

Informal consultation on Resource Management Items for EB.A/2015

Management Plan 2016-2018

4 May 2014



World Food Programme

Agenda

- 1. Management Plan timeline & Structure**
- 2. Strategic & financial context**
- 3. Proposed Programme Support & Administration (PSA):**
 - A. Approach and Preliminary Numbers;
 - B. Process
- 4. Capital Budgeting Facility**
- 5. Operational requirements, funding and gap**
- 6. Draft Decision on ED Authority and Appropriation Lines**

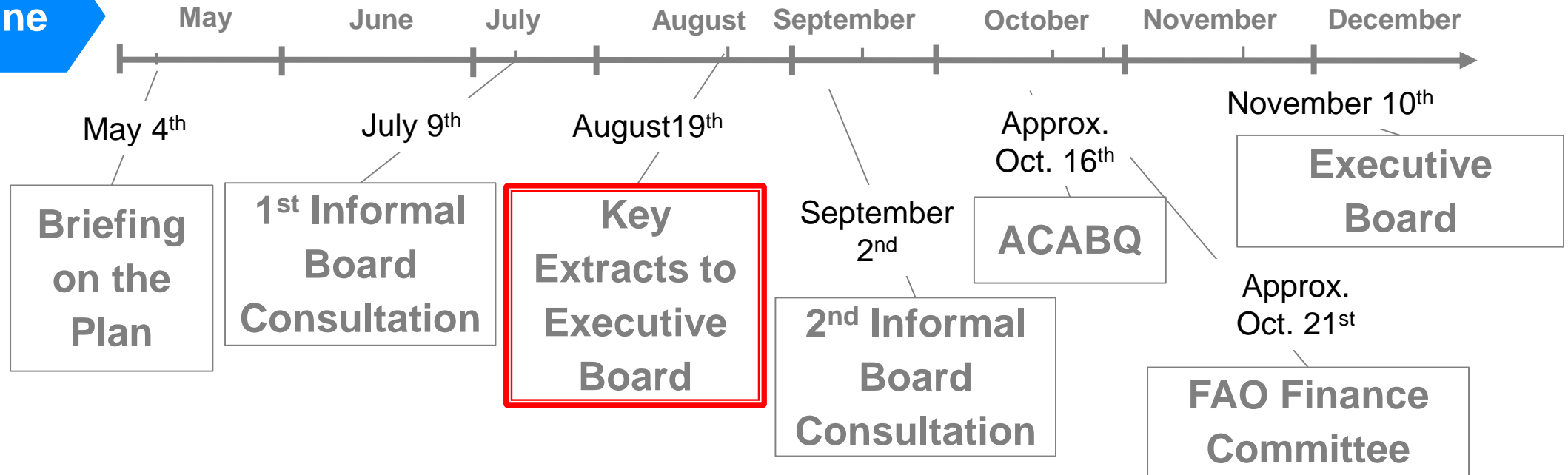
1. Management Plan Timeline and Structure

1.1 Key Dates for Management Plan (2016-18)

Objective

Present for approval the Management Plan 2016-18 for the Second Session of the Executive Board

Timeline



Key Extracts in all languages 3 weeks before 2nd Informal Consultation

1.2 Proposed Management Plan Structure

Executive Summary and Draft Decisions

Key Extracts (Draft Available 19 August)

- **Sec I Introduction**
- **Sec II Funding Context and Resourcing Assumptions**
- **Sec III Provisional Prioritized Plan of Work**
- **Sec IV Programme Support & Administrative Budget**
- **Sec V Advance Financing For Corporate Services & Other Special Accounts**

Annexes

2. Strategic & Financial Context

2.1 Key External Challenges for the Management Plan

- **Deteriorating Security and Operating Conditions**
 - Protracted corporate emergencies in the Middle East, Sudan, West Africa
 - Climate change and increasing natural disasters

- **Economic considerations**
 - Sluggish Global Growth
 - Euro rate fluctuations
 - ICSC Review of Staff salary and benefit structures

- **Changes in the UN Operating Environment**
 - Post 2015 development agenda and sustainable development goals
 - World Humanitarian Summit 2016
 - United Nations Reform Initiatives including Climate Change

