

Introduction to Resource Management

Resource Management Seminar:
Second Session
Rome, 27 January 2015



World Food Programme

Agenda Second Session

WFP's Financial Resource Management

- Planning
- Implementation
- Reporting
- Internal Controls
- Risk Management

Annex: RM Facts and Figures

WFP's Financial Resource Management

Guiding principles of Governance and Management

WFP operates in a unique and challenging context

100% voluntary funding

Operational uncertainty,
difficult working environment

Principle of Full Cost Recovery

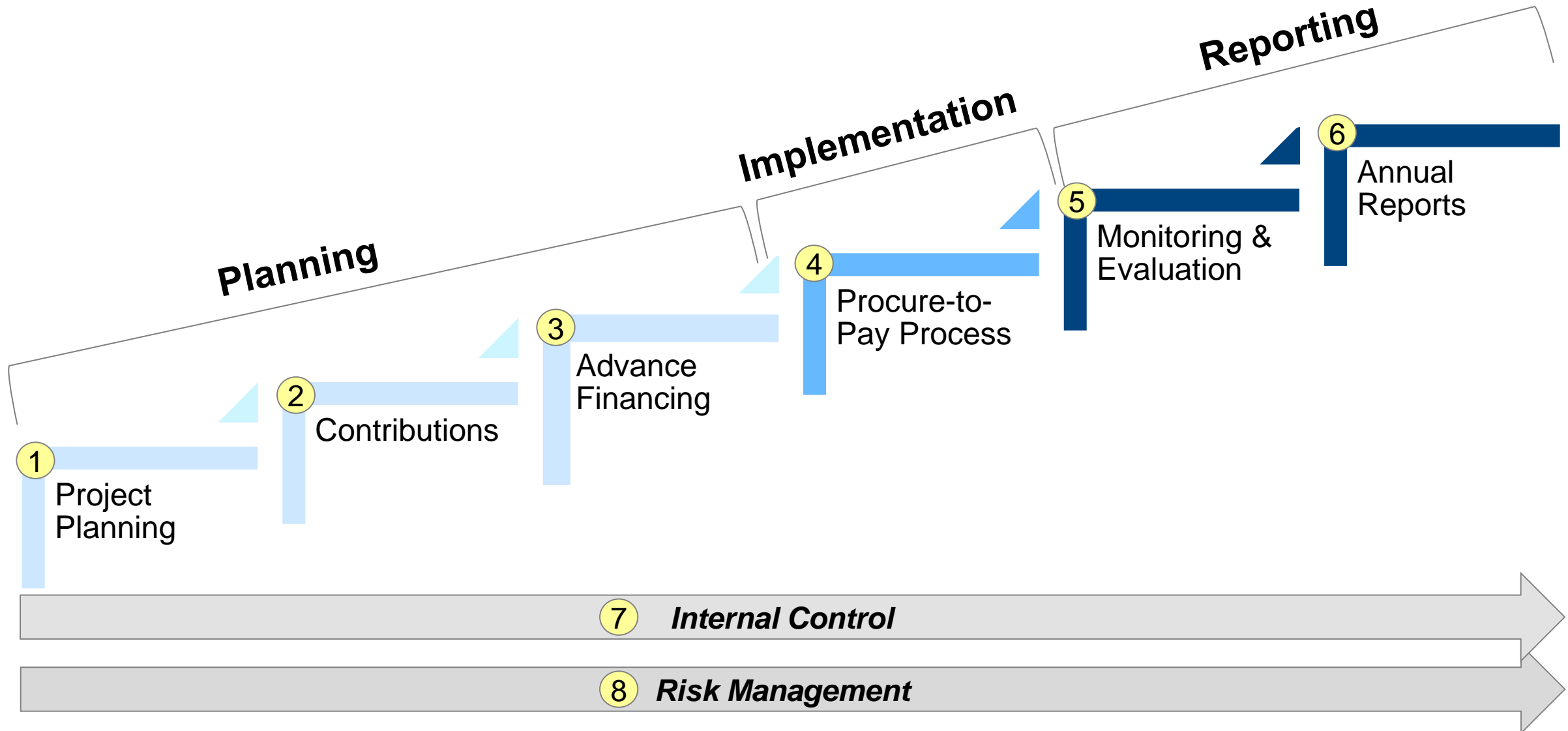
Project-based funding model

Global uncertainty of markets
(currencies and commodity prices)

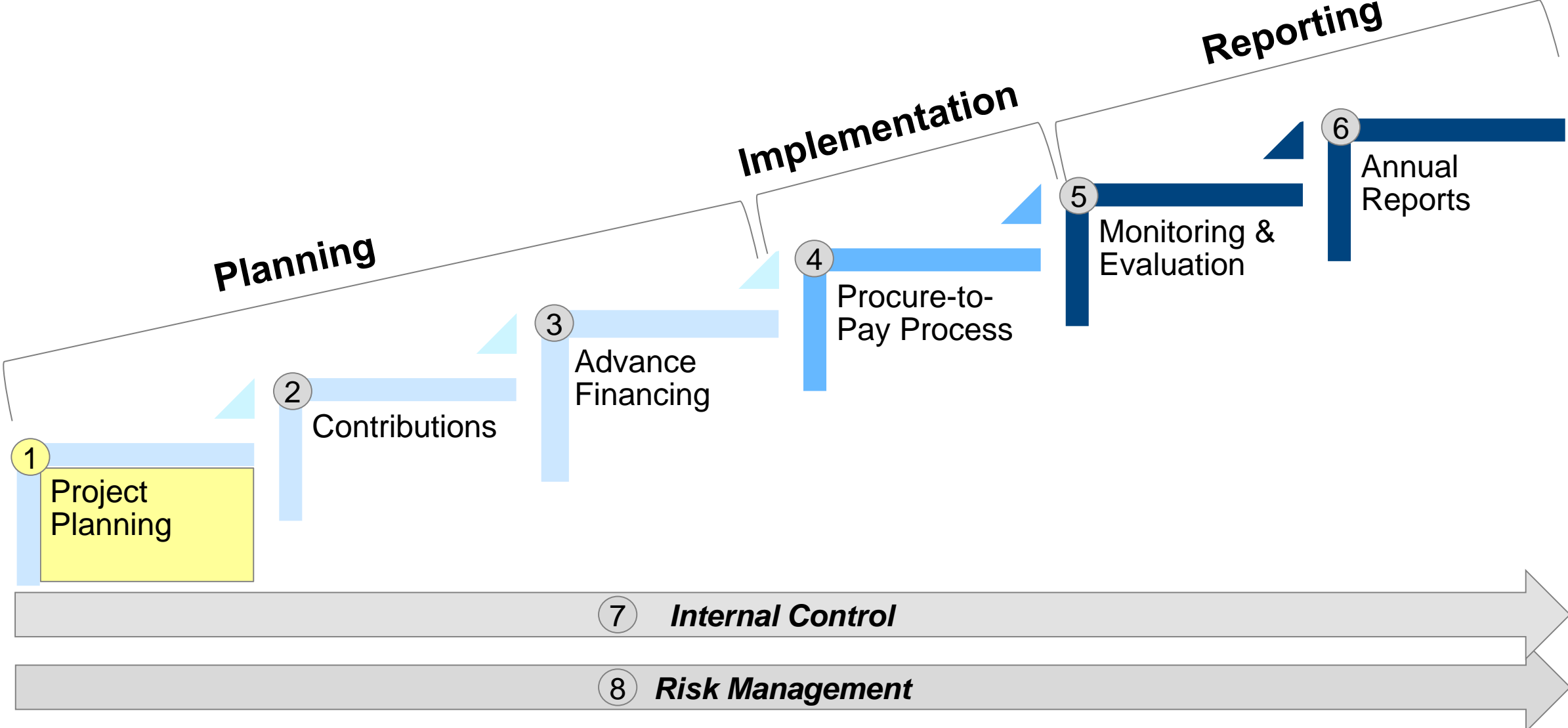
United Nations and donor
regulatory frameworks

New intervention types
(e.g., Cash & Vouchers)

WFP's Financial Resource Management



Planning: Project Planning



Planning: Project Budget Plans

Project Budget Plans are:

Description:

Prepared for all projects

- Emergency Operations (EMOP)
- Protracted Relief and Recovery Operations (PRRO)
- Development Projects (DEV)
- Special Operations (SO)

Provide an estimate of required funding

- Budget plans for EMOPs and PRROs are needs driven
- Budget plans for Development Projects are needs driven but must be implementable with foreseen available resources
- Approval of a budget plan authorizes WFP to raise resources

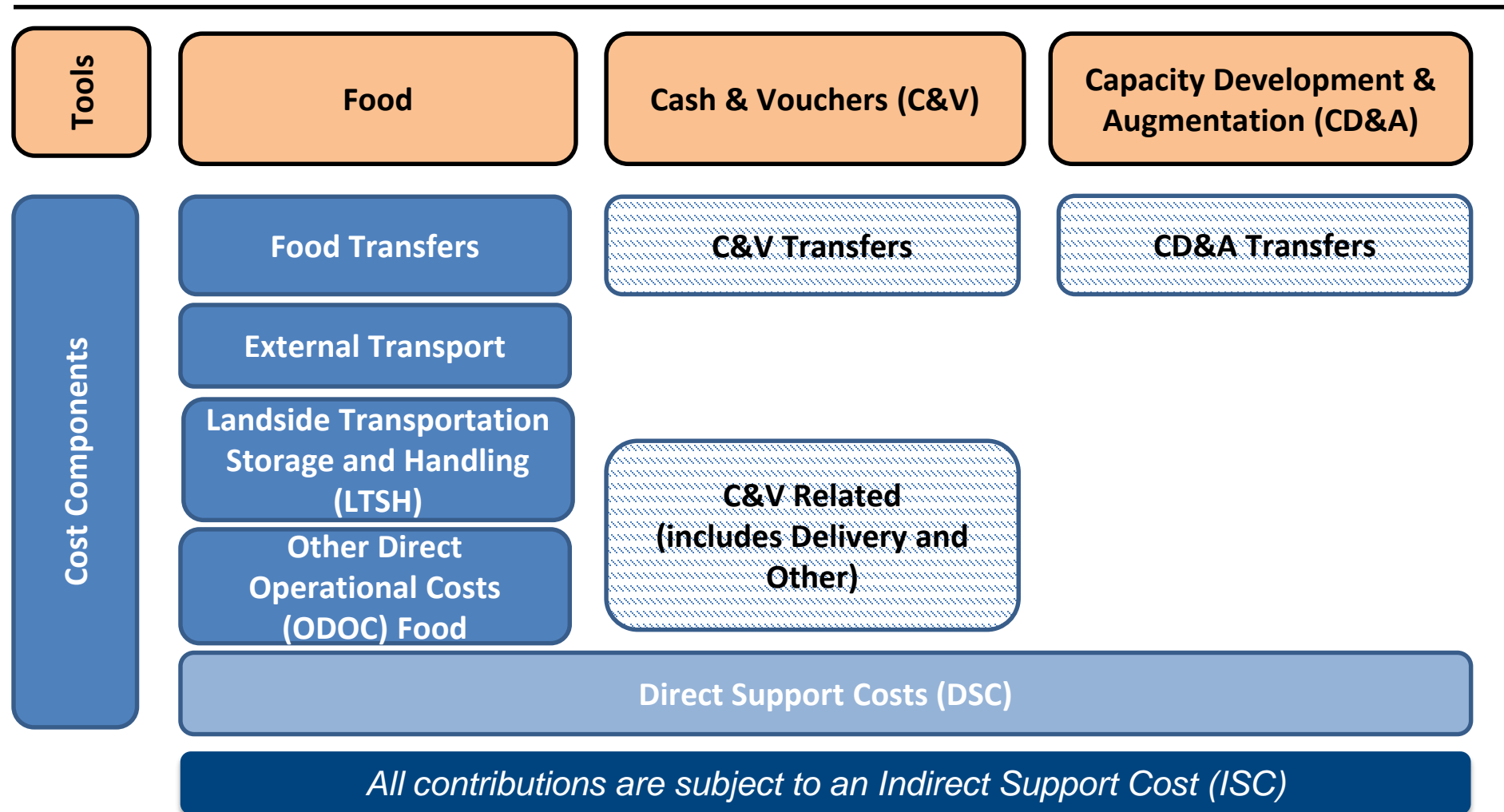
Form the foundation of the Management Plan

