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COSTS AND BENEFITS OF NEW INITIATIVES IN PROFILE RAISING

Report by the External Auditor

This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

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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Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms C. Panlilio, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).





National Audit Office

Report by the External Auditor

International Audit

The National Audit Office (NAO) provides external audit services to the World Food Programme. The External Auditor, Sir John Bourn, has been appointed by the Executive Board in accordance with Article XIV of the Financial Regulations. In addition to providing an opinion on the financial statements of the WFP, he has authority under the mandate to report to the Executive Board on the efficiency of the financial procedures and the general administration and management of WFP.

The NAO provides external audit services to international organisations, working entirely independently of its role as the United Kingdom's Supreme Audit Institution. The NAO has a dedicated team of professionally qualified staff with wide experience of the audit of international organisations.

The aim of the report is to provide independent oversight and assurance to the governments and others; to add value to the organisation's financial management and governance; and, through the audit process, to support the objectives of the organisation's work.

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World Food Programme – Costs and benefits of new initiatives in profile raising

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Executive Summary

- *An independent External Audit review of how WFP has managed its investment in profile raising activities;*
- *An examination of costs incurred and benefits achieved, with audit recommendations for improvements.*

1. In 2003, the World Food Programme (WFP) embarked on a process of establishing new partnerships with private sector organisations, to obtain professional expertise and raise resources from non-traditional donors. The 2006-2009 Strategic Plan¹ set out seven management objectives, including the objective to raise resources to meet needs: aimed at expanding and diversifying WFP's resource base; and more effectively communicating hunger needs and the Programme's role to decision-makers in government and the public and private sectors.
2. Our audit visits to WFP offices in 2006 allowed us to see the increased expansion of profile raising activities beyond the release of news items, to include the introduction of websites, video games of food delivery, increased sponsorship by internationally known celebrities from sport and entertainment, and wider media coverage such as in the film 'Blood Diamond' on general release in 2007. Reports to the Executive Board have attested to progress made, whether measured by the number of mentions in a variety of media, appearances at meetings, increased website accesses, celebrity support, the Walk the World event, or advertising campaigns.
3. These activities offer potential benefits in increased fund flows and income generated, but also present management risks: to value for money of the costs and investment expended; and reputational risks from non-conventional activities and partnerships with external parties and private sector partners. We therefore carried out an independent review to assess:
 - Whether the investment in profile raising activities was being appropriately planned;
 - Whether the investment and new activities were being well executed; and
 - Whether benefits are being realized.
4. Based on our examination, we concluded that, generally there have been benefits from this broadened external support for WFP although such benefits may only be fully demonstrable over a number of years. Profile raising and awareness of beneficiary

¹ WFP/EB.A/2005/5-A/Rev.1

requirements and the impact of hunger can certainly assist governments to justify the provision of funding. Similarly, there may be greater incentive for private sector companies to contribute to WFP in countries where WFP humanitarian activities have a high profile.

5. The Secretariat has been assisted by internal and external professional expertise in the assessment of the advantages from profile raising and is continuing to introduce policies and organisational arrangements to further enhance WFP's profile. There remains scope to better demonstrate that these benefits have been commensurate with the total cost of profile raising activity.
6. Our review found that partnership arrangements established with companies and organisations may incur unanticipated costs to WFP even where pro-bono support had been provided. We were unable to confirm that the full global cost of communications, including profile-raising, is separately reported and fully monitored because of decentralised recording, mainly of consultant and staff expenditure. We were also unable to assess the extent to which increased donations may have outpaced increased costs of communications generally because of the WFP's inability to match particular increased income to specific activities.
7. Partly in recognition of such difficulties the Secretariat has been developing a new private sector fund raising strategy for approval by a forthcoming Executive Board. The emerging strategy rightly emphasises the need to combine a focussed, targeted approach to corporations with the broadening of the donor base generally clearly setting out funding proposals with repayment plans.
8. Our examination also confirmed that companies in partnership with WFP may benefit not just from the image enhancement of supporting humanitarian causes but also commercially; although we found no evidence that private sector partners gained improper influence over procurement practices. The Secretariat has addressed the reputational risk to WFP of setting up partnerships with companies or individuals which are deemed inappropriate in a comprehensive policy presented to the Executive Board in September 2004². The approved policy was translated into guidance for all staff on setting up partnerships with the private sector, which we consider adequately addresses reputational risk provided the policies are enforced. We have found limited examples where WFP has entered into donor arrangements with organisations which may represent a reputational risk to WFP.
9. We have presented nine recommendations to strengthen the management of these activities to:
 - Improve the alignment of communications strategy with plans approved by the Executive Board;
 - Ensure any new private sector strategy recovers full costs and addresses the risk of failing to achieve fund raising targets;
 - Maintain a focus on the development of robust performance indicators for effective assessment of profile raising initiatives;