2.2 Key Internal Challenges for the Management Plan

- **Optimizing support structures in light of unprecedented trend in L3 emergencies versus long term funding outlook**
 - Support structure based on 2014 income stream or lower? How much lower?
 - Dealing with greater complexity of programmes within limited scope of growth in PSA
- **Prioritizing funding for critical corporate initiatives versus increasing demands for institutional improvements**
 - 2015 – 2016 Focus Areas
 - Optimizing use of PSA, PSAEA, and other funding sources
- **Review of strategic direction taking into account 2015 SDGs, WHS, etc.**
- **Strengthening links between Budget and outcomes**

2.3 Resource Availability: Management Plan forecasts mapped against actual contributions

	2012	2013	2014	2015
Forecast Contributions MP	3,750	3,700	4,200	4,400*
Actual Contributions FS	4,044	4,380	5,378	4,700**
Actuals as % of Forecast	108%	118%	128%	107%

Conservative contribution estimates utilized for Management Plan

* 2015 forecasts as reported in the 2015-2017 MP; **2015 Actual based on current estimate

2.4 2014 was an Exceptional year

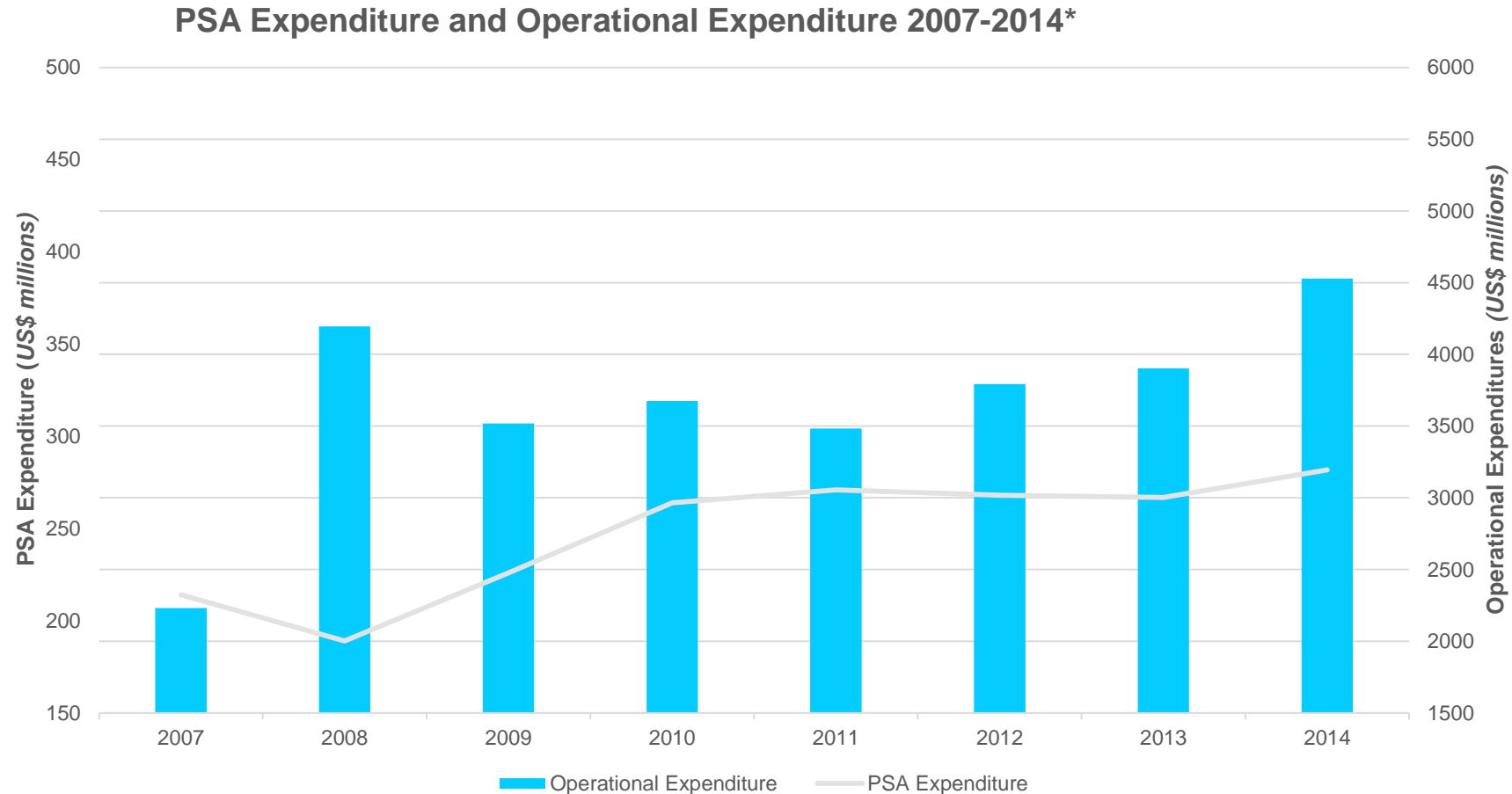
- **Contributions exceeded forecasts reaching almost USD 5.4 Billion**
- **Unprecedented trend in L3 Emergencies**
 - Ebola Outbreak
 - Syria and Syrian Refugees
 - Iraq
 - CAR and West Africa
 - South Sudan
- **Potential unforeseen impact in 2015 and beyond**
 - Impact of Nepalese earthquake
 - Unfolding crisis in Yemen

