RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

For consideration

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON MANAGEMENT OF PROJECTS

NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

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.

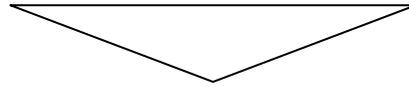Director, RMF[*]:   Mr P. Guazo   tel.: 066513-2293

Chief, RMFF[**]:   Mr G. Craig   tel.: 066513-2094

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

* Finance and Treasury Division
** Financial Reporting Service

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DRAFT DECISION*

The Board takes note of "Report of the External Auditor on Management of Projects" (WFP/EB.2/2011/5-D/1) and the management response in WFP/EB.2/2011/5-D/1/Add.1 and encourages further action on the recommendations, taking into account considerations raised by the Board during its discussion.

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MANGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON MANAGEMENT OF PROJECT			
Recommendation	**Action by**	**Management response and action taken**	**Timeframe**
Recommendation 1: Funds for baseline studies, needs assessment and evaluation, should be set aside and mandatorily utilized. Where felt necessary, corporate funding not linked to project funds, should be provided for these activities.	Programme Division (ODX) and Budget and Programming Division (RMB)	Agreed. Minimum standards in project design will be emphasized further in programme guidance, including when projects are presented to the Programme Review Committee (PRC), and the costs budgeted for needs assessments and evaluations will continue to be reviewed to ensure they are reasonable and appropriate. The Secretariat will explore the establishment of a corporate funding mechanism not linked to projects; examples include thematic funding from donors and prioritization of unearmarked funding. WFP should seek funding for needs assessment and evaluations through existing sources such as the Immediate Response Account (IRA) funding for preparedness and external sources such as the Bill & Melinda Gates Foundation, among others. Further options to be explored include earmarked funding from trust fund resources.	30 June 2012
Recommendation 2: In view of the time and cost-intensive nature of baseline studies, we recommend an assessment of the extent to which they have informed the decisions on project designs.	ODX	Partially agreed. Baseline information is necessary for tracking progress against objectives and indicators. However, assessment of the extent to which baseline studies have informed project design is not seen as an important input. WFP is seeking to enhance monitoring processes at the country level through establishment of a Corporate Monitoring and Evaluation Tool (COMET), additional staff and partner training, and regular review of indicator validity and effectiveness. Progress has been made, but further investments are required.	31 December 2012
Recommendation 3: Needs assessment should be linked closely to the selection of project responses. It should also feed into defining clearly measurable project outcomes. WFP should segregate in the process, the internal and external factors, that can impact achievement of outcomes.	ODX	WFP projects are routinely based on assessment findings. As WFP moves from food aid to food assistance, assessment findings are becoming a major component in determining which programme options to implement in each situation, reinforcing the importance of the assessment process. The continued identification and honing of standard output and outcome indicators for activities, and of potential risks in project implementation, underpin WFP's Strategic Results Framework.	Implemented
Recommendation 4: The processes and the delegation of authority be reviewed to identify any bottlenecks that prevent timely project review and approvals.	Director of Operations and ODX	Agreed. The Operations Department will review the levels and potential bottlenecks associated with delegations of authority and will propose any necessary modifications to the Board.	30 June 2012

MANAGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON MANAGEMENT OF PROJECT			
Recommendation	**Action by**	**Management response and action taken**	**Timeframe**
Recommendation 5: Once realistically set, the limits in the delegation of authority must be respected and a process established for early identification of potential non-compliance. While we recognize that in a dynamic situation project revisions may be inevitable, frequent revisions may signal a problem and should be reviewed in Headquarters.	Director of Operations and ODX	Agreed. Proposed budget revisions are reviewed and discussed through the PRC mechanism, which allows corporate scrutiny of their validity, and all budget revisions are reported to the Board. The Secretariat ascertains whether individual country offices are undertaking repeated budget revisions, and whether their reasons for doing so are sound. This monitoring is an important part of WFP's programme oversight system, which can be enhanced by taking into account the audit findings.	Implemented
Recommendation 6: We recommend that, in addition to efforts with Top 10 donors, WFP should focus on 11 to 30 countries, investing in new strategic partnerships, particularly with emerging economies. This may not only increase the quantum of contributions but also create a greater sense of ownership of the Programme across a wider base of countries.	Government Donor Relations Division (ERD)	Agreed. WFP's resourcing strategy described in "Resourcing for a Changing Environment" (WFP/EB.1/2010/5-B/Rev.1), submitted to the Board for consideration, outlines the focus on new strategic partnerships beyond Organisation for Economic Co-operation and Development/Development Assistance Committee (OECD/DAC) donor countries, such as those involving Brazil, the Russian Federation, India, China and South Africa (BRICS), Middle Eastern countries, emerging economies, United Nations funds and host countries.	Implemented
Recommendation 7: We recommend that WFP revisit the norms for the use of Emerging Donors Matching Fund (EDMF) to align it to the current levels of need.	ERD	Agreed. WFP is in the process of updating the norms for use of the EDMF.	31 December 2011
Recommendation 8: We recommend that good practices be used as a starting point to prepare broad guidelines for multiple-scenario prioritization at the level of the RB or HQ, as found suitable.	ODX	Agreed. Except for in acute emergency situations, WFP is now systematically aligning its programme plans more closely with reasonable expectations of resources during the programme review and approval processes. WFP will explore the options for multiple-scenario prioritization as part of this enhanced effort.	30 June 2012
Recommendation 9: The method of beneficiary counting should also include measurement of beneficiary days or meal days, which together will provide a more sound basis for determining outcomes and achievements.	ODX	Agreed. WFP is piloting the augmented COMET, which will facilitate better tracking of the number of days WFP is feeding beneficiaries – "beneficiary feeding days" – and the number of beneficiaries assisted. Both figures are useful in monitoring outcomes and achievements.	31 December 2012

MANGEMENT RESPONSE TO THE RECOMMENDATIONS OF THE REPORT OF THE EXTERNAL AUDITOR ON MANAGEMENT OF PROJECT			
Recommendation	**Action by**	**Management response and action taken**	**Timeframe**
Recommendation 10: The reasons for delays in project closures and transfer of resources from the old to the new projects should be analyzed and guidance provided to make the process timely.	ODX and RMB	Agreed. The current guidelines – "On Procedures for Project Closure and Resource Transfer" – were last updated in 2007. A working group has been formed to review policies and procedures for project closure and resource transfers in light of recent organizational, business process and information-system changes.	31 December 2012
Recommendation 11: We recommend that the timeline for monitoring and evaluation of projects be closely integrated to the project implementation in order to provide an opportunity for mid-term corrections as well provide inputs at the design stage of future projects.	ODX and the Office of Evaluation (OE)	Agreed. Monitoring against the indicators set in project logical frameworks is conducted throughout the project life cycle, to inform both mid-term revisions and future projects. The implementation of monitoring plans has sometimes been constrained by lack of resources; means for addressing this are proposed in recommendation 1 above. The Office of Evaluation is responsible for evaluation only; it agrees that project evaluations should be conducted in ways that ensure they inform new project design. Its country portfolio evaluations aim to inform country strategy and project preparation. However, funding for project evaluations is inadequate, so OE has not undertaken or planned project evaluations for this year or next. The issue is not timing – which is agreed and codified in the Evaluation Quality Assurance System – but funding.	30 June 2012

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