

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Annual Session**

Rome, 24–26 May 2004

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

*For information**

E

Distribution: GENERAL
WFP/EB.A/2004/6-E/1
30 April 2004
ORIGINAL: ENGLISH

UPDATE ON THE WFP MANAGEMENT PLAN, 2004–2005

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time.

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 information.

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.

Director, Office of Budget (OEDB): Mr A. Abdulla tel.: 066513-2605

Chief Budget Officer, OEDB: Ms K. Muiu-Heinemann tel.: 066513-2771

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



EXECUTIVE SUMMARY

When considering the WFP Management Plan 2004–2005 at its October 2003 session, the Executive Board requested an update on the plan's implementation. The purpose of this document is to provide that update.

The estimated operational budget has increased from US\$3.9 billion to US\$4.9 billion because of new emergency operations (EMOPs) and the Iraq programme. However, Programme Support and Administrative (PSA) expenditure is being limited to 90 percent of the original PSA budget as a result of projected shortfalls in resource requirements.

The capacity-building and security-enhancement activities for which the Executive Board approved additional funding are well under way.

DRAFT DECISION*

The Board takes note of the information contained in "Update on the WFP Management Plan, 2004–2005" (WFP/EB.A/2004/6-E/1).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.



INTRODUCTION

1. The Management Plan approved by the Executive Board at its October 2003 session is one of the three governance tools of the organization; the others are the Strategic Plan and the Annual Performance Report. During its consideration of the Management Plan, the Executive Board requested the Secretariat to report back on the plan's implementation. This Information Note outlines the steps that the Secretariat has taken towards implementing the Management Plan.

BACKGROUND

2. Previously, the WFP budget was based on expected levels of resources rather than on approved programme levels. The 2004–2005 Management Plan introduced a new approach to the biennial budget.
3. First, the budget was built on the basis of needs and designed to meet the requirements of all approved programmes and projects, including provision for extending programmes that were due to expire in 2004–2005.
4. Second, the Management Plan addressed the organizational weaknesses identified in the Strategic Plan, added much-needed programme technical support and strengthened administrative functions.
5. During 2002–2003, WFP undertook an unprecedented workload. This stretched the organization to its limit and revealed a number of areas where WFP needs to strengthen its capacity in order to meet the needs of our beneficiaries more effectively.
6. Budgeting for the approved programme level and adding organizational capacity meant that the 2004–2005 budget was higher than previous budgets, though it was not much higher than actual expenditure had been in previous biennia. The Secretariat recognizes that this level of funding may not be available from donors, and understands the need to keep funding levels under constant review with a view to reducing spending if full funding is not available.

PROCEDURES FOR IMPLEMENTATION OF THE MANAGEMENT PLAN

7. The Executive Director has set up a Budget Monitoring Group to help him monitor the implementation of the Management Plan. This group consists of the Chief of Staff, the Deputy Executive Directors of WFP's four departments – Operations, Administration, Fundraising and Communications and Policy and External Affairs – and the Divisional Directors of Results-Based Management, Finance and Human Resources. The group is chaired by the Director of Budget.
8. The group meets once a month to review the operational level, the projected resource level including indirect support costs (ISC) income and the actual expenditure level against the Management Plan allotments. Through monitoring of these three areas, the group is able to issue guidance on the level of PSA expenditure that can be incurred to ensure that WFP's expenditure commitments do not exceed anticipated donations. To facilitate the process, a monthly expenditure report for each division is published indicating each unit's status against the guidance level.



OPERATIONAL BUDGET

9. The operational budget presented in the Management Plan was estimated at US\$3.901 billion for the biennium, 50 percent of which was for food commodities.
10. Since the approval of the Management Plan, the operational budget has increased by approximately US\$1 billion to reach US\$4.9 billion. This is mainly because of the addition of the bilateral Iraq Oil-For-Food programme, totalling US\$870 million, and new EMOP requirements that were not included in the original plan, totalling US\$96 million.