² WFP/EB.3/2004/4-C

- Strengthen the focus and prioritisation of implementation planning;
- Cost effectively resource communications offices to meet corporate priorities;
- Reinforce the guidance and procedures which address ethical and reputational risks related to partnerships;
- Ensure the recording and reporting of the global costs of profile raising;
- Continue the refinement of realistic objectives so as to ensure effective and timely risk assessment of activities; and
- Consider the cost efficiency of alternative strategies utilising professional expertise.

Scope of the Review

10. In June 2005 the Executive Board approved the 2006-2009 Strategic Plan³ which generally continued the strategy set out in the 2004-2007 Strategic Plan.
11. To provide a solid foundation for delivering the five strategic objectives prioritised in the Strategic Plan, the Executive Board encouraged the Secretariat to work towards seven management objectives in order to achieve the Strategic Objectives. Our report examines progress which the Secretariat has made in response to the two of the management's objectives presented to the Executive Board in November 2005 in the Management Plan for 2006-07.
12. The 2006-2007 Management Plan⁴ made the Fundraising and Communications Department (FD) primarily responsible for achievements against Management Objective 7 – to raise resources to meet needs. The External Relations Division and FD also shared responsibility with other divisions for achievements against Management Objective 1 – to build strong partnerships to end hunger.
13. The Management Plan also sets the Fundraising and Communications Department two specific responsibilities to raise funds to meet the needs of approved programmes and operations through:
 - Increased and stable funding from traditional donors; and
 - Establishment of a broader donor base with new donors and regular contributions from occasional donors.
14. We set out to assess whether WFP has managed effectively its fund raising and profile raising activities by examining the strategic approach taken and assessing the effectiveness of its execution. We then examined whether real benefits are being

³ WFP/EB.A/2005/5-A/Rev.1

⁴ WFP/EB.2/2005/5-A/Rev.1

realised, noting examples of good practice as well as areas where there is scope for improvement.

15. Our review examined the alignment of the new profile raising strategy to the strategic plan approved by the Executive Board in 2005, which aimed to raise resources to meet all programmatic needs identified by the Board. We also examined the appropriateness of structures set up to manage profile raising; and the adequacy of the communication of the strategy and planning to stakeholders.
16. We examined the monitoring and reporting by management of the costs associated with the Strategy. We considered the benefits arising from profile raising, to determine whether key benefits had materialised commensurate with costs; and we reviewed the extent to which WFP has the expertise to assess robustly these benefits.
17. Our review is based on visits to nine WFP offices, comprising two liaison offices, two donor relations offices, two external relations offices and three country offices which have staff employed on communications activity. We examined reports from the Oversight Services Division on private sector fundraising and a liaison office visit; discussed findings with senior managers responsible for profile raising; and looked at the information supplied to stakeholders on WFP's website and other media.

Has the investment in profile-raising activities been well planned?

18. Effective planning requires the setting out of clearly defined, prioritised objectives and the provision of sufficient resources to achieve these objectives. We initially examined the appropriateness of the Secretariat's planning of profile raising by considering its alignment with approved corporate priorities, and the clarity of the strategy generally and in particular for private sector fund raising. We reviewed the focus and prioritisation of the planning of implementation by considering estimated costs; planned budgets; staffing and the effectiveness of the established management structures. We finally considered how the Secretariat had addressed potential ethical and reputational risk arising from new profile raising partnerships.

Alignment with Corporate Priorities

19. We examined the alignment of new initiatives in profile raising activities to the strategic plan approved by the Executive Board in 2005. The corporate objective of raising resources to cover all approved programme and project budgets requires effective monitoring of progress and contingency planning to address risks of over- or under-estimation of resource provision, particularly when needs may increase through unforeseen emergencies.
20. A review by the Oversight Services Division of private sector fund raising confirmed the need for full and transparent alignment between strategy and management planning for private sector donations. The Strategic Plan 2006-2009 originally set a target of raising ten percent of required resources or US\$300 million from private donors by 2007, which the Secretariat believed subsequently to be optimistic. The

Secretariat's strategy for private sector fund raising which had been prepared with the assistance of two partners of WFP, the Boston Consultancy Group and TNT, aimed at between US\$75 and US\$100 million in 2007. The Secretariat's management plan for 2006-2007 targeted US\$15 million in cash for 2006 and did not quantify the target for 2007. We found that in 2006, private sector donations actually amounted to US\$55 million in cash and programmed gifts in kind. There was thus a significant disconnection between the Strategic Plan approved by the Executive Board and the operational targets set by the Secretariat.