- Three-year rolling Management Plan (MP) is approved during Executive Board's 2nd Regular Session (yearly)
- MP presents aggregated projected operational requirements of all active projects and foreseen logical extensions

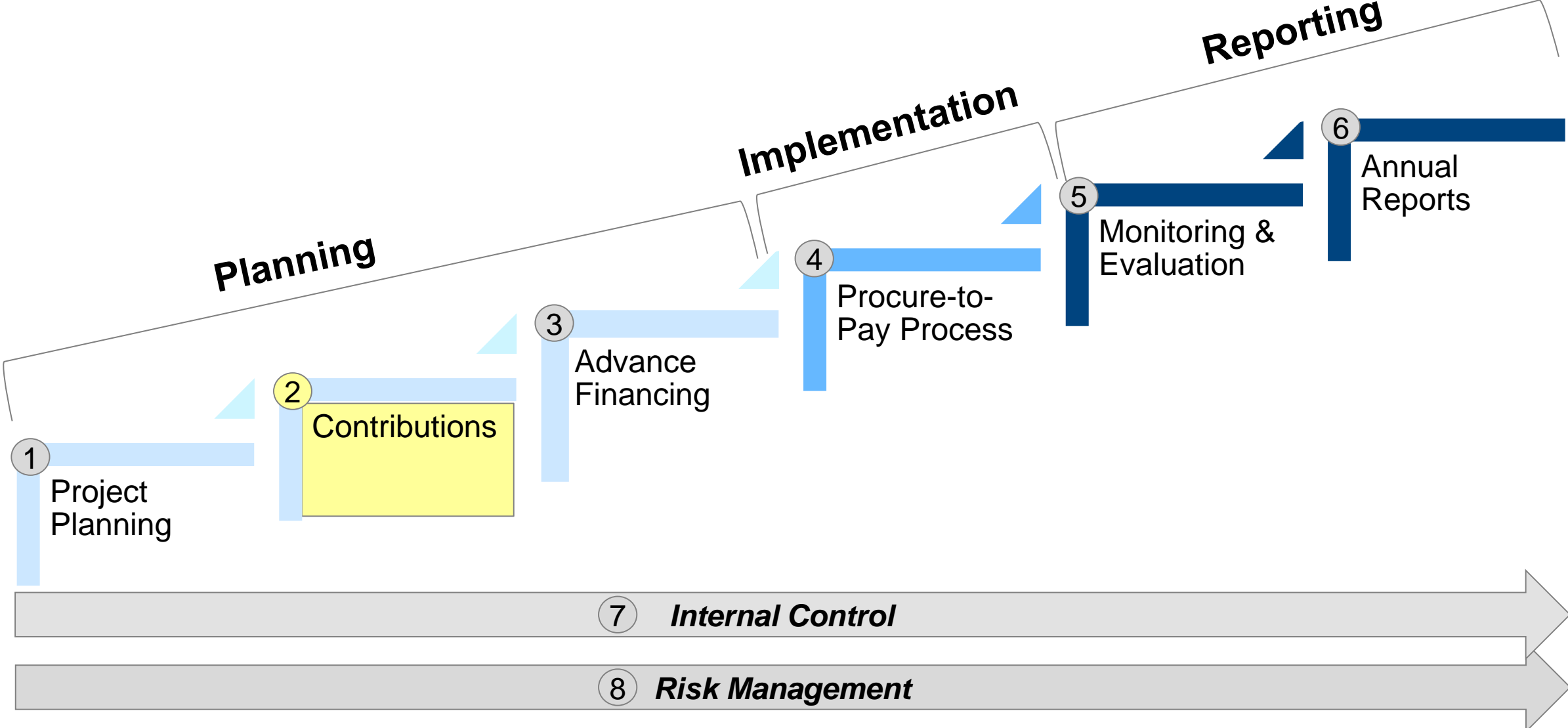
All projects are approved by the Executive Board or under the authority delegated to the Executive Director

Planning: Project Budget Structure

Project Budget Structure



Planning: Contributions



Implementation: Management Plan Budget

USD million

	2015	2014	2013
Operational Requirements per Management Plan (MP)	7,446	5,857	4,969
Actual Contribution Revenue	?	5,378*	4,379
Projected Contribution Revenue	4,400	4,500	4,000
Approved Regular Programme Support and Administrative (PSA) budget	281	281	256
PSA Equalization Account		191*	121

Increase due to unprecedented number of L3's

WFP's projected Operational Requirements for 2015 is USD 7.4 billion. All contributions are voluntary, and subject to internal controls.

Planning: Contributions and the Full Cost Recovery Principle

Full Cost Recovery Principle:

All contributions must cover their operational, direct support costs and indirect support costs

Rationale

- Principle helps protect against cross-subsidization of support costs
- Ensures sustainability of support costs, both direct and indirect
- Principle is equitable towards all donors
- For indirect support costs, a set percentage rate serves as a driver of economy, efficiency, and effectiveness

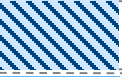
Possible Exemptions

- Commodities/ Services from developing countries, countries in transitional economies, and non-traditional donors (subject to further requirements)
- Some un-designated cash contributions

Planning: Contributions by Funding Window

Three types of funding windows for contributions:

Proportion of funding:*

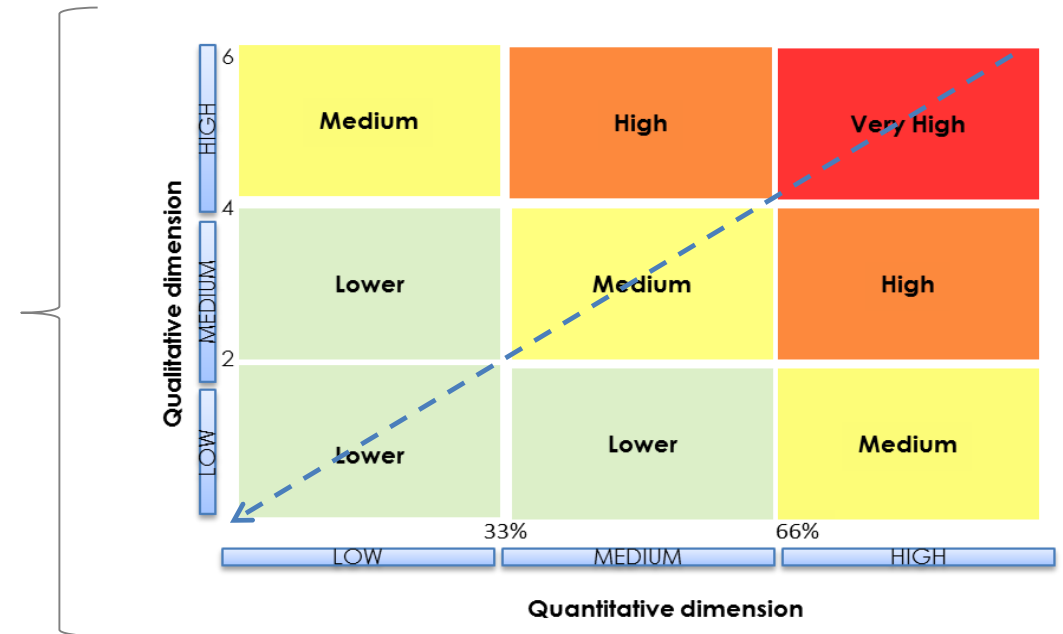
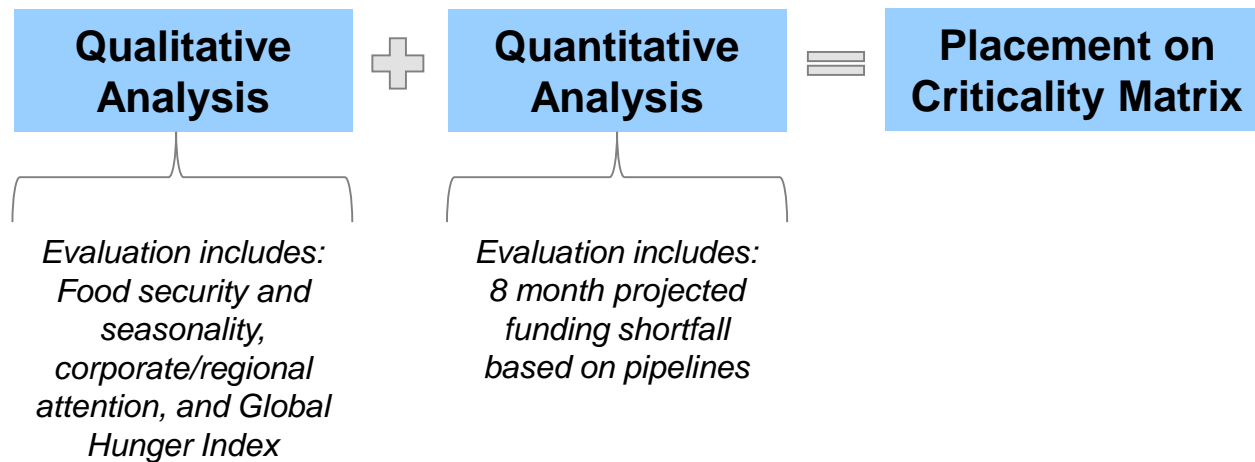
Multilateral	<ul style="list-style-type: none"> • Most flexible source of funding for WFP • Allocated and prioritized by Strategic Resource Allocation Committee (SRAC) • Can be donated to the General Fund; the IRA; specific programme categories; and specific broad-based appeals 	8.1%
	<i>Immediate Response Account (IRA): A form of multilateral contributions can be used as collateral</i>	
Directed Multilateral	<ul style="list-style-type: none"> • Directed by donor to a specific WFP activity or country programme • Standard Project Reports that are submitted to the Executive Board 	89.4%
Trust Funds	<ul style="list-style-type: none"> • Used by donors to support bilateral country-level activities, or global initiatives • Includes contributions for infrastructural needs 	2.5%

All contributions to WFP are voluntary. They can be in the form of monetary contribution, or in-kind contributions of food commodities; or goods and services.