	US\$ billion
Original Management Plan operational budget	\$3.901
Increase due to new EMOPs	0.096
Increase due to Iraq Oil-For-Food bilateral programme	0.870
Total	4.867

11. At the end of March 2004, operational expenditure amounted to US\$768.2 million. Food purchases stood at US\$531.8 million and commodities in-kind at US\$60.8 million, making a combined food cost of US\$592.6 million, or 77 percent of the operational expenditure. The remaining US\$175.6 million, or 23 percent of the operational expenditure, is related to transport and other direct operational costs (DOC). Expenditure for these activities is expected to increase during the second quarter of 2004.
12. Direct support cost (DSC) expenditure for the same period amounted to US\$54 million. This level of expenditure is in-line with planning levels.

PROJECTED RESOURCE LEVELS

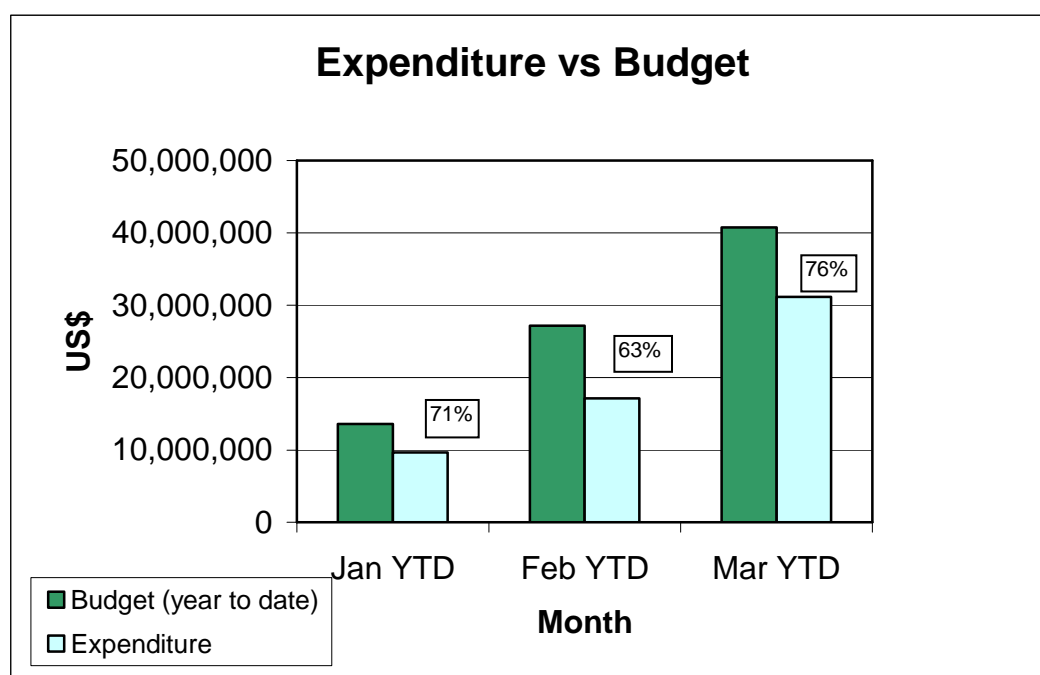
13. Resource projections over the first three months of the biennium indicate a total funding level that is lower than required. The Fundraising and Communications Department has informed the Budget Monitoring Group that resource levels are estimated at approximately 80 percent of the original Management Plan requirements.
14. This present level of forecast contributions is anticipated to generate ISC income of US\$241 million towards the approved PSA budget of US\$305 million.
15. The Iraq bilateral programme is expected to generate further ISC income of US\$40 million.
16. Furthermore, there are significant carry-over contributions from 2003 to 2004; the ISC income associated with these contributions is in the order of US\$25 million.
17. Based on these figures, the Budget Monitoring Group has recommended that PSA expenditure be kept to 90 percent of the approved Management Plan level until additional donations can be projected by donors. The group will continue to review this "spending guidance" monthly.



PROGRAMME SUPPORT AND ADMINISTRATIVE (PSA) BUDGET

18. The Executive Board approved a PSA level of US\$305 million. As of the end of March, PSA expenditure amounted to US\$30.4 million, or 12 percent of the approved PSA budget; this amount is lower than the year-to-date budget of US\$38.1 million for the period. However, it should be noted that some of this difference may be attributable to month-by-month scheduling. The following figure shows that expenditure levels have been kept well below 90 percent for the first three months of 2004.

