013, for the first time, surpassed the US\$500 million mark.

Predictable funding allows WFP to engage in more stable relationships with its partners, such as host governments and NGOs. Moreover, it helps establish more strategic partnerships with its donors. Multi-year agreements are fundamental in guaranteeing

continuity to WFP's operations by avoiding funding gaps and pipeline breaks. The reliability of this funding also helps WFP to mitigate price volatility and procure food commodities at beneficial market prices.

WFP has signed multi-year agreements with UK, Canada, Australia, the Russian Federation, Norway and Netherlands. In 2013, new agreements were signed with Nepal, Ireland, Germany and New Zealand.









# THANK YOU

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**Government Partnerships Division (PGG)**

**World Food Programme**

Via Cesare Giulio Viola, 68/70,

Rome 00148, Italy