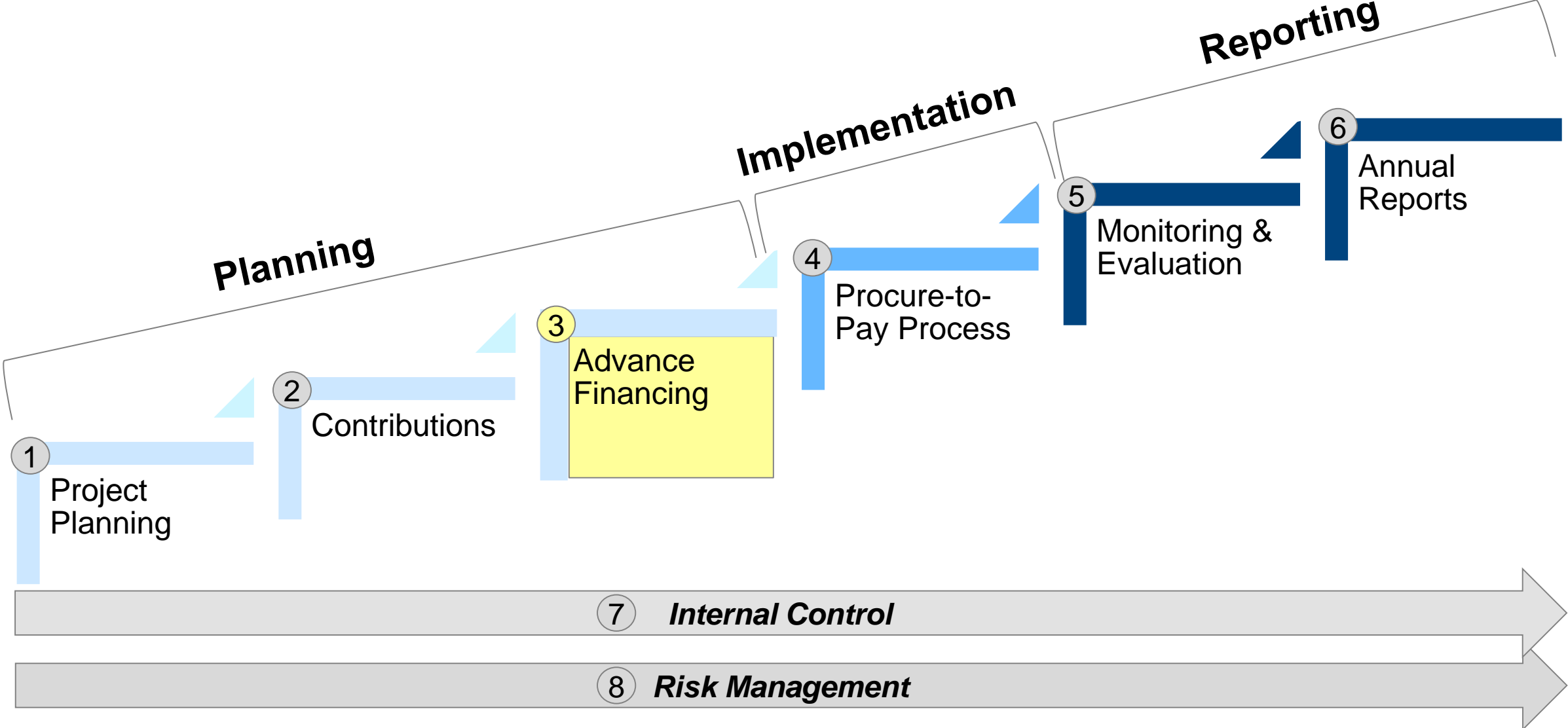
Planning: SRAC Prioritization for Multilateral Contributions

The 'Strategic Resource Allocation Committee' (SRAC) process ensures that multilateral resources go to the most needy and impactful operations

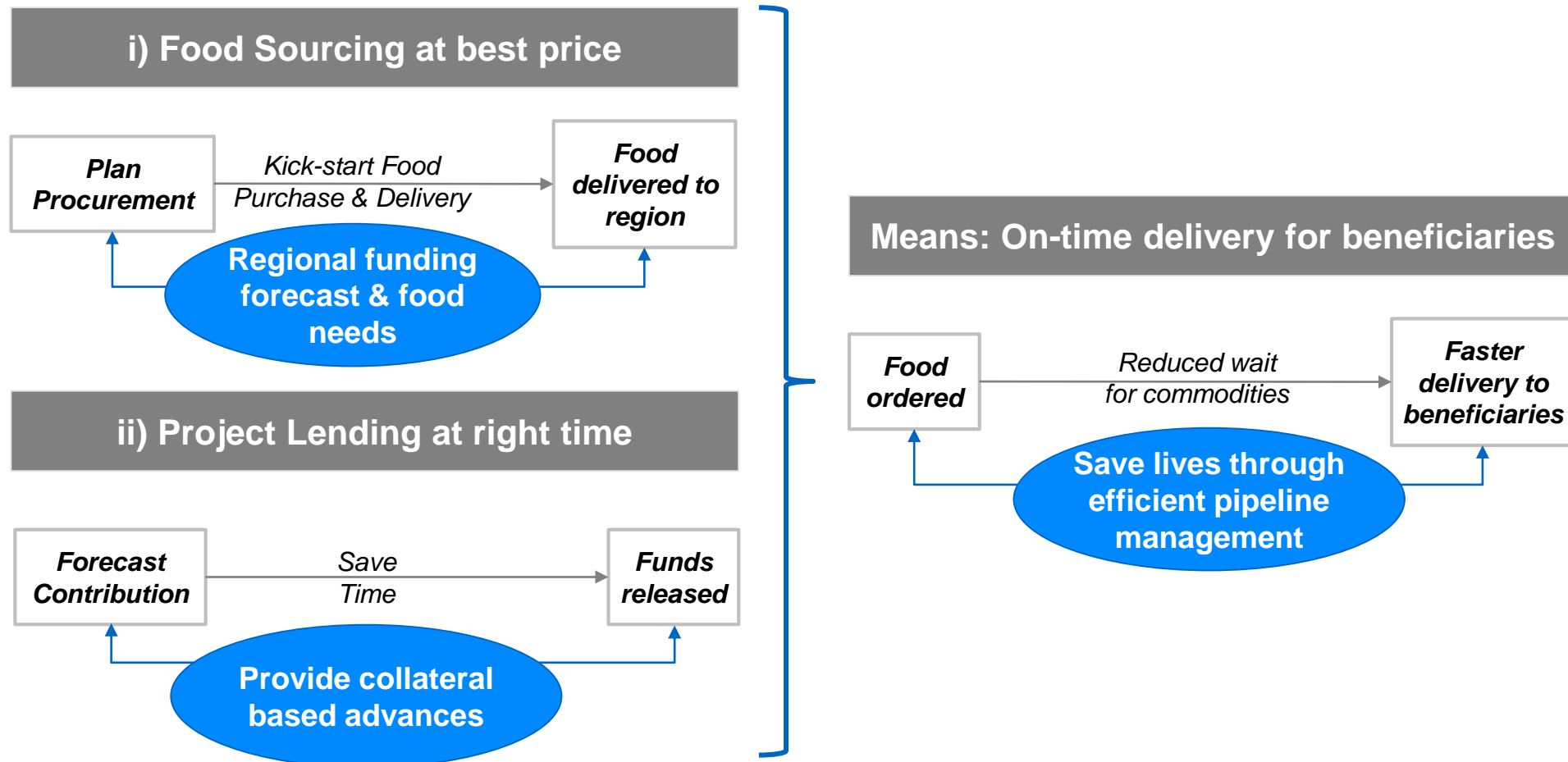
An evaluation of funding proposals is carried out based on criticality and possible impact:



Planning: Advance Financing

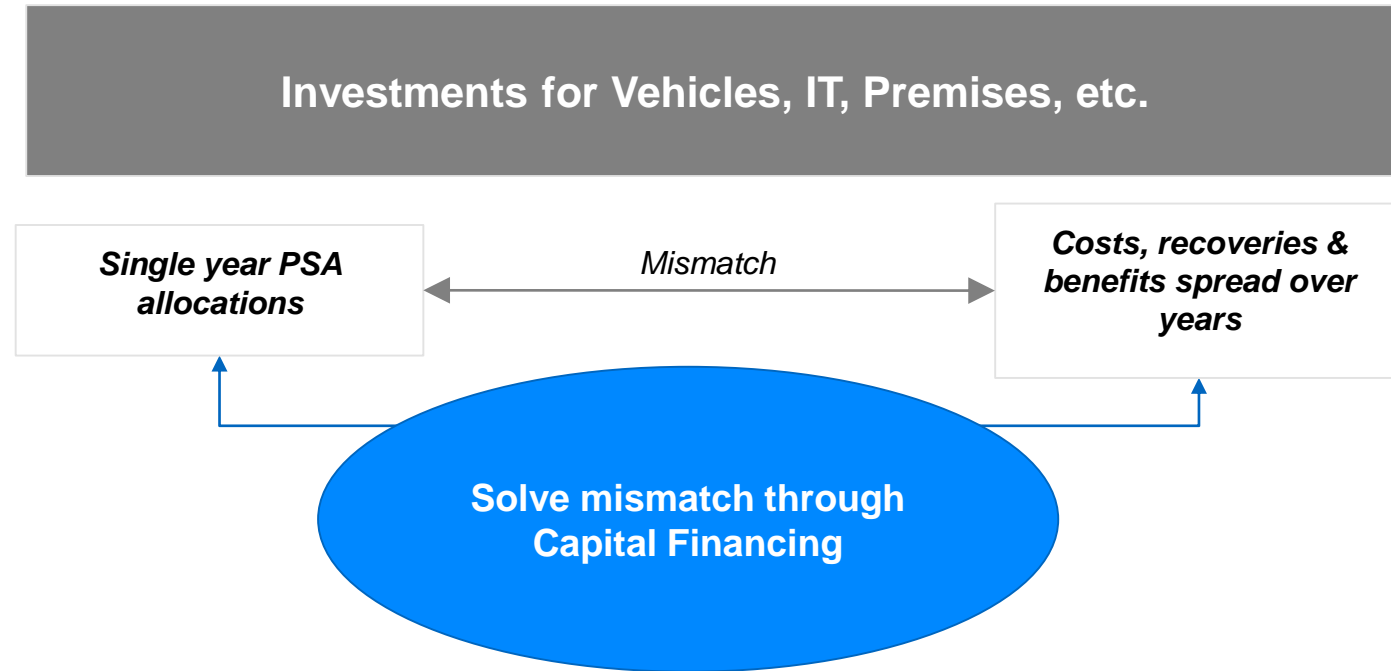


Planning: Two different financing needs within WFP Operations



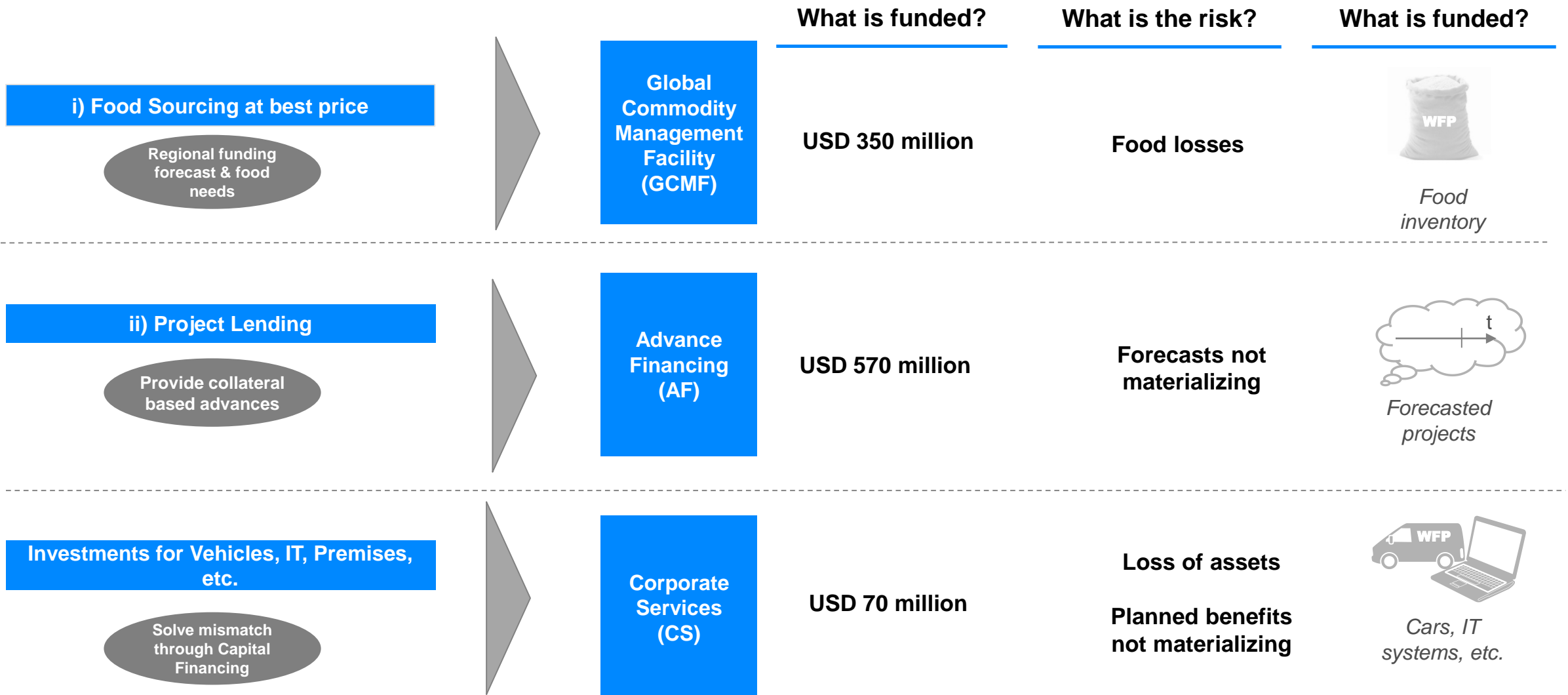
WFP only begins spending when it has a pledge (this is called 'forecasting on pledge'). If no pledge can be confirmed, WFP uses Advance Financing.

Planning: Third financing need within WFP is infrastructure

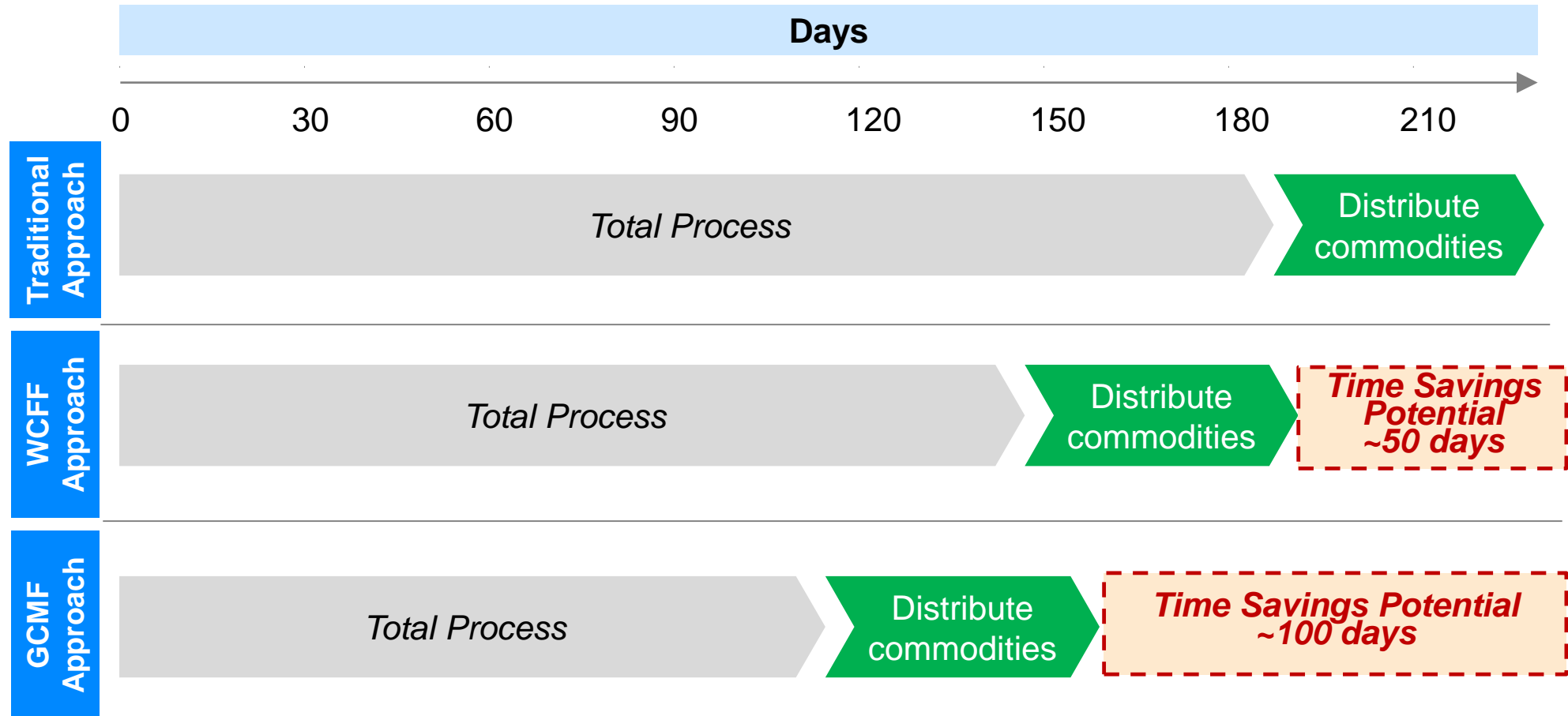


Capital Financing allows WFP to invest in infrastructure which provides recoveries and benefits over a number of years

