



**World Food
Programme**

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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The Executive Director is pleased to submit herewith the report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) pertaining to WFP. The report covers the following agenda items:

- WFP Management Plan (2016–2018)
(WFP/EB.2/2015/5-A/1)
- Appointment of the WFP External Auditor for the
Term 1 July 2016–30 June 2022
(WFP/EB.2/2015/5-B/1)
- Update on the Financial Framework Review
(WFP/EB.2/2015/5-C/1)
- Work Plan of the External Auditor
(WFP/EB.2/2015/5-D/1)

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Advisory Committee on
Administrative and Budgetary Questions

6 November 2015

Dear Ms. Cousin,

Please find attached a copy of the report of the Advisory Committee on your submissions concerning:

- WFP Management Plan (2016–2018) (WFP/EB.2/2015/5-A/1)
- Appointment of the WFP External Auditor for the Term 1 July 2016–30 June 2022 (WFP/EB.2/2015/5-B/1)
- Update on the Financial Framework Review (WFP/EB.2/2015/5-C/1)
- Work Plan of the External Auditor (WFP/EB.2/2015/5-D/1)

I should be grateful if you could arrange for the Advisory Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. In addition, I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Carlos G. Ruiz Massieu
Chairman

Enclosure.

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WORLD FOOD PROGRAMME

Resource, Financial and Budgetary Matters

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered two reports of the World Food Programme (WFP) submitted to the Executive Board for approval: the WFP Management Plan (2016–2018) (WFP/EB.2/2015/5-A/1); and Appointment of the WFP External Auditor for the term 1 July 2016 - 30 June 2022 (WFP/EB.2/2015/5-B/1).
2. The Advisory Committee also had before it the Update on the Financial Framework Review (WFP/EB.2/2015/5-C/1) submitted to the Executive Board for consideration, and the Work Plan of the External Auditor (For the Period July 2015 to June 2016) (WFP/EB.2/2015/5-D/1) submitted for information. During its consideration of the reports, the Advisory Committee met with the President of the Executive Board, the Assistant Executive Director, and other representatives of the WFP Secretariat, who provided additional information and clarification, concluding with written responses received on 30 October 2015.

II. WFP Management Plan (2016–2018)

3. It is stated that the features of the Management Plan include: (a) expanding the context for forecasting income and prioritizing WFP's work to reflect the increasing scale and duration of emergency responses, the greater variety of food-assistance tools and changing approaches to funding among donors; (b) basing the provisional plan of work on activities prioritized on the basis of estimated resources; (c) developing the Cost Excellence initiative to facilitate cost savings, optimize the quality of services and increase our mission focus; and (d) completing Fit for Purpose, for which the Management Plan proposes a final tranche of resources, by the end of 2016 (WFP/EB.2/2015/5-A/1, para. 3).
4. The plan indicates that as at early September 2015, the WFP Secretariat proposed an anticipated funding level, including trust funds, of USD 4.9 billion in 2015 and 2016, as compared to USD 5.4 billion in 2014. According to the plan, recent developments suggest that the anticipated funding level for 2015 may exceed the earlier projection. The plan states that 90 percent of WFP's income is earmarked for specific projects, and half of its forecast contributions is available for advance financing. It is indicated that WFP will seek to increase the level of multilateral and multi-year contributions, while providing greater transparency in the allocation of resources and greater donor visibility (WFP/EB.2/2015/5-A/1, paras. 4 and 10). **The Advisory Committee encourages WFP to continue its efforts to increase donor contributions.**
5. The plan also states that since December 2014, crises have emerged in Nepal, Vanuatu and Yemen in addition to the current Level 3 responses, and the global humanitarian financial requirements for 2015 had as a result risen from USD 16.4 billion to USD 18.8 billion as of early June 2015. It is also stated that at mid-year, global funding for humanitarian assistance was USD 4.8 billion, representing 26 percent of requirements, which was the lowest mid-year coverage in a decade. The plan also indicates that donor contributions in 2014, amounting to USD 5.38 billion, represented an increase as compared to previous years (WFP/EB.2/2015/5-A/1, paras. 71 and 72).