Expenditure Versus Budget in First Quarter of 2004



19. In previous biennia, WFP issued an annual budget allotment, which allocated roughly 45 percent of the approved budget to the first year of the biennium. For 2004–2005, the Programme is taking a more cautious approach by issuing budget allotments for periods of six months. This will provide the flexibility to revise subsequent allotments should there be a decrease in resource availability. Furthermore, budget holders have been advised to maintain PSA expenditure at or below 90 percent of the allotment level, thereby following the Budget Monitoring Group's recommendation.

IMPACT ON WORK PLANS

20. The Management Plan was built on the principles of zero-based budgeting with a focus on results. Every unit had to specify its activities for the biennium, as well as the results it hoped to achieve and the funding required for each activity.
21. Following approval of the Management Plan, managers of all units have prepared results-based work plans based on their inputs to the Management Plan. These work plans have been developed with the collaboration and assistance of the Division for Results-Based Management (OEDR).
22. The organization's overall performance may be affected if the level of resources is significantly lower than planned and the level of PSA expenditure has to be substantially reduced. In this instance, some activities may have to be postponed, suspended or



cancelled. Managers have been instructed to report to the Director of Results-Based Management and the Director of Budget with information on how changes to the expenditure level would affect the implementation of their work plans. Based on such information and the corporate priorities endorsed by the Executive Board, OEDR will propose options to the Executive Director for minimizing the impact of budget cuts on performance.

23. To date, no managers have reported that any results would be affected. It is quite early in the cycle, and managers are still analysing the potential impact of the need to keep to 90 percent of expenditure. At this stage, no major review or change to the anticipated results of the Management Plan is foreseen.

DIRECT SUPPORT COST ADVANCE FACILITY (DSCAF)

24. The Executive Board approved setting aside US\$60 million from the General Fund for DSC under the DSC Advance Facility.
25. As of April 2004, WFP had advanced US\$21.9 million, US\$9 million of which was for development activities, with the remaining US\$12.9 million being for EMOPs, Protracted Relief and Recovery Operations (PRROs) and Special Operations. DSC advances to 54 projects in 2004 were crucial in supporting ongoing development activities and kick-starting new projects. Of the US\$21.9 million advanced in 2004, approximately US\$4.1 million is allocated to cover international staff.

IMMEDIATE RESPONSE ACCOUNT (IRA)

26. As of mid-April 2004, the IRA availability stood at US\$40.6 million. In addition, the Board approved the reprogramming of US\$20 million from the PSA Equalization Account to the IRA, bringing total availability to US\$60.6 million.
27. So far in 2004, US\$10.3 million has been allocated from the IRA to kick-start seven new operations – six EMOPs and one Special Operation – and two immediate-response emergencies, which were approved under the country directors' delegated authority. Some US\$4.3 million could be reimbursed into the IRA through donor contributions received for projects that benefited from an IRA allocation.
28. With US\$10.9 million of new contributions, donor response to the IRA has been relatively generous in the first quarter of 2004. Only three countries made these contributions, however, and a single donor accounts for more than 80 percent of the total amount.

FOREIGN EXCHANGE PROVISION

29. Within the Management Plan, the Executive Board authorized the Executive Director to fund the impact of the reduced US dollar exchange rate variance on staff costs, which was estimated at US\$41 million, from the PSA Equalization Account.
30. The 2004–2005 budget was cast using an exchange rate of US\$1.11 to the Euro. The average exchange rate for the first quarter of 2004 was US\$1.24 (the official United Nations rate), which is approximately 12 percent higher than the estimate. If all other things remain equal and the exchange rate remains at this 12 percent higher level for two years, the exchange rate impact could be of the order of US\$46 million.



OTHER APPROVALS

31. The Board authorized the Executive Director to allot US\$49 million for non-recurring capacity building, capital investment and security upgrades, to be funded from the PSA Equalization Account.