Planning: Advance Financing Tools in WFP

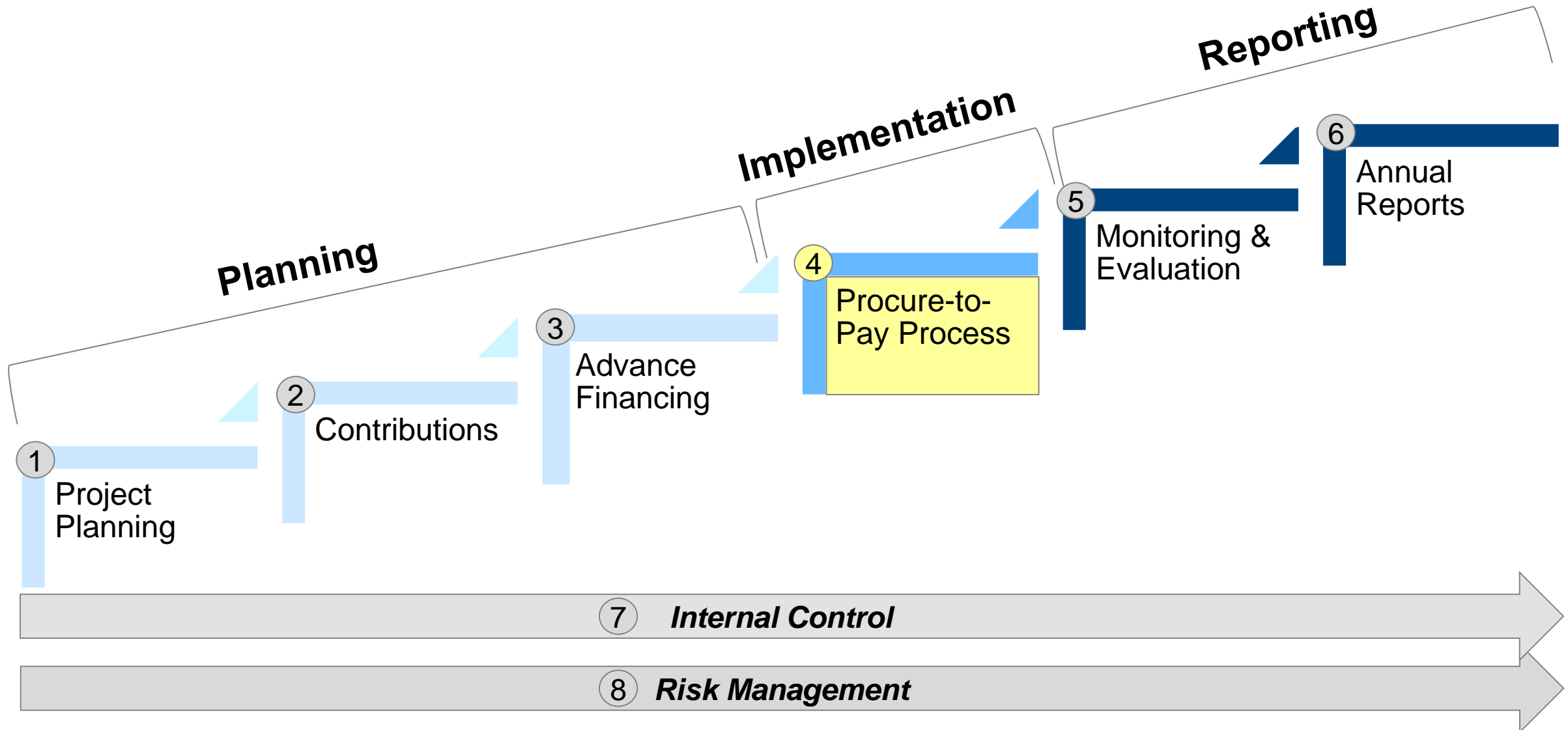


Planning: Working Capital Financing Facility (WCFF) and Global Commodity Management Facility (GCMF)