2.5 Resource Availability: Management Plan forecasts based on steady-state growth

	2013	2014	2015	2016
Actual Contributions	4,380	5,378		
Projected 4% growth	4,380	4,500	4,700	5,000
2014 'Spike'		823		

Revised 2015 & 2016 forecast based on steady-state 4% growth since 2013

2.6 Optimizing support structures in the context of fluctuating funding



The PSA level needs to take into account today and tomorrow's realities

Based on FS Stmt V excluding TF, and CCI

2.7 Financial Context: PSA and PSAEA

USD M	Management Plan 2012	Management Plan 2013	Management Plan 2014	Management Plan 2015 (projection)
PSA Expenditure Authorised / Planned	249.1	249.1	281.8	281.8 ¹
Critical Corporate Initiatives	22.2	20.0	9.2	9.2 ¹
PSAEA Drawdown				78.0 ²
ISC Income Earned / Projected	255.0	284.0	277.4	303.2 ³
Actual/ estimated year end PSAEA balance	102.8	121.3	189.8	123.9
PSAEA target level (4 months)	83.0	83.0	93.9	93.9

¹ as per MP ²PSAEA paper, ³latest estimate based on income forecast of USD 4.7 billion

2.8 Prioritizing funding for competing critical corporate initiatives

MRDs	People	Partnerships	Processes & Systems	Programmes	Accountability & Funding
Critical Corporate Initiatives	People Strategy	Partnership Strategy	C&V Platform	Food Assistance	Financial Framework Review
	Workforce Capabilities and Skillsets	Sustainable Development Goals	COMET	National Capacity development	Advance Financing
	Staff Wellness	UN Reform	LESS	Gender Policy	Evaluation Policy
	Staff Security		SCOPE	Nutrition Policy	
			WINGS	Resilience & Climate Change	
			Cost Excellence		
			Supply Chain		

2.9 Key Principles of the Management Plan 2016

Building on Management Plan 2015 - Recall

Operations

- Compilation and review of operational requirements from COs
- Prioritized Plan of Work prepared by CO based on projected funding
- Validation at CO, RB and HQ level

Funding

- More detailed and engaged process for estimated funding levels
- Inputs from operational managers on funding projections at country level

PSA setting

- Review current allocations to accommodate mainstreaming of new processes;
- Strengthened links between Budget and Performance Planning and reporting
- Continued emphasis on Value for Money in all investment decisions

