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Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Third Regular Session**

Rome, 20 - 23 October 1997

INFORMATION NOTE

E

Distribution: GENERAL
WFP/EB.3/97/INF/7
13 October 1997
ORIGINAL: ENGLISH

PROPOSED REVIEW OF THE RESOURCE AND LONG-TERM FINANCING POLICIES

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INTRODUCTION

1. At its Fortieth Session, the Committee on Food Aid Policies and Programmes (CFA) endorsed the recommendations of its Formal Working Group on Options for WFP Resource and Long-term Financing (R<F) Policies (document CFA 40/5).
2. One such recommendation stipulates that "...the Secretariat review the working of the new model and its associated policies at the conclusion of the first biennium of operation and submit a report to the governing body on the effectiveness and efficiency of the new model, together with any recommendations for improvement or changes;" (CFA 40/5, paragraph 23 r)).

FOCUS OF THE REVIEW

3. At its Thirty-eighth Session (CFA 38/18), the CFA asked the Formal Working Group to make proposals conducive to:
 - a) bringing about, to the extent possible, increased predictability of resource availability and flexibility in their use, taking into account the multilateral character of the Programme;
 - b) securing the required level of resources to be provided to WFP and optimizing their use; and
 - c) ensuring the funding of administrative and other costs (on the basis of full cost recovery).
4. The Secretariat will review the extent to which the R<F policies have achieved the above intended objectives.

APPROACH TO THE REVIEW

5. The review will do the following:
 - a) assess the impact of the R<F policies in addressing the "Significant Constraints Experienced by WFP", as identified in the Report of the Formal Working Group (CFA 39/11) and reproduced in the annex to this paper;
 - b) identify the achievements made and constraints encountered by the Secretariat in implementing the R<F policies;
 - c) assess the positive and negative aspects of the R<F policies experienced since their implementation by Member States and donors;
 - d) identify both structural and management issues which may require change or enhancement in order to better achieve the objectives of the R<F policies, and make appropriate recommendations; and
 - e) take into consideration the current trends and practices of relevant United Nations agencies/bodies and other operational organizations on issues related to R<F policies, as appropriate.



TIME FRAME AND MODALITY

6. The review will cover the implementation of the R<F policies over the 1996-97 biennium. The result of the review will be submitted to the Executive Board's Annual Session of 1998.
7. The Secretariat believes that the review process should give ample consideration to the experiences of Member States and donors in WFP's implementation of the R<F policies. For this purpose, the Secretariat proposes to devise and circulate a questionnaire to Member States and donors with a view to assessing their experiences and current positions. The Secretariat also envisages undertaking informal consultations with Member States and donors on related issues and on the progress of the review.



ANNEX**SIGNIFICANT CONSTRAINTS EXPERIENCED BY WFP THROUGH ITS EXISTING RESOURCES¹ AND FINANCIAL STRUCTURES**

1. WFP is hampered in achieving an optimal response to new, large, complex emergencies and some smaller emergencies because of insufficient untied cash.
2. The efficiency of activities and their administration is often impaired by:
 - a) insufficient flexible resources and cash available for programmes approved by the Executive Director and the CFA;
 - b) the unpredictable level and receipt time of resources;
 - c) the Programme Support and Administrative Budget (PSA) is not being fully provided for and is unpredictable;
 - d) essential non-food items and services not always available to support commodities.
3. Customized reporting requirements lead to increased, unmet costs.
4. Resources are inadequate to address all needs for activities approved by the CFA/Executive Director, including the unpredictable but unavoidable demand on resources made by the UNHCR agreement.
5. Overhead costs for the development, IEFR, PRO, SEO, NFI and bilateral programmes are not fully defined nor recovered.
6. Management policy is not sufficiently developed or well enough applied to effectively support operations.
7. Financial and information systems are designed to service the Programme as a development programme, not as an emergency/development programme.
8. Controls on assets, cash flow and expenditures are inadequate to ensure proper financial control and efficient use of resources.
9. Budgeting and financial accountability are insufficiently decentralized to ensure the accountability of decision-makers.

¹ Resources are composed of cash, commodities and services.