Recommendation 1: We encourage the Secretariat to ensure that strategies for fundraising fully and transparently align activities and targets with the Strategic and Management Plans. Both the Strategic Plan and management objectives need to be stretching but realistic if resources are to be planned and utilised effectively.

Adequacy of Strategy

21. At the February 2007 Board, the Secretariat explained that the management plans for 2004-2005 and 2006-2007 set out the strategy for communications and fund raising. Our review confirmed that the activities planned and undertaken were in accordance with corporate objectives approved by the Board but we consider that there remained a requirement for a strategy which more clearly set out:
 - the current position on fundraising to act as a baseline for future evaluation;
 - the aims of each communications activity with clear targets including an assessment of the planned return on any investment provided;
 - the monitoring methodologies employed; and
 - A robust and prioritised risk assessment with appropriate contingency plans where performance falls short of expectations.
22. In March 2007, the Secretariat was developing a new private sector global strategy. Our review indicated that the lessons learned from the WFP's experience of private sector fund raising since 2004 have taken into account, in particular that:
 - Professional profile raising expertise supported from the corporate sector could strengthen results and the assessment of performance;
 - WFP is able to offer companies opportunities to contribute in direct financial terms and through in-kind support to operations - for example air transportation assistance provided in the 2006 Tsunami-affected areas; and
 - Donations should be demand driven to meet the programme requirements approved by the Executive Board.
23. An important lesson from the Secretariat's experience to date is that effective fund raising from the private sector does require up front investment on the part of the World Food Programme which needs to be recovered. This will need to be considered in any new strategy the Secretariat brings to the Executive Board.

Recommendation 2: We recommend that the Secretariat ensure that any private sector strategy:

- Identifies and recovers full costs including the cost of servicing any loans or other finance;
- Specifies expected rates of return on actual costs; and
- Addresses any risk of falling behind the planned schedule for fund raising from the private sector.

Recommendation 3: We encourage the Secretariat to ensure robust performance targets in future communications strategies:

- Quantify expected costs to be recovered over a set time frame; and
- Set targets for increased funding to be achieved against existing levels.

Focus and Prioritisation of Implementation Planning

24. In 2006, the Communications Division prepared an operational plan which covered wide-ranging worldwide communication activities including raising WFP's profile through media, video, photography and web-sites; building staff and donor awareness of the impact of hunger; supporting fund raising; and providing staff with the skills and equipment to convey message effectively.
25. The comprehensive implementation plan aimed to build awareness of WFP through 61 activities related to media relations, and establish WFP as the leading authority on hunger issues through 62 activities in advocacy and public awareness. The range of the individual activities varied from a purchase of photography equipment to those complex projects requiring significant resources for example the training of staff in media and advocacy skills; and the Walk the World project.
26. We found considerable differences in the approaches that offices have been taking to meet these corporate priorities. In one region that we visited, offices contacted donors directly, relying on the regional office only for complex arrangements; elsewhere separate liaison offices directly managed most communications activity.
27. Walk the World began in 2003 when the employees in Asia of TNT, a corporate partner of WFP walked along the Great Wall of China to raise funds and awareness in support of WFP's School Feeding Programme. Due to the success of this venture the Walk expanded in 2004 and more than 40,000 people walked in over 70 counties in all 24 time zones worldwide, raising enough money to feed 30,000 children. In 2005, for the first year, WFP and TNT jointly ran the event. More than 200,000 people walked in 266 locations in 91 countries raising money to feed 70,000 schoolchildren. On 21 May 2006, 760,000 people Walked the World in 420 locations in 118 countries. At the time of our review this years event is scheduled to be held on 13 May 2007.