SECURITY UPGRADES

32. The Board authorized the Executive Director to allot US\$20 million to cover one-time costs for security upgrades in WFP's offices worldwide. As of the end of March 2004, 59 percent of the allotted amount, US\$11.7 million, has been committed in six main areas. Current indications are that total costs will reach about US\$16 million by the end of 2004. At its annual meeting in May 2004, the Board will be provided with an analysis of whether the allotted funds for the WFP Security Upgrade Programme will be sufficient.
33. Security assessments have been completed in 36 of the highest risk countries, as well as at the Humanitarian Response Depot (Brindisi, Italy) and headquarters. Work will commence shortly on the relocation of the main entrance gate at headquarters and the installation of a global access control system. Funding has been provided to 100 percent of WFP offices for the installation of blast-resistant film; installation is complete in 44 countries with the remainder to occur, as planned, before the end of the year. The level of compliance with minimum operating security standards in all WFP country offices is under review. To date, funds have been provided to 28 country offices for additional security equipment. Training initiatives for port and ship safety, air security and close protection have commenced, and a focused staff security workshop programme is being developed. A Regional Security Advisor has been added to each regional bureau, and seven new Field Security Officer posts have been created in countries in security Phase III or above. These posts are in the process of being filled. A Headquarters-based security analyst has taken up duties to collect and interpret information on changing threat levels in WFP duty stations around the world, and a Chief of Security will join Headquarters in May 2004 to liaise with the host government, Member States and international organizations.
34. In addition to the Security Upgrade Programme, a provision of US\$15 million was made to cover WFP's share of common security costs with the Office of the United Nations Security Coordinator (UNSECOORD) for the 2004–2005 biennium, the malicious-acts insurance policy and contributions to United Nations reform. In this connection, some limited initial funding has been made available from the DSC Advance Facility, and discussions are under way to raise donor support for these important activities.

STRENGTHENING FINANCIAL MANAGEMENT UPDATE

35. The Management Plan outlined the initiative to strengthen financial management. Since then, WFP has refined and developed this initiative, which comprises elements funded through the regular PSA budget and from a one-time non-recurring capacity investment.



Regular PSA Funding

36. Considerable progress has been made in strengthening the financial management function through the regular PSA budget:
- **Strengthened corporate financial analysis and field support.** The Financial Analysis and Review Branch (FSR) was established to take effect from 1 January 2004.
 - **Enhanced financial competence and effectiveness through the provision of training:**
 - a) Country director training was held in March, and included a specific focus on financial management issues.
 - b) A training course on **financial reporting** for senior managers has been developed and piloted in one regional office.
 - c) Finance officers' **orientation training** is scheduled to take place in May 2004 for newly recruited finance staff.
 - A complete draft **Consolidated Finance Manual** has been developed and is under final review. The conversion to a Web-enabled version is in progress for roll-out to all country, regional and liaison offices.
 - More timely input of financial information.
 - a) A pilot project for consolidating financial data entry for smaller offices in regional bureaux is currently in progress in the Asia Regional Bureau (ODB).
 - b) New guidelines and procedures for processing United Nations Development Programme (UNDP) transactions are in place, which allow all UNDP transactions to be captured one month earlier than previously.
 - c) A new version of the country office accounting software has been developed and is being tested.
 - **Development and provision of management reports.** Additional WFP Information Network and Global System (WINGS) reports have been developed focusing on the information needs of managers, and the requirements for financial reports from the data warehouse have been defined.

One-time Capacity Investment

37. In addition, the provision of a one-time non-recurring capacity investment has allowed the Programme to interview and recruit additional qualified Finance Officers. After our final analysis, WFP is recruiting more international and fewer national finance staff than presented in the original Management Plan.
38. To enhance the impact of the Business Process Review it was decided to establish a Regional Financial Analyst position in each of the six regions. As a result, the planned staff configuration has changed. The following table shows the original plan approved in the Management Plan, the revised plan and the current status of the recruitment process.



ADDITIONAL FINANCE OFFICERS			
	Original plan	Current plan	Recruitment/reassignment in process
Additional national officers	52	14	5
Additional international officers	14	28	16
Total number of staff	66	42	21
Total staff cost (US\$ million)	5.67	5.65	2.39
Total non-staff cost (US\$ million)	0.07	0.07	0.0
Total cost (US\$ million)	5.74	5.72	2.39

39. As indicated in the table, the current plan for the initiative is within the amount budgeted in the original document.