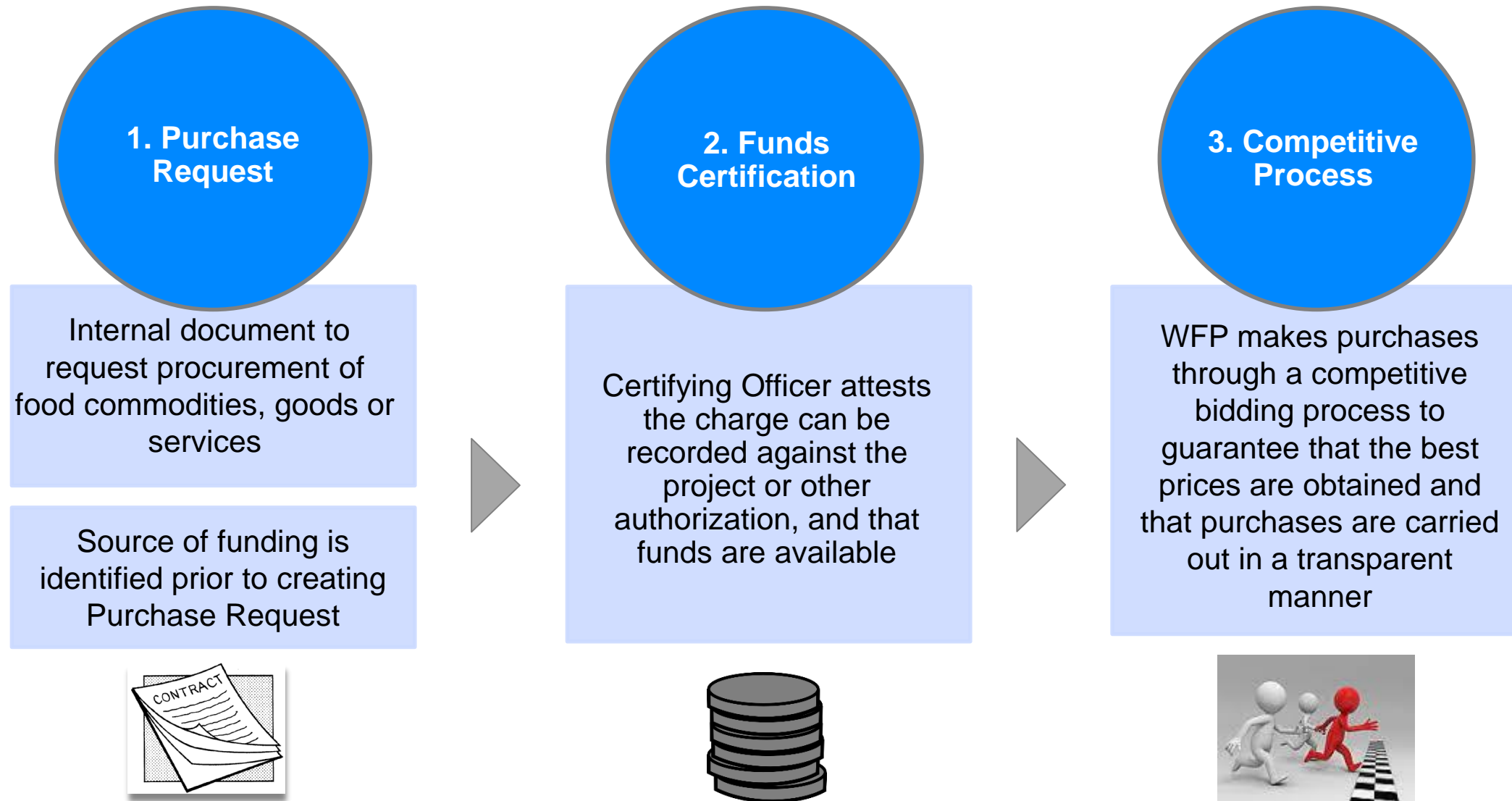


WCFF and GCMF can reduce food delivery times by moving process steps in parallel

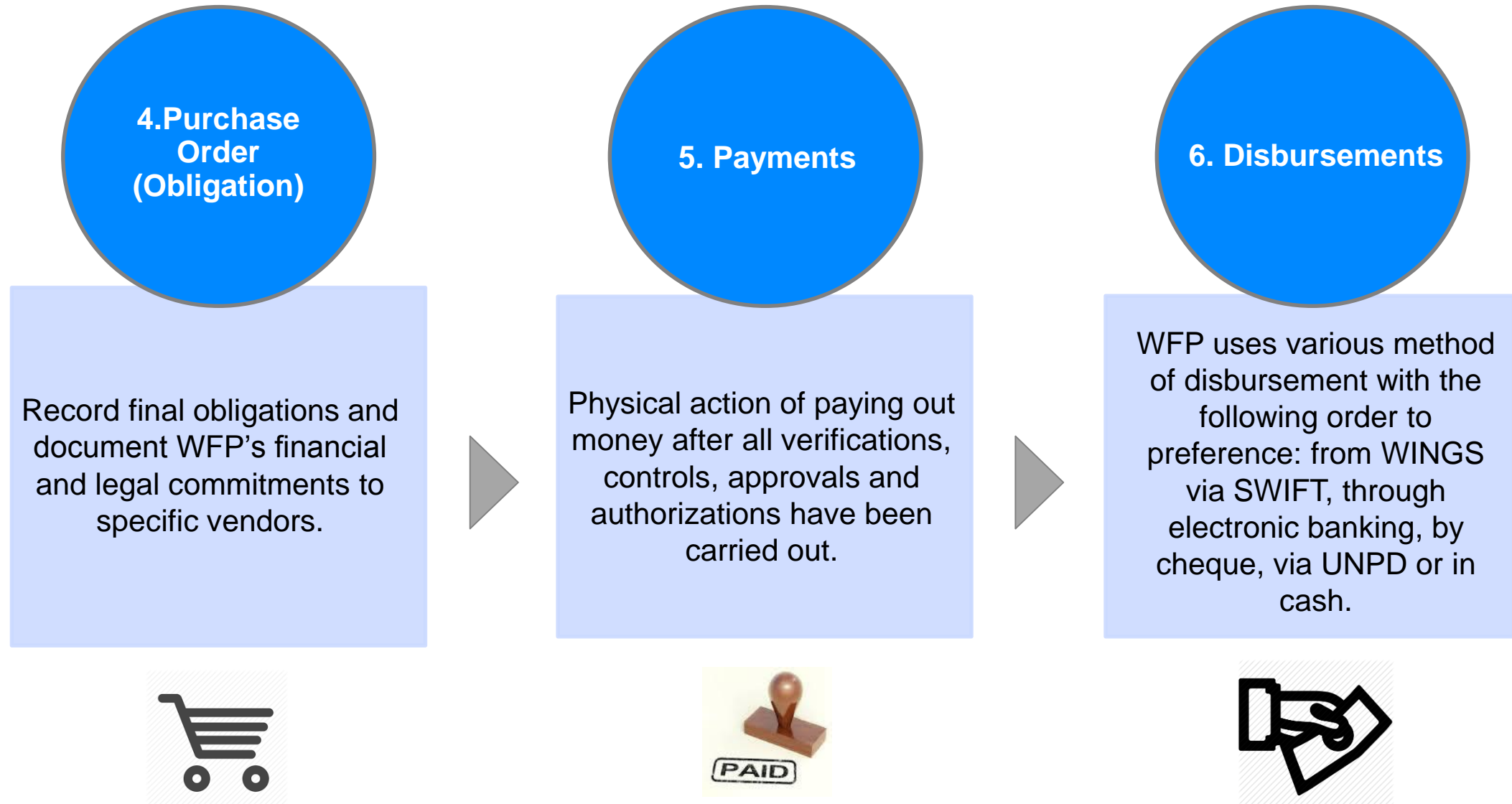
Implementation: Procure-to-Pay Process



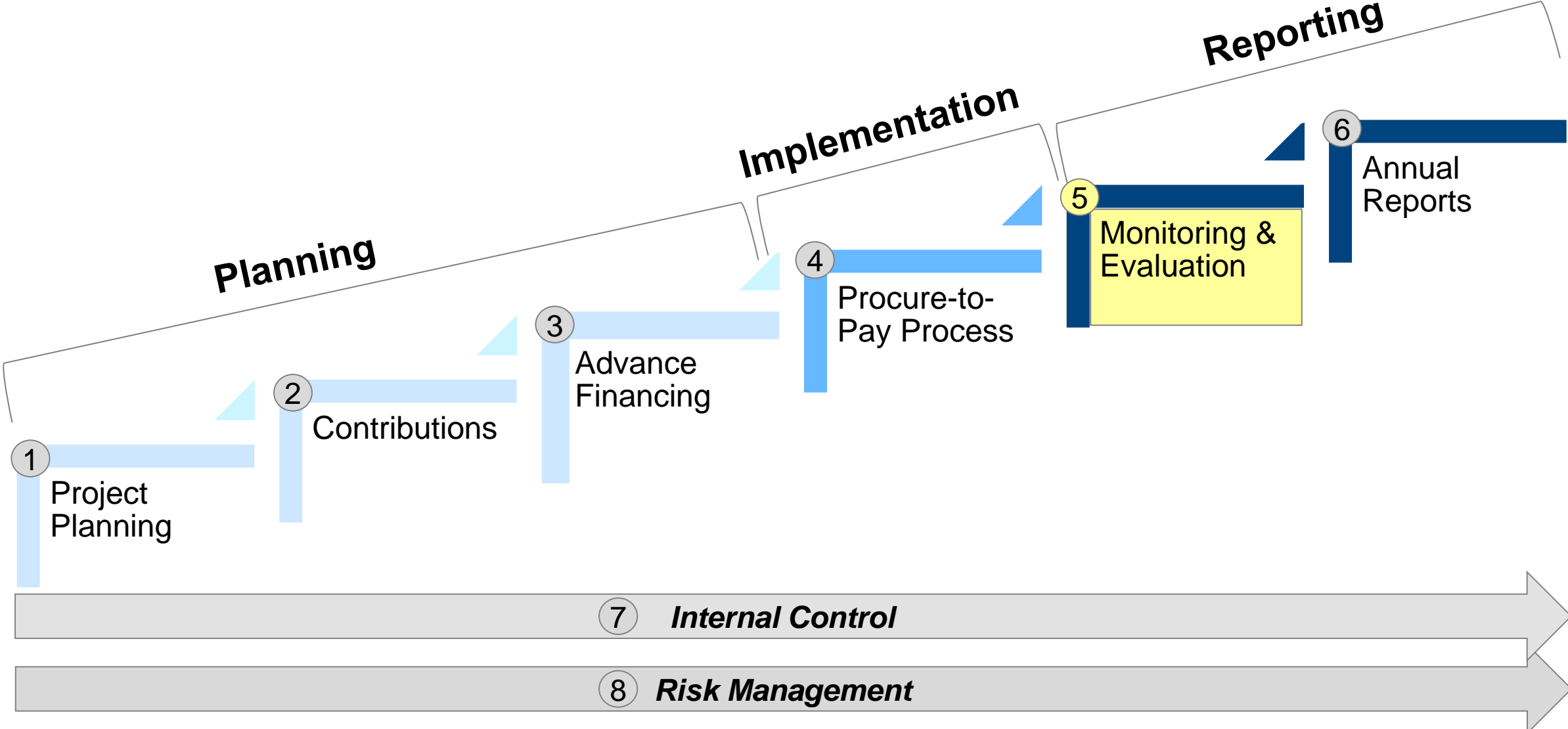
Implementation: Procure-to-Pay (1)



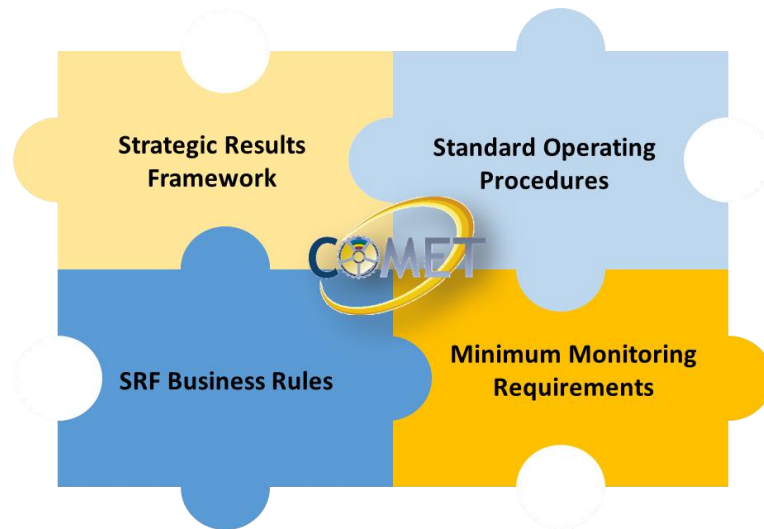
Implementation: Procure to Pay (2)



Reporting: Monitoring & Evaluation



Monitoring & Evaluation (M&E): Progress in strengthening monitoring



Sustainable financing model

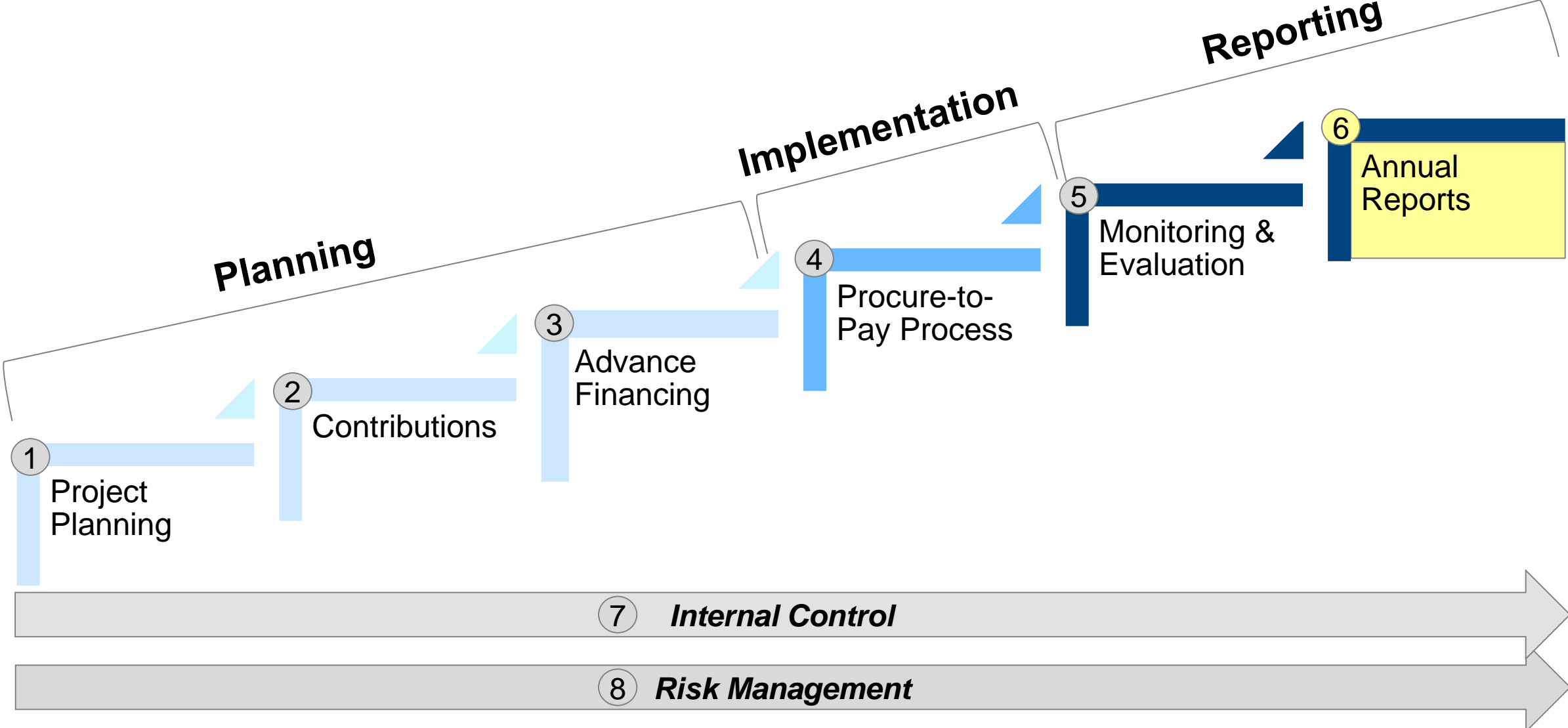


Discussions ongoing

Direct support to CO/RB

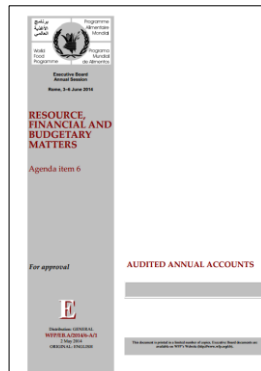
- ✓ Development of **regional monitoring capacity** assessments and strategies;
- ✓ **Training on the new Strategic Results Framework indicators** in all regions, targeting all CO and RB M&E staff;
- ✓ Launch of a **M&E Learning Programme**
- ✓ **Funds to support monitoring activities** at regional and country levels including USD 1.2 million for Regional M&E Advisors;
- ✓ **USD 900,000 in grants to 21 COs for strengthening of outcome measurement** and reporting;
- ✓ Scale-up in the **use of remote technologies in 10 ‘self-starter’ countries**;
- ✓ Full roll-out of **COMET Design module** and partial roll out of the Implementation module.