28. As can be seen from media and internet coverage, the Walk the World campaign has grown in terms of numbers of people involved since its inception in 2003. However, the raising awareness of WFP profile has had a considerable impact on WFP in terms of staff time in organising the event and actual involvement in the walking activities on the day. The spiralling involvement for a growing event has considerable cost implications which WFP will have to meet.
29. However the inadequate estimation of funding needed to cover costs by the Walk the World activity in 2006, which offered an enhancement of WFP's global profile resulted in an unforeseen shortfall of US\$2.6 million charged to the General Fund. At the February 2007 Executive Board, some members expressed concern at the use of General Fund balances to cover this shortfall.
30. We found that there was no clear prioritisation of the communication or sufficient assessment to ensure that the resources were focussed on those most closely linked to meeting corporate objectives effectively. In addition, plans and activities which require significant resource allocations should incorporate a rigorous risk assessment.

Recommendation 4: We encourage the Secretariat to ensure that implementation planning should incorporate a risk assessment of prioritised goals and establish targets for planned activities over a predetermined timeframe.

Costs Estimation and Budgeting

31. Management Plans set out costs and budgets for all departments. Over the two-year planning period budgets are revised in light of emerging need and the funding available. Figure 1 shows the budget for 2004-2005 and the planned budget for 2006-2007. The figure shows the increase in total budgeted resources allocated to policy and profile raising aimed at enabling the desired expansion of donor support and increased awareness of hunger needs. The planned budget had increased by 28 percent from US\$61 million in 2004-2005 to US\$78 million in 2006-2007.

Figure 1: Management Plan Budget 2006-2007

(US\$ millions)	Staffing Costs		Other Costs		Total	
Department	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Fund Raising and Communications	18	29	11	11	29	40
Policy and External Affairs	18	26	14	12	32	38
TOTAL COST					61	78

Source: Management Plan September 2005⁵

⁵ WFP/EB.2/2005/5-A/1

32. At the end of 2006, the PSA budget for 2006-2007 for Funding Raising and Communications was further revised to US\$46.3 million and for Policy and External Affairs to US\$34.6 million, with flexibility to increase non-staff expenditure through reduced staffing costs.
33. Management Plans also establish the number of posts for each department which are revised over the biennium in light of budget constraints. Figure 2 shows budgeted posts in Fund Raising and Communications have increased by 14 percent from 100 in 2002-2003 to 114 in 2006-2007. At the end of 2006, however, a revision of the PSA budget for 2006-2007 had set a ceiling on staffing for the department at 115 and Policy and External Affairs at 104.

Figure 2: Staffing Numbers from Management Plans 2002-2003 to 2006-2007

Department	As at September 2004		As at September 2005	
	2002-2003	2004-2005	2004-2005	2006-2007
Fund Raising and Communications	100	140	120	114
Policy and External Affairs	80	105	105	106

Source: Management Plans

34. We examined the staffing table for these two departments and found that staff were often more highly graded, in terms of the number of staff they managed than elsewhere in WFP. Given the nature of their role in dealing with donors and partners it is unsurprising that they require appropriate seniority to speak on behalf of WFP.

Management Structures

35. The Fund Raising and Communications Department⁶ comprises five fund raising and communications divisions separated into Communications; Private Sector, Donor Relations, European Commission Relations and United States of America relations (now including the Japanese External Relations Office from January 2007). External Relations Division separately manages offices in Switzerland and the United States of America.
36. Since 2004 the Secretariat has established or maintained a network of 14 communications offices in 13 different countries⁷ with more offices planned including Spain and Saudi Arabia. The locations are generally determined by the location of key partners in the UN system for example, Addis Ababa – link to African Union and the Economic Commission for Africa, Geneva – UN offices. The offices aim to mobilise additional resources locally, increase public recognition of WFP and extend the partnership arrangements between organisations in both the public and private sector. All these activities require expenditure on staffing, administration and overheads which aim to be commensurate with the achievement of corporate benefits

⁶ FD2004/001

⁷ UAE, Albania, Belgium, Denmark, Ethiopia, France, Germany, Rome, Japan, Switzerland, Thailand, UK, and USA (2).

in the short or longer term. A fuller list of these offices and their related costs is set out at Figure 3.

Figure 3: Programme and Support Expenditure in Fund Raising and Communications and External Relations Divisions in 2006

Division / Section		US\$ 000's		
Office of Deputy Executive Director		Staffing	Other Costs	Total Spend
		609	106	715
Communications Division	Nairobi		48	
	Copenhagen		64	
	New York		42	
	Geneva		38	
	London		27	
	Paris		204	
	Communication Offices Total	1,417	423	1,840
	Headquarters	2,656	1,359	4,015
	Total Communications Division	4,073	1,782	5,855
Donor Relations Division	Berlin		188	
	Dubai		151	
	Asia (India and Thailand)		523	
	Japan		517	
	China		270	
	Riyadh		65	
	Donor Relations Offices Total	2,006	1,714	3,720
	Headquarters	3,027	312	3,339
	Total Donor Relations Division	5,033	2,026	7,059
External Relations Division	New York	35	359	394
	Geneva		153	153
	Headquarters	43	225	268
	Total External Relations Division	78	737	815
Private Sector Fundraising Division		1,902	2,862	4,764
Brussels (European Commission)		931	183	1,114
Washington (US Relations)		1,277	540	1,817
Walk The World		244		244
Other Expenditure			141	141
	TOTAL SPEND	14,147	8,377	22,524

Source: Funds Division and External Relations records. External Relations staffing comprises only consultant costs.