3. Proposed Programme Support & Administration (PSA)

- **Part A: Approach and Preliminary Numbers**
- **Part B: Process**

3. Part A.

Proposed PSA approach: Overall Approach and Preliminary Numbers

3.1 What is the Programme Support & Administrative (PSA) budget?

- Portion of the WFP budget to providing indirect support to WFP activities
- Funded from an indirect support cost charge on each contribution
- Covers the majority of Headquarter and Regional Bureaux costs, as well as a core presence in each country office
- Plan for expenditure presented within the Management Plan
- Board approval of the PSA appropriation within the Management Plan gives authority to the Executive Director to spend

3.2 Key principles for the Management Plan (2016-18) PSA

Budget Envelope

- Maintain **7% Indirect Support Cost (ISC)** rate
- Ensure target level of **PSAEA at minimum 4-month level**
- **Minimal Growth to the PSA to facilitate new corporate priorities**
- **2016 funding forecast at conservative level (USD 5B)**
- **Ensure PSA budget is within our means**

Resource Allocation

- **PSA targets set by Department at 2015 approved levels**
- Continued **emphasis on efficiency**
- Reallocation of funding from low to high priorities of 5% to be documented
- Any increases documented by Investment cases in line with corporate focus areas and to the field
- Allocation process tied to improved **Value for Money** review
- Strengthened links between performance and budgetary allocations

3.3 Projected ISC Income and PSA spend

	Estimated	Planning
	2015	2016
PSAEA Opening Balance	189.8	124.0
•Estimated Overall Income	4,700.0	5,000.0
Estimated ISC Income	303.2	322.5
•PSA Recurring Expenditure	281.8	290.3
•Critical Corporate Initiatives	9.2	TBC
Total PSA Expenditure	291.0	290.3
PSA Drawdown	78.0	*17.0
Estimated Year end PSAEA Balance	124.0	139.2
Current PSAEA Target Level 4 months	93.9	96.8
Estimated months of PSA Reserve	5.3	5.8

2016 Estimated ISC income of USD 322.5 compares with regular PSA of USD 290.3

* Estimate as presented in Strategic Utilization of WFP's PSAEA WFP/EB.A/2015/6-E/1

3.4 Living within our means

	2016 Proposal	Living Within Our means
Estimated Overall Income	5,000.0	4,500.0
Estimated ISC Income	322.5	290.3
Base PSA Recurring Expenditure	290.3	290.3
Critical Corporate Initiatives		-
Total PSA Expenditure	290.3	290.3

Proposed 2016 Regular PSA level of USD 290.3 equals estimated ISC income based on an overall USD 4.5B Income level

3.5 Defined process to prioritize and allocate resources



April

May

Critical Corporate Initiatives

Investment Case	Req	Qty	Est. Budget	Est. Duration	Total Budget
1. Strategic Plan Review	014	0001	\$ 1,000,000	12 Months	\$ 1,000,000
2. HR & IT Systems Upgrade	014	0002	\$ 2,500,000	18 Months	\$ 2,500,000
3. Marketing Campaign Launch	014	0003	\$ 500,000	6 Months	\$ 500,000
4. IT Infrastructure Modernization	014	0004	\$ 1,500,000	24 Months	\$ 1,500,000
5. Compliance & Risk Management System	014	0005	\$ 750,000	12 Months	\$ 750,000
6. New Product Development	014	0006	\$ 3,000,000	36 Months	\$ 3,000,000
7. Customer Relationship Management System	014	0007	\$ 1,200,000	18 Months	\$ 1,200,000
8. Research & Development for New Products	014	0008	\$ 2,000,000	24 Months	\$ 2,000,000
9. Supply Chain Optimization	014	0009	\$ 800,000	12 Months	\$ 800,000
10. Environmental, Social & Governance Reporting	014	0010	\$ 300,000	6 Months	\$ 300,000
11. Data Analytics Platform Implementation	014	0011	\$ 1,800,000	18 Months	\$ 1,800,000
12. Talent Development & Training Programs	014	0012	\$ 600,000	12 Months	\$ 600,000
13. Sustainability Initiatives	014	0013	\$ 400,000	6 Months	\$ 400,000
14. Digital Transformation Strategy	014	0014	\$ 2,200,000	24 Months	\$ 2,200,000
15. Innovation Hub Establishment	014	0015	\$ 1,100,000	12 Months	\$ 1,100,000
16. Global Expansion Strategy	014	0016	\$ 3,500,000	36 Months	\$ 3,500,000
17. Cybersecurity Enhancement	014	0017	\$ 900,000	12 Months	\$ 900,000
18. ESG Reporting Framework Development	014	0018	\$ 250,000	6 Months	\$ 250,000
19. Strategic Partnerships Development	014	0019	\$ 700,000	12 Months	\$ 700,000
20. Business Process Automation	014	0020	\$ 1,300,000	18 Months	\$ 1,300,000