Reporting: Annual Reports



Annual Reports: Financial Statements, SPR and APR

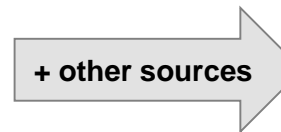
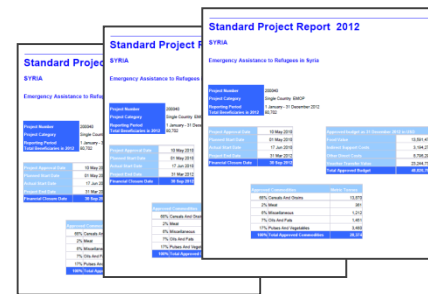
FINANCIAL STATEMENT



1. Executive Director's Statement
2. Statement on Internal Control
3. Financial Statements I to V
4. Notes to the Financial Statements
5. External Audit Opinion and Report

- The Annual Performance Report (APR) is the key corporate report presented to stakeholders, with information on WFP's global performance

STANDARD PROJECT REPORTS

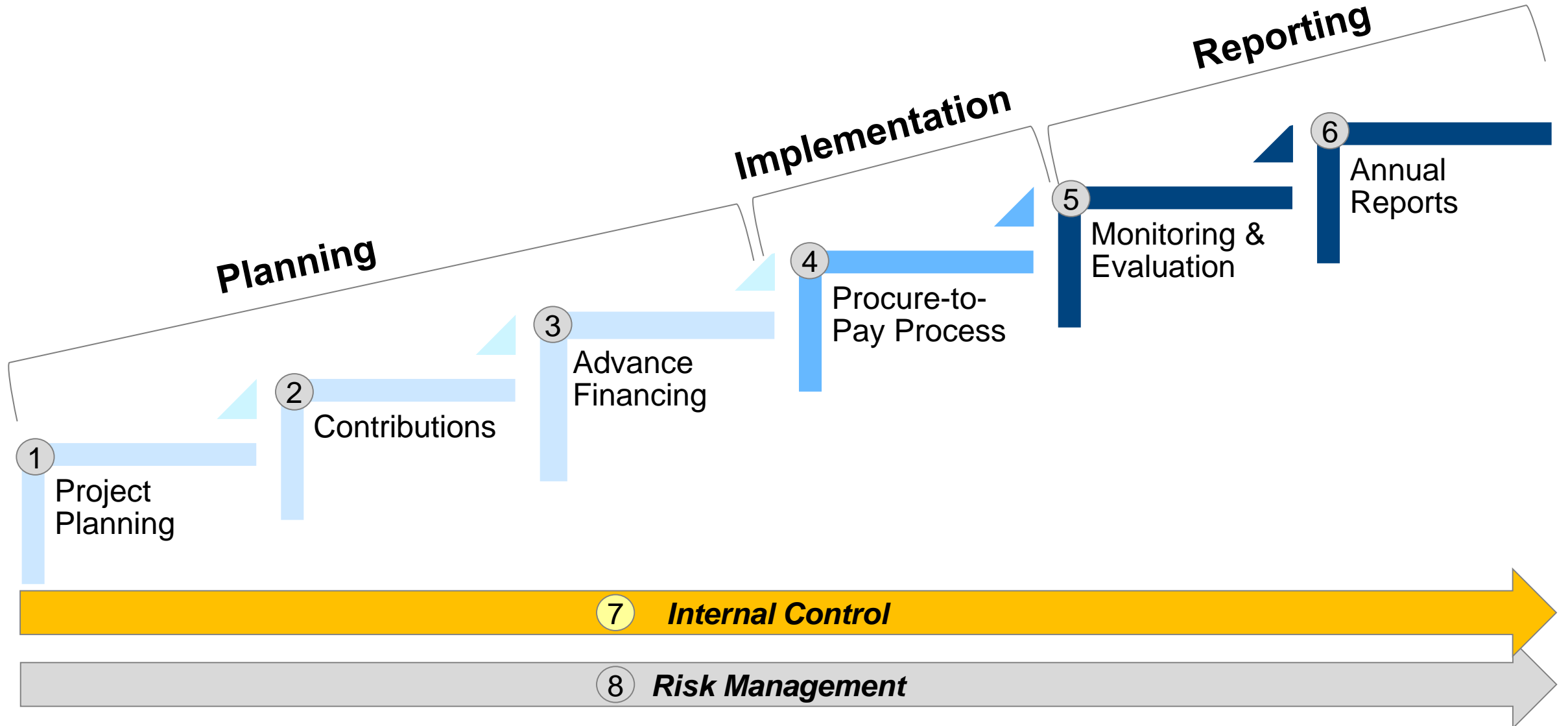


APR



- It draws data from Standard Project Reports (SPRs) as well as from financial statements

Internal Control



Internal Control: WFP's Internal Control Framework serves as 'coat hanger' for all activities required for good management

Based on COSO international best practice

1. Internal Environment



- Ethical values
- Organization structure
- Strategic objectives
- HR policies
- Management style

2. Risk Management



- Identification of threats & opportunities
- Risk assessment
- Risk response

3. Control Activities



- Management review of actions
- Segregation of roles in WINGS II
- IT systems password policy

4. Information & Communication



- Sharing of relevant information
- Information escalation
- Timeliness & quality of information

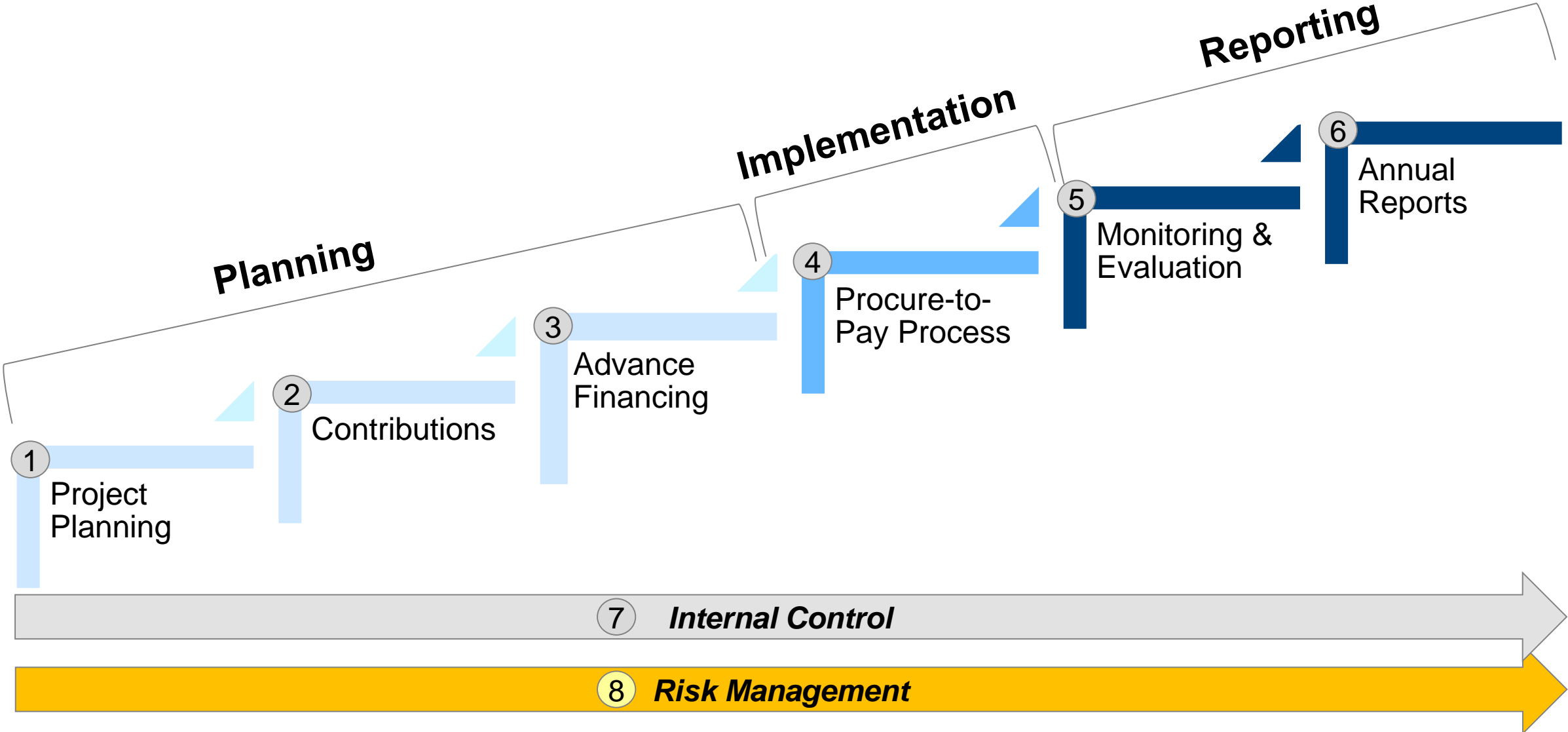
5. Monitoring



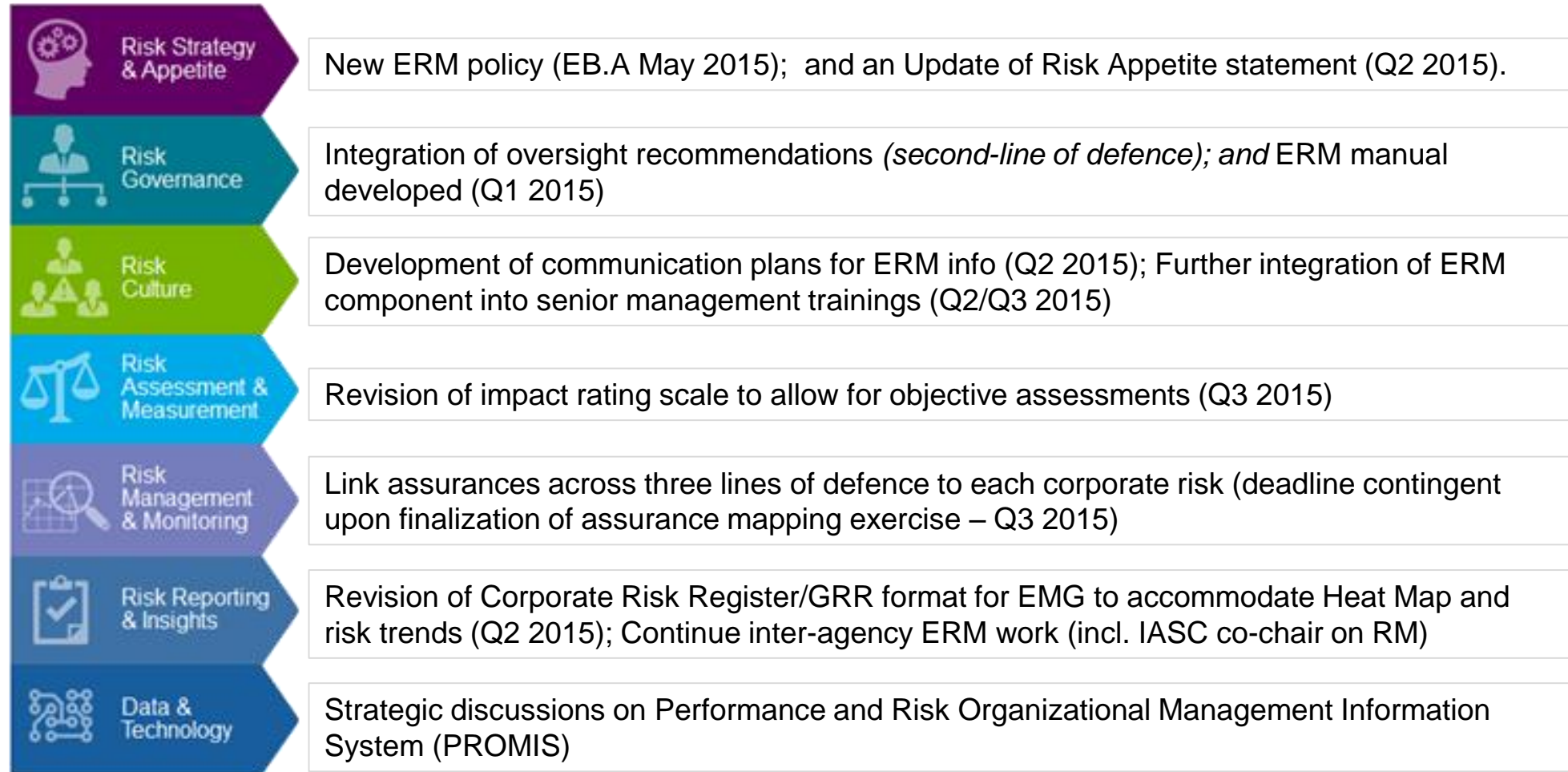
- Balancing supervision & micro management
- Periodic review of systems
- Reporting deficiencies