37. Figure 3 shows fund raising and external relations PSA expenditure in 2006 by office and division. The total expenditure amounted to US\$22.5 million of which the Funds Raising and Communications Division expenditure totalling US\$21.7 million represented 47 percent of the 2006-2007 budget allocation (US\$46.3 million) after the budget adjustment in December 2006. External Relations Division staffing costs shown in the figure comprise only those costs related to consultancy.
38. In addition, some offices also received support from the host government or other partners to offset costs. One of the six country offices visited for example received funding from the host government amounting to US\$248,000 in 2006 to support the costs of three staff. These funds do not form part of the PSA expenditure in Figure 3.
39. The ongoing need for continued flexing of budgets approved to meet identified needs and the changing management structures related to profile raising require the support of all stakeholders. Our review confirms that there remains scope for the Secretariat to maintain Executive Board awareness of the planned establishment of offices; the costs involved and the expected benefits arising.

Recommendation 5: We encourage the Secretariat to periodically review profile raising activities to ensure the allocation of the most cost-efficient resources which can achieve prioritised corporate targets.

The Ethical and Reputational Risk of Partnerships with the Private Sector

40. The Secretariat addressed the potential reputational risk to WFP of entering into partnerships with companies or individuals who subsequently acted unethically or acted in other ways detrimental to WFP's objective in a policy statement and in guidance for all staff⁸. The policy set out procedures to maintain the integrity of commercial relationships including the avoidance of the risk that partners might gain advantage in supplying goods and services to WFP through the establishment of a 'firewall' between private sector fundraising and procurement activity. This requires:
- Private donors to be informed that they are ineligible to bid for commercial contracts;
 - The procurement unit contact the private fundraising team to ensure each participating bidder receives the same information; and
 - The donors agree in writing to refrain from using proprietary information related to WFP activities for private or commercial gain.
41. To provide assurance that effective partnerships are based on common ethical standards, partnership arrangements should be reviewed regularly and their effectiveness monitored. One review by the Secretariat in February 2007 highlighted an agreement with a lottery company providing for prior consent of the company to any WFP contact with other lotteries in the same country. Such arrangements may not contravene the integrity of commercial relationships and fairness in procurement but can appear unfair to other companies and may result in reputational risk to WFP.

⁸ FD2005/002

42. Partnerships with international companies involved in widespread and diverse activities also increase the risk of unforeseen links with activities which may be considered unacceptable to WFP. The private sector guidelines indicate that WFP does not accept support from donors that manufacture or distribute tobacco products. Our review however found that the website of one of the top twenty donors in 2005 although not involved with manufacture and distribution directly, advertises packaging solutions for tobacco products.
43. Our review also found that companies in partnership with WFP can benefit not just from image enhancement in supporting humanitarian causes but also commercially. After forming a partnership with the Programme, another top twenty private donor company had purchased a transportation company contracted by WFP as an agent to transport food worldwide in 2004 and sold it in 2007. The transportation company had supplied transportation services to WFP with total value of US\$325 million (annual average US\$54 million) over five years from 2001-2006.
44. We found however no evidence of improper influence over procurement practices being gained by private sector donors and confirmed that the procurement guidelines complied with the guidance issued by the United Nations Secretary-General in 2000 on co-operation between the United Nations and the business community.
45. The draft strategy for private sector fund raising aimed to secure one corporate partner for each main business activity such as transportation or telecommunications. Although this policy provides scope for mutually beneficial partnerships, in the event that the partners secure contracts from WFP, robust and transparent procurement procedures should be maintained to address reputational risk.

Recommendation 6: We encourage the Secretariat to maintain clear transparent guidelines for Partnerships which include:

- **Procedures for monitoring compliance with the guidelines;**
- **Periodic partner confirmation of any issues where conflicts of interest may arise; and**
- **The need for staff to remain alert to potential ethical issues.**

Is the Investment in Profile Raising Activities appropriately planned?