CAPITAL ASSET FUND (CAF)

40. The Executive Board approved US\$19 million under CAF for the WINGS upgrade and related capital costs. Projects to be funded under CAF include the implementation of Minimum Security Telecommunication Standards (MISTS), a Deep Field Mailing System (DFMS), a data warehouse, WINGS roll-out and the Electronic Records Management Project.
41. Implementation of activities for most of the CAF projects is under way in the field and at headquarters:
- MISTS: four project-implementation activities, including equipment/software purchases and missions, have been carried out and are ongoing in a number of country offices.
 - DFMS II: product testing (Dubai, 22 to 24 March), pilot testing (Ethiopia, 4 to 11 April) and implementation testing (Uganda, 12 to 17 April). Training of trainers events for selected staff from all regions are scheduled for Dubai (Group I: 10 to 14 May, Group II: 17 to 21 May). Regional trainings and roll-out start in June.
 - WINGS roll-out and set-up of new support model: the ongoing WINGS roll-out activities are still being funded from the 2003 CAF budget. Funding from this budget allotment is expected to run out at the end of the third quarter of 2004. There are plans to start to fund WINGS support follow-up activities from the 2004 CAF budget during the second quarter of 2004.
 - Electronic Records Management Project and data warehouse: the Electronic Records Management Project is on schedule. The software has been developed and implemented. The project is currently being rolled out in three headquarters divisions. In June, roll-out to the rest of headquarters and, as feasible, to selected regional bureau will begin.
 - The Data Warehouse Project is on schedule and is proceeding according to the project plan.



- The Programme is in the pre-planning phase for the WFPgo funds. The technical part of the project should commence in the fourth quarter of 2004. This project is expected to last for at least two years.

RESULTS-BASED MANAGEMENT (RBM)

42. A special fund for implementing RBM was approved. The aim is to introduce the building blocks of a corporate results-based culture and to report on performance. As of the end of March, the status of implementation is as follows:

- The first phase of a corporate training programme raised staff awareness of RBM and put in place a long-term approach to results-orientation.
- An interim compendium of strategic and management indicators was prepared. This will ensure consistent collection of performance data to monitor progress and report on performance.
- Performance-based work planning was introduced, linking activities to outputs and outcomes, and performance review processes were initiated that tie unit performance to the corporate priorities identified in the Strategic Plan and Management Plan.
- The Standard Project Reports (SPRs) – WFP’s primary means of reporting on operational performance at the project level – were improved so that they can report on outcomes, thereby making it possible to analyse outcome reporting. The timeliness of SPRs was improved, with more than 96 percent of those for 2003 being sent out by the target date of March 31 2004.
- Initial steps have been taken to develop a corporate project performance measurement system that will enable WFP to collect and report on results at the country level and to roll-up the results into the Annual Performance Report.
- The Annual Performance Report – the first for WFP – focuses on performance in 2003 against both the objectives and indicators contained in the Strategic Plan and the Financial Plan 2002–2005, as well as against the strategic and management priorities stated in the Strategic Plan 2004–2007 and the Management Plan 2004–2005 approved in 2003.
- Guidelines on the implementation of baseline surveys were issued and agreement was reached on the definition of baselines and the strategy for their implementation in 2004–2005, in collaboration with WFP’s technical units.



ACRONYMS USED IN THE DOCUMENT

CAF	Capital Asset Fund
DFMS	Deep Field Mailing System
DOC	direct operational costs
DSC	direct support costs
DSCAF	Direct Support Cost Advance Facility
EMOP	emergency operation
FSR	Financial Analysis and Review Branch
IRA	Immediate Response Account
ISC	indirect support costs
MISTS	Minimum Security Telecommunications Standards
ODB	Asia Regional Bureau
OEDR	Division for Results-Based Management
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative
RBM	Results-Based Management
SPR	standard project reports
UNDP	United Nations Development Programme
UNSECOORD	Office of the United Nations Security Coordinator
WINGS	WFP Information Network and Global System