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June / July

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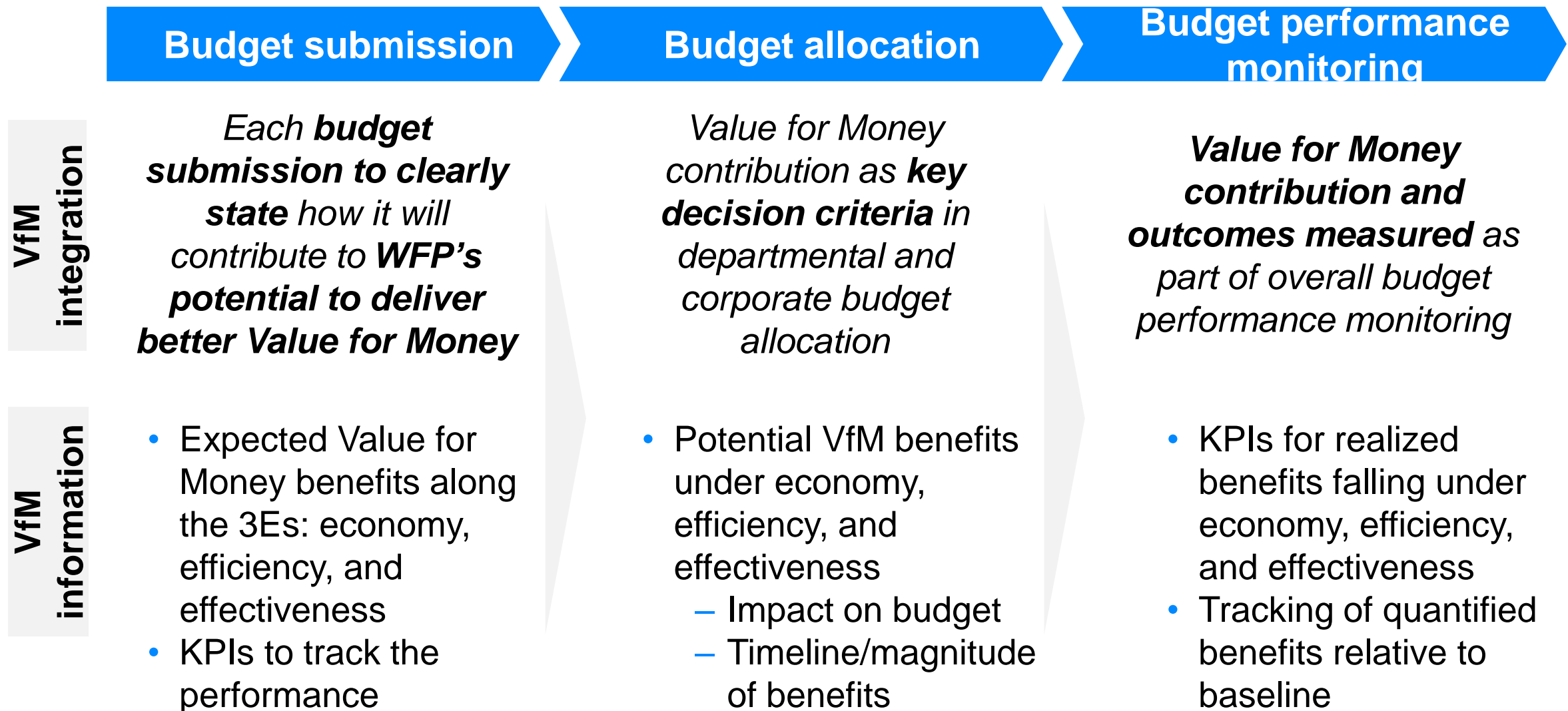
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CCI's to be proposed at 1st Informal Consultation in July