46. Our review found a significant disconnection between Strategic Plans approved by the Executive Board and the operational targets set by the Secretariat. We consider that although the activities remained in accordance with corporate objectives approved by the Board, there remained a requirement for a clearer strategy for profile raising and communications.

Have new initiatives in profile-raising activities been well executed?

47. The execution of the widespread communications activities currently undertaken or planned by the Secretariat requires robust management and the support of professional expertise. To assess the new profile raising activities; we considered the effectiveness of Secretariat monitoring and reporting procedures before examining the reported costs and analysing their nature. We also reviewed the cost efficiency of communications and travel arrangements before highlighting additional costs which arose in relation to pro-bono partnership support.

Monitoring and Reporting Procedures

48. A prerequisite for monitoring the effectiveness of communication and fund raising activities is the identification of their full cost. WFP Headquarters maintains a monthly record of programme support and administration (PSA) expenditure by department.

49. Our examination confirmed that the full costs are not reported consistently or monitored centrally as staffing costs related to profile raising are part-funded by local budgets and some inconsistency exists in the recording of consultancy cost. We set out below some examples of costs being incurred and not consistently reported:

- Of four countries and regional bureau we visited which did not have liaison or external relations offices, two employed a total of four and a half local staff allocated to profile raising work funded locally;
- One external relations office employed two staff funded locally in addition to the Director charged to PSA and another used funding carried over from 2005 to support consultant costs; and
- Liaison and donor relationships offices charged consultant support inconsistently to PSA cost or to local budgets. In one country visited reporting units in three sub-offices had recorded programme related costs to local budgets rather than PSA, making it difficult to report the “true” cost of liaison.

50. Regular adjustment of budgets generally ensures that expenditure remains in line with the current budget for PSA, although additional unbudgeted staffing costs are charged to the staff equalisation account. The financial statements for 2006 show an overall charge of US\$35.8 million to the equalisation account. In the absence of global staff records of time spent on communications, simple apportionment of this staffing charge for 2006 gives an estimate of the additional staffing spend by the FD of US\$2.4 million.

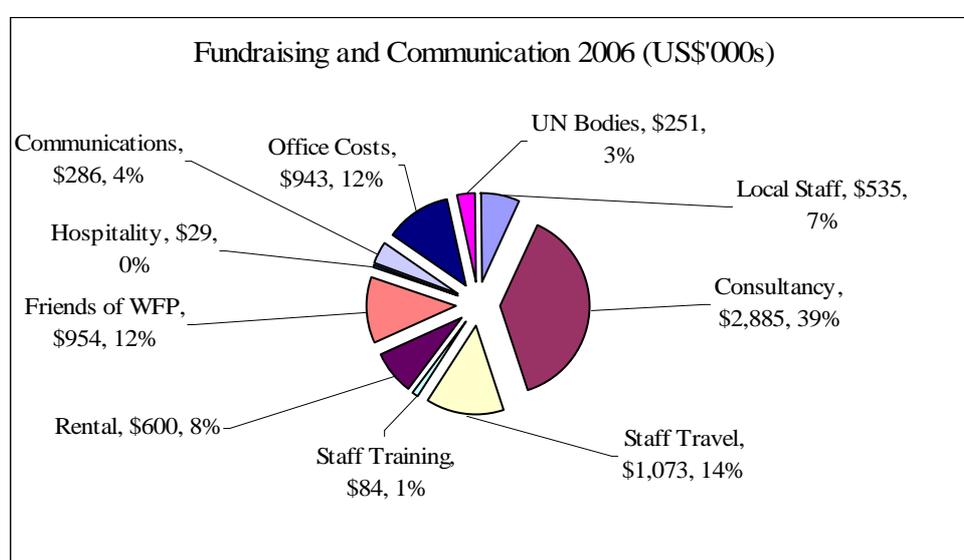
51. We conclude that the total PSA expenditure of the communications activities amounted to in excess of US\$25 million in 2006 but that the full costs of profile raising cannot be robustly determined unless all staff time spent on the activity is recorded.

Recommendation 7: We encourage the Secretariat to ensure the accurate recording and reporting of staff time spent on communications to enable the assessment of the costs of the activity and robust performance reporting.

Nature of Reported Costs

52. We examined the expenditure incurred by Fundraising and Communication in 2006 amounting to US\$21.7 million of which US\$14.0 million (65 percent) arose from regular staff costs. Figure 4 shows the composition of the remaining expenditure totalling US\$7.7 million (35 per cent).