6. According to the plan, the 2016 provisional prioritized plan of work proposes direct delivery of 13.7 billion rations to 64 million beneficiaries, and of the beneficiaries targeted for direct food assistance in 2016, 31 percent are in the Middle East region where three Level 3 emergencies continue. The plan explains that the assessed requirements for 2016 are USD 8.6 billion to provide 19.7 billion daily rations for 82 million beneficiaries through 142 projects in 76 countries; if trust funds are included there are 179 projects in 81 countries. It is further indicated that the alignment of assessed requirements with forecasted contributions results in the 2016 provisional prioritized plan. It is stated that in view of increasing financial constraints, programme managers must make prioritization decisions, with options including discontinuing interventions and reducing beneficiary caseloads, daily ration sizes or the duration of assistance (WFP/EB.2/2015/5-A/1, paras. 15, 101 and 112).
7. Upon enquiry, the Advisory Committee was informed that prioritization is guided by the vulnerability of beneficiaries and the principle of maintaining programme integrity to mitigate the impact to beneficiaries. The Committee was also informed that project managers in the field would conduct a monthly planning and prioritization exercise to manage resources and identify the most critical activities. The Committee was informed that in 2014, WFP received 92 percent of its funding earmarked for specific projects, activities, transfer modalities or communities, and in the absence of sufficient unearmarked contributions, the projects or activities that have no earmarked resources may have to be foregone. It is stated that based on the projected prioritized plan of work, and when necessary due to funding constraints, reductions may be made in rations size, number of feeding days and/or number of beneficiaries. The Committee was further informed that the exact reduction varies depending on the type of activities, and the depth of the funding constraints.
8. Paragraph 158 of the plan states that with respect to South–South and triangular cooperation, WFP will support South–South cooperation through modalities such as knowledge-sharing, technical cooperation, policy support, joint advocacy, in-kind support and regional initiatives. The Advisory Committee was informed upon enquiry that WFP benefits from supporting South-South and Triangular Cooperation in the following ways: access to additional expertise and institutional capacities to respond to the needs of developing countries; fostering innovations and strengthening capacities at the country level; mobilizing additional resources (both in-kind and financial); creation of an “enabling environment” for zero hunger through evidence-based policy-making; and access to a larger pool of highly skilled local experts in areas that are relevant to WFP’s work. **The Advisory Committee encourages WFP’s continued efforts to support South–South and triangular cooperation.**

⇒ *Strategic Plan*

9. The plan indicates that, subject to confirmation with the Executive Board, a mid-term review of the current strategic plan (2014–2017) will be presented at the 2016 First Regular Session, and the new Strategic Plan (2017–2021) will be submitted for approval at the 2016 Second Regular Session (WFP/EB.2/2015/5-A/1, para. 7). Upon enquiry, the Advisory Committee was informed that the changes required to align WFP’s existing strategic plan to the Sustainable Development Goals were so significant that it was necessary to issue a new strategic plan rather than merely adjust the existing one. The Committee was informed that this would require that WFP bring forward the approval of its next strategic plan by one year, so that its new term begins in 2017 instead of 2018. The Committee was further informed that in order to ensure continued alignment with other agencies through the Quadrennial Comprehensive Policy Review (QCPR) process, the WFP Executive Board’s approval of the 2017–2021 Strategic Plan, would require that WFP continue to engage fully

in the 2014–2017 QCPR process in 2017, and foresee amendment of the 2017–2021 Strategic Plan if this were necessary in order to reflect the outcome of the QCPR process. The Committee was also informed that the next strategic plan would have a duration of five years instead of four, to coincide with the end date of the strategic plans of other QCPR-participating agencies, allowing full engagement in the 2018–2021 QCPR process and a synchronized start of the following cycle in 2022. The Committee was informed that continued full WFP engagement in the QCPR process would also ensure that other agencies are fully aware of steps taken by WFP, so that these can be reflected in their own strategic planning.