3 Part B. Proposed PSA approach: The Process

3.6 Recall: The prioritization process incorporates Value for Money at all levels



3.7 Increase linkage to results to move towards performance- informed budgeting

Objective

- Linking PSA to performance management

Process

- Budget submission will follow the “results chain”: linking **activities** to **output** and **outcome** results to corporate results (MRD, MR)

Benefits

- **Alignment and allocation:** Business cases in line with corporate results and focus areas
- **Evidence-based monitoring:** Enables measurement of WFP’s investment on each MR/MRD through KPIs
- **KPIs:** Measures performance of planned activities/results against set targets
- **Value for Money:** Economy, efficiency and effectiveness measures allow for tracking on progress on VfM

4. Capital Budgeting Facility

4.1 Proposed capital budgeting activities

Current Commitments for 2016

- Continue funding for LESS. Project now repaying advances in countries where LESS has been implemented
- Continued funding for 2015 approved field based schemes

Senior Management to review requests and include CBF level and areas of investment in MP 2016-18 submission

4.2 2016 Proposed Funding Level

- Current CBF is USD 28m - USD 20m for LESS and USD 8m for field-based capital schemes to finance improvements to premises.
- Funding for premises in 2015 has consumed the available envelope;
- Demand for funding remains high. All proposals submitted via Investment Case template contain credible repayment plans;
- Likely to request Board's approval to increase the ceiling for 2016

5. Operational requirements and provisional prioritized plan of work

5.1 Operational requirements and provisional prioritized plan of work

Key terms

Operational requirements:

All foreseen* operational needs related to approved projects and their logical extensions

Provisional prioritized plan of work:

Sets out the utilization of anticipated funding on the basis of project funding forecasts

Implementation plan:

Provisional prioritized plan of work + Trust Funds

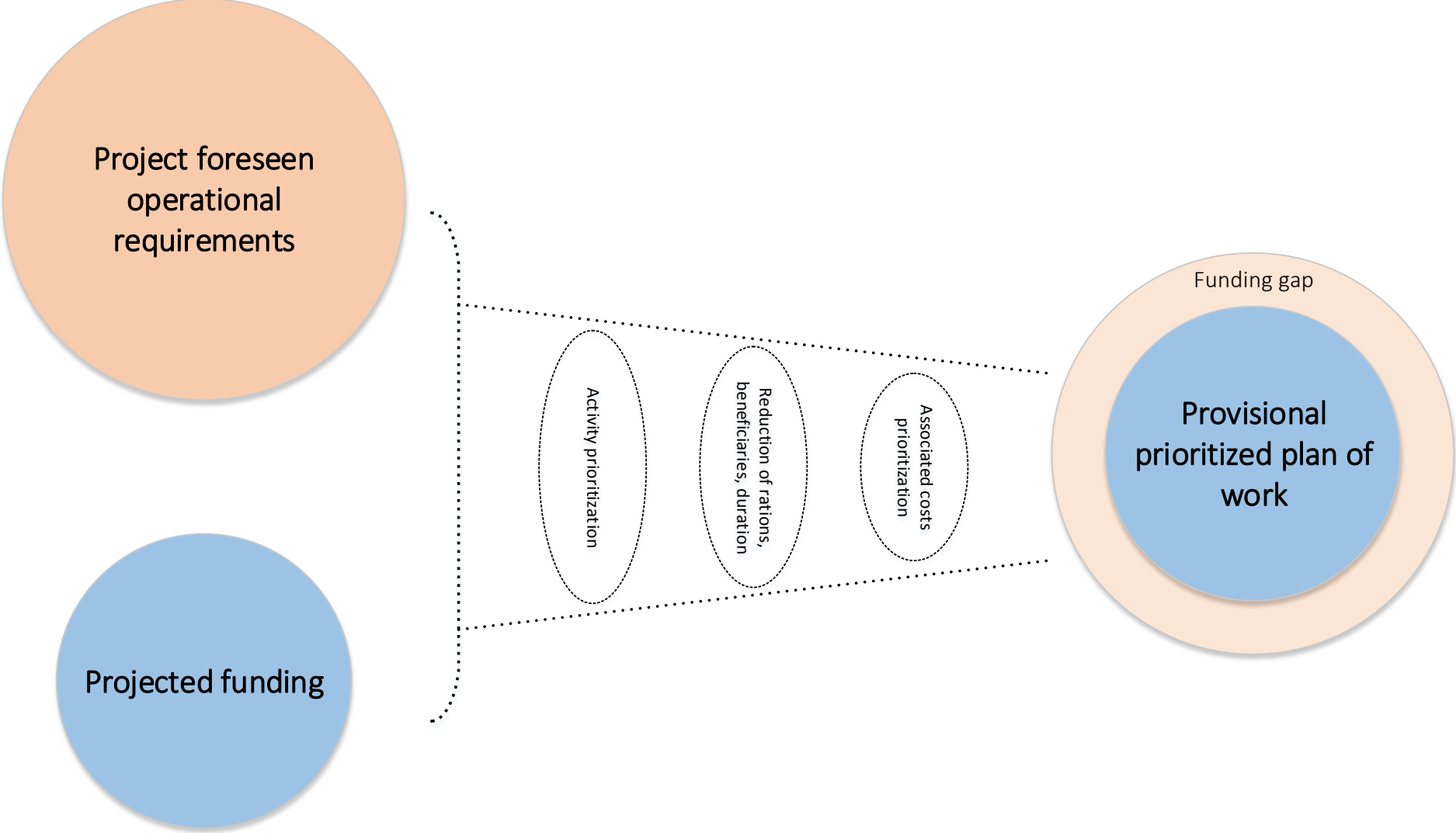
Key Objectives

- ⑩ Creation of implementation plan from operational requirements, based on estimated funding
- ⑩ Prioritized plan of work: basis for project funding as a step towards Resource Based Budgeting
- ⑩ Management of the gap through regular review of funding projection and prioritized plan of work

Process Details

- ⑩ Operational requirements determined on the basis of assessed needs of ongoing projects
- ⑩ CO responsible for funding forecasts and prioritization of needs in line with strategic priorities
- ⑩ Rations, an additional KPI in 2015-17 Management Plan, continued
- ⑩ SPR programme thematic information to be incorporated in operational data submissions

5.2 Prioritization of operational activities



6. Draft Decisions – ED Authority and Appropriation Lines

6.1 Reasons for changing the Draft Decision limit on the ED's authority to adjust the PSA

Current Decision:

Authorizes the Executive Director to adjust the PSA component of the budget in accordance with any variations in the volume of operational requirements of more than 10 percent

FAO Finance Committee requested the Secretariat to engage informally with the Board to explore an alternative formulation of Decision to allow the ED to manage the PSA budget within clearly defined limits

- For over a decade, the decision to limit the ED's authority has remained unchanged but PSA spending authority based on unfunded operational requirements is not logical
- The PSA level is based on estimated funding levels, but the current decision to adjust the PSA is based on operational requirements.
- The current wording has no upper limit except as a percent of operational requirements
- WFP has improved forecasting abilities and is moving to resource based budgeting.

6.2 Draft Decision limits the ED's authority to adjust the PSA level

Authorizes the Executive Director to adjust the Programme Support and Administration component of the budget in accordance with any variation in the volume of **forecast income** of more than 10 percent from levels outlined in **the Management Plan**

or

Recall: (2015 MP Proposal)

Authorizes the Executive Director to adjust the Programme Support and Administrative component of the budget in accordance with an increase in the level of the forecasted income for the year at a rate not to exceed 3.5% of the anticipated increase in income

6.3 Consideration of the suitability of current appropriation lines

Appropriation:

“the amount approved by the Board for specified purposes in the Programme Support and Administrative budget for a financial period”

- Currently reflects organizational structure
- QCPR urged greater uniformity across agencies
- Review of suitability within:
 - the context of the Financial Framework Review
 - Increased emphasis on performance
- Not planned as part of the 2016-18 Management Plan

Thank you!