Figure 4: Composition of FD Non-Regular Staff Costs in 2006.



Source FD records

53. Our review of non staff budgets found that on the whole they were well managed although we identified several instances where costs might have been scrutinised more closely:
- Charges for an annual staff retreat in a ski resort in excess of US\$6,000, of which US\$1,167 had been paid for a snow-shoe walk and dinner. The retreat prepared the annual work plan, although some attendees considered that the retreat had been too long;
 - A farewell reception for the outgoing Executive Director costing in excess of US\$1,300; and
 - A week-long meeting of WFP staff in Southern Africa discussing funding and resources in the region included a staff member from the Washington liaison office.
54. Figure 4 shows that the costs of friends of WFP had amounted to US\$954,000, FD recorded a cash return on this investment from friends in the United States alone amounting to US\$3.5 million in 2006 a return in excess of 350 percent.

Hidden costs not identified in original budgets

55. Our review found that some partnership arrangements had resulted in additional costs to WFP even where pro-bono support had been provided. One eight-person film crew contributed by a private sector partner on a pro-bono basis included free air flights to Africa. However, WFP funded the daily subsistence allowance and internal flights amounting in excess of US\$9,700. The liaison office managing the activity estimated the commercial value of the film to be some US\$645,000 and headquarters informed us that the subsequent commercial value of free media advertising amounted to in excess of US\$10 million although we were unable to confirm this figure.
56. We were also unable to assess the extent to which increased donations had outpaced any increased costs of communications partly because of the absence of full costs recording of liaison activities throughout the world and the difficulty in assessing the extent to which increased income resulted from particular liaison activities.

Is the Investment and New Activities well Executed?

57. The effective execution of the widespread communications activities currently undertaken and planned by the Secretariat requires effective management and professional expertise. Our review revealed inadequate prioritisation of activities or sufficient assessment to ensure that the resources were focussed on activities most closely linked to meeting corporate objectives. Our examination also confirmed that the full costs are not currently reported consistently or centrally monitored as costs related to profile raising are part-funded by local budgets.

Are benefits being realised?

58. WFP may have inherent difficulty in matching the timescale for the achievement of benefits through profile raising and the measurement of these benefits in terms of increased funding unless directly related to an individual emergency. To consider whether benefits are being realised from the expansion of profile raising activity, we initially examined the Secretariat's procedures for the assessment and quantification of benefits, before analysing the growth in donors and contributions over the three-year period 2004-2006 and the ten-year trend in contributions generally. We reviewed other advantages from liaison activities which we had identified in our field visits before considering alternative strategies for future profile raising.

Growth in the number of Donors Partnerships

59. Figure 5 shows growth in contributions and services in kind over ten years to 2005 and the corresponding income in 2006. The basis of these figures is not entirely consistent over time due to changes in accounting policies but nonetheless contributions have grown significantly over the period.

Figure 5: Trend of Income from Contributions and Services in Kind (US\$ million)

1996-1997	1998-1999	2000-2001	2002-2003	2004-2005	2006
2,520	2,782	3,876	4,739	5,270	2,739

Source: Financial Statements presented to the Executive Board

60. Our visits to liaison offices confirmed that liaison activities have been expanding worldwide. The 2005 performance report⁹ presented in June 2006 reported that partnerships had assisted 230 projects, a six per cent increase over 2004. Figure 6 shows the value of contributions from the private sector as cash or goods in kind increased two and half times from 2004 to 2006. For comparison, FD records show that the average number of total donors per year over the period from 1996 to 2003 had been 56.
61. In 2006, the private sector also contributed a further US\$37 million of extraordinary goods in kind for which there had been no budget but were deemed necessary. We were unable to confirm the benefit of these gifts, such as free advertising as any resultant funding impact may occur over a number of years.

Figure 6: Source and Amount of Donations 2004-2006

	2004	2005	2006
Number of Donor Countries	70	80	97
Donations from Countries (US\$ millions)	2,220	2,697	2,684
Number of Private Donors	56	89	112
Contributions from Private Sector (US\$ Millions)	21	27	55
Percentage of Total Funding from Private Donors	0.94 percent	1 percent	2 percent

Source WFP. Timing differences may arise with income recorded in financial statements.