The five components of Internal Control are used as framework for all Internal Control improvement tools

Risk Management



Risk Management: Following the best-practice framework



Managing performance is everybody's business

Sep 2014

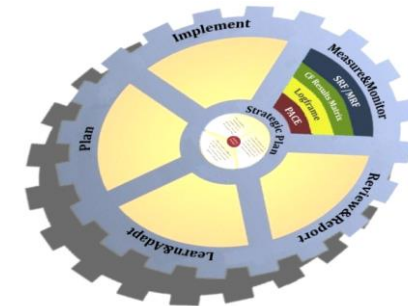
WFP
World Food Programme
wfp.org

Executive Director's Circular

Date: 9 September 2014
Circular No.: OED2014/014

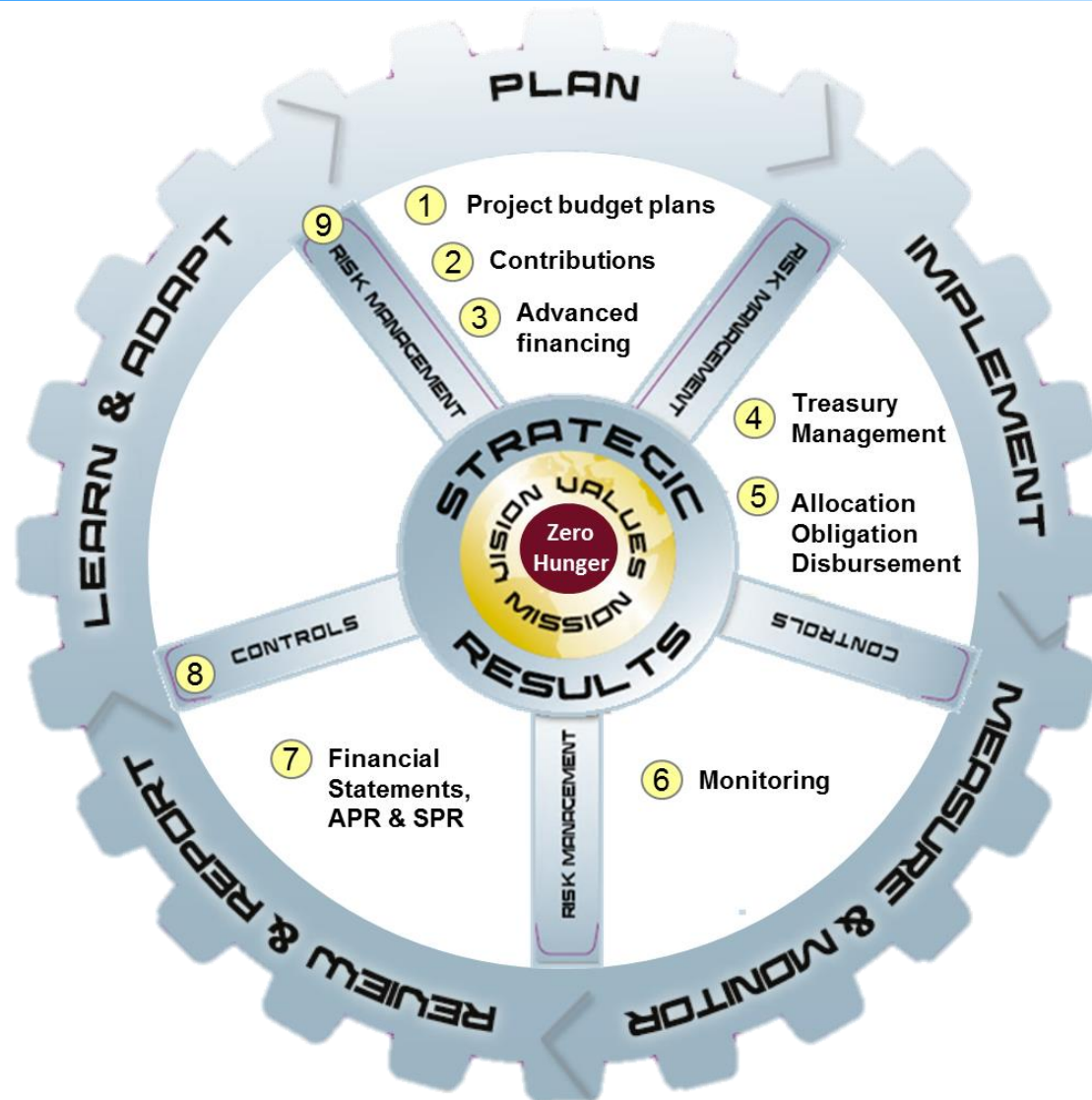
WFP's Performance Management Policy

Purpose:
Managing performance is everybody's business in WFP. We must work collectively to ensure that every aspect of our work serves the objectives set out in our strategic plan and meets the highest standards of delivery.



WFP's Financial Resource Management

Within the performance cycle



ANNEX

Annex: Financial Statements and External Audit documents

Structure of WFP Financial Statements

1. Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Enterprise Risk Management and Financial Risk Management

2. Statement on Internal Control

- ❖ The Internal Control Framework and Enterprise Risk Management
- ❖ Review of the Effectiveness of Internal Control
- ❖ Significant Risk and Internal Control Matters

3. Financial Statements I to V provide financial views on WFP's operations.

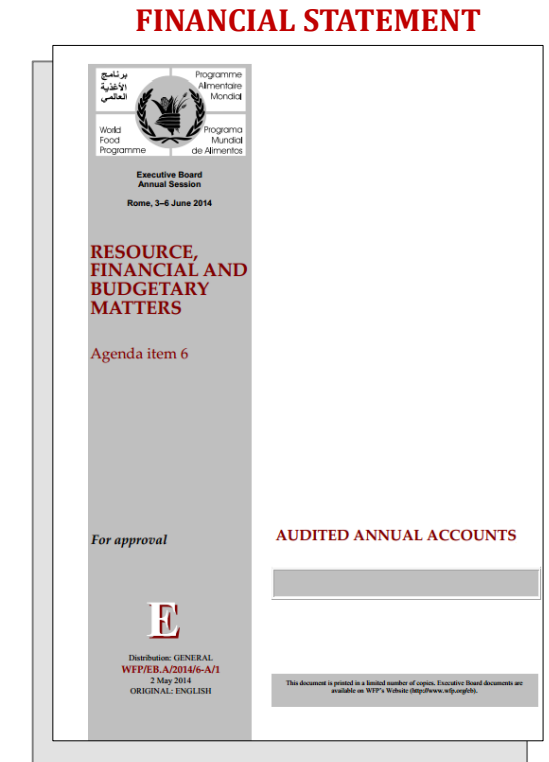
Key statements are:

- ❖ Statement I – states the financial position of WFP as of 31 December 2014
- ❖ Statement II – states the financial performance of WFP for 2014
- ❖ Statement V – compares WFP's Actual performance against Budget

4. Notes to the Financial Statements

- ❖ Disclose WFP's accounting policies (Note 1)
- ❖ Provide explanatory detail to elements of the Financial Statements (Notes 2 – 12)

5. External Audit Opinion and Report



Statement of Financial Performance (USD millions)

	2014 Forecast	2013	2012	2011
Contribution revenue (monetary and in-kind)	5,378.3	4,379.6	4,044.3	3,596.5
Other (Other Revenue, Currency and Return on Investment)	126.7	156.2	167.1	139.6
Total Revenue	5,505.0	4,535.8	4,211.4	3,736.1
Expenses	5,121.6	4,514.8	4,395.7	4,016.8
Surplus (Deficit)	383.4	21.0	-184.3	-280.7
Cash & Voucher (C&V) expense over the years	2014	2013	2012	2011
C&V expense	844.7	498.1	191.8	120.7
Annual growth	170%	260%	159%	200%
Total expenses	5,121.6	4,514.8	4,395.7	4,016.8

Overview of Statement on Internal Control

2014 is the 4th year for which a ‘Statement on Internal Control’ will be produced

- Global best practice to assure stakeholders and demonstrate accountability
- To be signed by the ED and published with Annual Financial Statements (May 2015)

Directors were required to submit an “Assurance Statement” on internal control for their Office/Division to form the primary basis of ED Statement

- DED/AEDs and RDs reviewed and cleared the responses provided by Departments/Offices reporting to them
- Other evidences considered

All directors within WFP to submit Assurance Statement for their geographic or functional area of responsibility

Analysis indicates progress in strengthening internal control systems within WFP compared to last year, but there are still areas for improvement

- Issue on segregation of duties significantly improved and related high risk Internal Audit recommendation closed
- Other four areas previously reported on (risk management, Emergency Preparedness and Response Package, PACE and M&E) continue to need further improvement actions

External Audit

External Auditor is appointed by the Executive Board



The Comptroller and Auditor General of India has been appointed for July 2010 - June 2016 term

Process for the selection of a new External Auditor started in Nov. 2014

Each year, the External Auditor conducts:

Audit of the Financial Statements

Two Performance Audits on topics in consultation with Management

Management prepares a progress report on outstanding External Audit recommendations



Presented at the Annual Board Session in June