⇒ *Programme Support and Administrative budget*

10. The proposed Programme Support and Administrative budget of USD 290.3 million represents an increase of 3 percent, or USD 8.5 million, as compared to 2015. The increase would be allocated to the regional bureaux and country offices to improve their capacity to support cash-based transfers, enhance monitoring and evaluation and to implement programmes that will help achieve zero hunger. The Secretariat also proposes that the indirect support cost recovery rate be maintained at 7 percent in 2016. The 2016 year-end balance of the Programme Support and Administrative Equalization Account is projected at USD 142.6 million, equivalent to 5.9 months of expenditure, and the Secretariat will amend the target to five months of expenditure and will make a distinction between the floor level and the target level (WFP/EB.2/2015/5-A/1, paras. 18, 21 and 26).
11. Under the critical corporate initiatives to complete Fit for Purpose, the plan indicates that in addition to the amount of USD 18 million for critical corporate initiatives in 2015, the amount of USD 17 million would be required in 2016 broken down as follows: i) USD 2.7 million to support emergency responses and long-term approaches to addressing hunger; ii) USD 4.0 million to support national capacity development and country strategies; iii) USD 2.5 million for corporate platforms to support cash-based transfers; iv) USD 500,000 for nutrition capabilities; v) USD 800,000 for strategic partnerships; vi) USD 2.6 million for programme design systems; vii) USD 2.5 million for improving resource usage; and viii) USD 1.4 million to support change management (WFP/EB.2/2015/5-A/1, para. 25).
12. In respect of the critical corporate initiative for cost excellence, the WFP Secretariat proposes to set aside USD 3 million from the Programme Support and Administrative Equalization Account in 2016 to facilitate analysis and investment in re-engineering and realignment of processes to deliver further savings and improve mission focus at the field level. It is stated that WFP would finalize a comprehensive business plan for a service centre in 2016, in consultation with the Executive Board (WFP/EB.2/2015/5-A/1, para. 27). Upon enquiry, the Advisory Committee was informed that the two main areas of work on cost excellence are: (a) a service centre feasibility review to explore and quantify options for creating a service centre to both achieve savings in payroll costs and generate additional efficiencies; and (b) a detailed review of non-payroll global support costs (such as travel, facilities, utilities) to identify and systematically explore the scope for achieving better value for money for these overhead costs. The Committee was also informed that selected units and processes from six Headquarter divisions have been preliminarily included in the scope of a service centre, as follows: Human Resources Division; Finance and Treasury Division; Management Services Division; Information Technology Division; Common Logistics Services Division; and Supply Chain Division. **The Advisory Committee trusts that WFP will continue to provide an update on the service centre, and will also take into account the experiences of other United Nations entities in this regard.**

13. **The Advisory Committee commends the resource-based budgeting methodology of the WFP's Management Plan (2016–2018) and recommends approval of the Plan, taking into account its observations above.**

III. Appointment of the WFP External Auditor for the Term 1 July 2016–30 June 2022

14. The document sets out the process and recommendation related to the selection and appointment of the WFP External Auditor for the term 1 July 2016–30 June 2022. It is stated that the 2015 Bureau was constituted as the Evaluation Panel in February 2015, and the five proposals received by the deadline met the procedural requirements. All five candidates were interviewed and on the basis of the technical scores, financial proposals and oral presentations, the Panel agreed unanimously that the best overall bid was that of the Cour des Comptes of France (WFP/EB.2/2015/5-B/1, paras. 3 to 9).
15. It is stated that the bid of the Cour des Comptes of France refers to total fixed annual remuneration in the amount of USD 380,000, inclusive of fees and all other costs and expenses, to be paid in quarterly instalments. The Cour des Comptes of France has stated that it will not increase its fees during the time of its appointment, which include audit work carried out at WFP Headquarters and selected field offices. The management and support work carried out at WFP Headquarters in Rome and at Cour des Comptes headquarters in Paris would be supplied at no cost. It is further stated that any increase over the total annual remuneration of USD 380,000 would require prior authorization from the Board, on the basis of detailed justification by the External Auditor (WFP/EB.2/2015/5-B/1, paras. 10 to 12).
16. The Evaluation Panel recommends that the Board appoint the Cour des Comptes of France as the WFP External Auditor for the term 1 July 2016–30 June 2022 (WFP/EB.2/2015/5-B/1, para. 13). **The Advisory Committee recommends approval of the Evaluation Panel's recommendation.**

IV. Work Plan of the External Auditor (For the period July 2015 to June 2016)

17. The document sets out the audit activities planned for the period July 2015 to June 2016, the findings of which would be included in two performance audits and a long-form report (WFP/EB.2/2015/5-D/1, para. 8). It is planned to conduct performance audits of the School Feeding Programme and WFP Aviation, a compliance audit and certification of accounts. The document indicates that the performance audit of the School Feeding Programme would seek an assurance that WFP has been able to implement the School Feeding Programme economically, efficiently and effectively, while at the same time helping countries transition towards owning their own programmes (WFP/EB.2/2015/5-D/1, para. 11). With respect to WFP Aviation, it is stated that the performance audit would seek an assurance that the WFP has been able to operate and manage WFP Aviation in an economical, efficient and effective manner (WFP/EB.2/2015/5-D/1, para. 16). **The Advisory Committee looks forward to receiving information about the performance audits of the School Feeding Programme and WFP Aviation.**