Achievement and Quantification of Key Benefits

62. The quantification of the benefits to WFP of a higher public profile is difficult to assess. We found that staff could not assess whether their actions increased funding generally or resulted in reduced funding elsewhere. Even where the resources raised increased there may be inadequate evidence to confirm that those donations arise directly from a particular liaison or communications activity.
63. A number of Reports to the Board¹⁰ identify endorsements by celebrities and numbers of references to WFP in the media, for example, but quantification of the increased funding arising from particular activities remains problematic. For example, a review of Walk the World compiled in December 2006 by media analysts on a pro bono basis confirmed that in excess of 700 local sponsors from 100 countries supported

⁹ WFP/EB.A/2006/4

¹⁰ WFP/EB.2/2005/5-J

organisers in 400 locations. The estimated value of media coverage amounted to US\$7 million. A review by the Boston Consulting Group found however that the walk was not a success in terms of direct fundraising.

64. The consultants assessed that the walk had significantly increased sustainable coalitions with international partners but that the benefits had not been measured adequately. The walk had not met its minimum objective of raising US\$3.8 million, because the income target had been set too high given the maturity of the event and significant changes to it introduced in 2006. The report considered that the walk scheduled for May 2007 requires greater focus on fundraising in donor countries converting support into actual donations, and improved efficiency through carefully designed and measurable key indicators.

Recommendation 8: We encourage the Secretariat to maintain its efforts to set realistic objectives against which to assess performance and to address the risk of unforeseen resource requirements through:

- **Analysis of cost prior to commitment to major activities to assess risks to WFP;**
- **Encouragement of partners to take responsibility for any residual risk as part of their commitment to events; and**
- **Monitoring of progress against objectives based on previous experience or expert advice to ensure the ongoing viability of events.**

Other benefits

65. Our field trips in 2005 and 2006 confirmed that recently agreed memoranda of understanding (MOU) encouraged new donors and improved operational efficiency and cost effectiveness over the longer term:
- One ten-year MOU between WFP and a new donor country enabled the transportation of humanitarian support to meet emergency needs in Sudan; and
 - Another MOU had assisted transportation of aid to the Lebanon emergency.
66. These benefits indicate the operational advantages of liaison with countries which are not major donors although the additional cost of this liaison has to be monitored against the benefits arising.

Strategies for profile raising

67. WFP may have inherent difficulty in matching the timescale for the achievement of management objectives related to profile raising to the strategic objectives of saving lives in crisis situations for which traditional donor support has been provided. The benefits achievable through profile raising may not be immediately measurable in terms of increased funding other than where communications activity shows the impact of emergencies such as earthquakes or a tsunami.

68. Best practice in setting profile raising objectives and assessment of the benefit against the costs of the activities relies on:
- Professional marketing skills to achieve alignment with overall business objectives;
 - Focus on clearly defined stakeholders both internal and external to WFP;
 - Identification of the appropriate cost-effective channels to reach the target audience (mail, internet, magazines, events); and
 - Regular feedback from the stakeholders to inform future marketing activity.
69. For these reasons we consider there may be scope to consider alternatives to in house management of profile raising. One alternative comprises the outsourcing of profile raising to professional experts which would require robust monitoring of costs and support of donors for any advance costs of implementation. Any company providing assistance could benefit from usage of the WFP logo and endorsement of humanitarian credentials based on the success of WFP profile development.
70. Another option to assist the assessment of the cost and benefits would be the separation of in-house fund raising and liaison from other activities. Performance could be assessed against a robust prediction of the full expected costs and of additional funding to be achieved against the costs incurred. At the time of our review the Secretariat had been considering such a strategy for private sector fund raising.

Recommendation 9: We encourage the Secretariat to consider the scope for:

- **Outsourcing profile raising to professional companies willing to operate on a pro-bono basis to achieve preset measurable increases in WFP's profile and enhanced resources at a prearranged cost-benefit ratio;**
- **Establishing a self funding arrangement for in-house communications activity based on robust performance assessment against full costs of activities.**

Are benefits being realised?

71. Based on our examination of the Secretariat's profile raising activities, we conclude that there have been benefits which although not fully quantified and compared to total costs, have broadened the external support for WFP. In 2006 WFP private donors numbered 112, twice the number in 2004. The number of donor countries had increased from 70 in 2004 to 97 in 2006.
72. The quantification of the benefits to WFP of a higher profile however remained difficult to assess. Where increased resources have been raised there may be inadequate evidence to confirm that donations arise directly from a particular liaison or communications activity. Furthermore the benefits achievable through profile raising may not be immediately measurable in terms of increased funding other than where communications activity related to individual emergencies such as earthquakes or a tsunami.