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Programme
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World
Food
Programme

Programa
Mundial
de Alimentos

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Agenda item 5

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UPDATE ON THE WFP MANAGEMENT PLAN 2004–2005

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NOTE TO THE EXECUTIVE BOARD

This document is submitted for information to the Executive Board.

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, Office of Budget (OEDB): Ms G. Casar tel.: 066513-2885

Chief Budget Officer, OEDB: Ms K. Muiu-Heinemann tel.: 066513-2771

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



EXECUTIVE SUMMARY

This document provides the update on implementation of the Management Plan 2004–2005 requested by the Board at its October 2003 session. This is the third note on the update of the Management Plan; the first was submitted to the Board in May 2004, the second in October 2004.

The estimated level of operations in terms of volume has increased by 25 percent from **8.97 million** mt to **11.2 million** mt. In terms of expenditure, the programme of work is estimated to increase by 31 percent from **US\$4.7 billion** to **US\$6.1 billion**.

The Secretariat currently plans to hold programme support and administrative expenditure to the Management Plan level of **US\$305 million** despite the 31 percent increase in programme of work expenditure, because funding is projected only for 81 percent of the estimated **US\$6.1 billion** needed for programme activity. Indirect support cost income is projected at **US\$297 million**, or 97 percent of the original planned amount of **US\$305 million**.

PROGRAMME BUDGET AND FUNDING		
	Revised projections	Original projections – Management Plan
Programme budget	US\$6 113 million	US\$4 667 million
Programme donations	US\$4 960 million	US\$4 667 million
Percentage of funding	81	100
PSA* expenditure	US\$305 million	US\$305 million

* Programme support and administrative.

DRAFT DECISION*

The Board takes note of the information contained in “Update on the WFP Management Plan 2004–2005” (WFP/EB.1/2005/5-G).

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.



INTRODUCTION

1. The first note, WFP/EB.A/2004/6-E/1, submitted to the Board in May 2004, covered the creation of the Budget Monitoring Group and the Secretariat's decision to keep programme support and administrative (PSA) expenditure at 90 percent of the approved level and gave an update on the status of other resources approved by the Board – the direct support cost (DSC) advance facility, the Immediate Response Account (IRA), the foreign exchange provision, security upgrades, strengthening financial management, the capital asset fund and results-based management (RBM).
2. The second note, WFP/EB.3/2004/5-C/1, submitted to the Board in October 2004, focused on the increase in the programme of work and the expected indirect support cost (ISC) availability to fund the PSA budget.
3. This note provides an update on PSA funding estimates and actual expenditure to the end of November 2004 and covers PSA funding and expected results.

BACKGROUND

4. To help monitor implementation of the Management Plan, the Executive Director set up the Budget Monitoring Group, which consists of the Chief of Staff, the Deputy Executive Directors of WFP's four departments – Operations, Administration, Fundraising and Communications, and Policy and External Affairs – and the Directors of RBM, Finance and Human Resources. The group is chaired by the Director of Budget.
5. The group meets once a month to review the operational level, the projected resource level, including ISC income, and actual expenditure against the Management Plan allotments, and is thereby able to issue guidance on the level of PSA expenditure that can be incurred, taking into account the expected level of donations. To facilitate the process, a monthly expenditure report for each division is published indicating each unit's status against the guidance level.
6. The Management Plan approved a PSA budget of US\$305 million. Measures taken to keep PSA within this include (i) a hiring freeze, (ii) shifting PSA balances from low-priority to high-priority areas and (iii) shifting funds from Headquarters and regional offices to strengthen small country offices.
7. ISC projections currently amount to US\$297 million, in spite of the increase in the programme of work. There has been an increase in ISC of US\$2 million since the last information note.

PROGRAMME OF WORK

8. The total programme of work is now projected at **US\$6.1 billion**, a 31 percent increase on the Management Plan projections of **US\$4.7 billion**. The increase results mainly from the addition of the Iraq bilateral Oil-for-Food programme, totalling **US\$948 million**, and new emergency operation (EMOP) requirements that were not included in the original plan (see Table 1). The programme of work for 2005 has been kept at the Management Plan level of **US\$2.0 billion** for the purpose of this information note. There is a possibility that the 2005 programme of work may be higher because of additional requirements in Sudan/Chad and other new needs estimated at **US\$1.1 billion**.



TABLE 1: PROGRAMME OF WORK 2004–2005*			
	2004	2005	Total
	(US\$ million)		
Current projections	4 084	2 029	6 113
Management Plan	2 638	2 029	4 667
Net increase	(1 446)	=	(1 446)
Explanation of change			
– Iraq bilateral	(948)		
– Sudan/Chad	(191)		
– Ethiopia	(117)		
– Uganda	(103)		
– Kenya	(69)		
– Indonesia	(40)		
– Bangladesh	(35)		
– DRC**	(35)		
– West Africa	(29)		
– Iraq EMOP	(28)		
– Other changes	149		
Net increase	(1 446)	-	(1 446)

*Projections and Management Plan figures exclude US\$127 million of non-programme expenditures for trust funds and one-time expenditures.

** Democratic Republic of Congo.

TOTAL EXPENDITURE AND INCOME UPDATE

9. Total expenditure needs for 2004–2005 are now projected at **US\$6.2 billion**, **US\$1.4 billion** more than the Management Plan. Details are provided in Table 2.



TABLE 2: TOTAL EXPENDITURE NEEDS (US\$ million)

	2004–2005 Revised projections	2004–2005 Original Management Plan	Variance %
Direct operational costs	4 412	3 901	13
Support costs			
- DSC	448	461	-2.8
- PSA (ISC)	305	305	0
Subtotal	5 165	4 667	11
Add Iraq	948		
Programme of work	6 113	4 667	31
Other support			
- Capacity/capital investments	29	29	0
- Trust funds	21	21	0
- Security upgrades	20	20	0
- Exchange rate variance	54*	41	32
Special accounts/General Fund	16	16	0
Total expenditure	6 253	4 794	30
Food delivered, without Iraq (mt)	9 463	8 967	6
Iraq Oil-for-Food (mt)	1 704		
With Iraq (mt)	11 167	8 967	25

* Working number.

10. At the end of November 2004, total actual expenditures amounted to **US\$2.8 billion**. Food purchases stood at **US\$1.0 billion** and commodities in-kind at **US\$427.4 million**, making a combined food cost of **US\$1.5 billion**, or 53 percent of total expenditures. The remaining **US\$1.3 billion**, or 47 percent, is related to transport, other direct operational costs (ODOC) and support costs. DSC expenditure amounted to **US\$256.3 million**, or 9 percent of total expenditures; PSA expenditures were **US\$128.2 million**, or 5 percent.
11. Income for the eleven months ending 30 November 2004 totalled **US\$2.9 billion**, including **US\$948 million** from the Iraq bilateral programme.
12. Total projected donations for the 2004–2005 biennium are projected at **US\$4.9 billion** (see Table 3).

**TABLE 3: INCOME PROJECTIONS
(US\$ million)**

Non-Iraq programme donations	4 012
Iraq bilateral donation	948
Total	4 960

13. This level of donations is 81 percent of the total revised programme of work for the biennium.



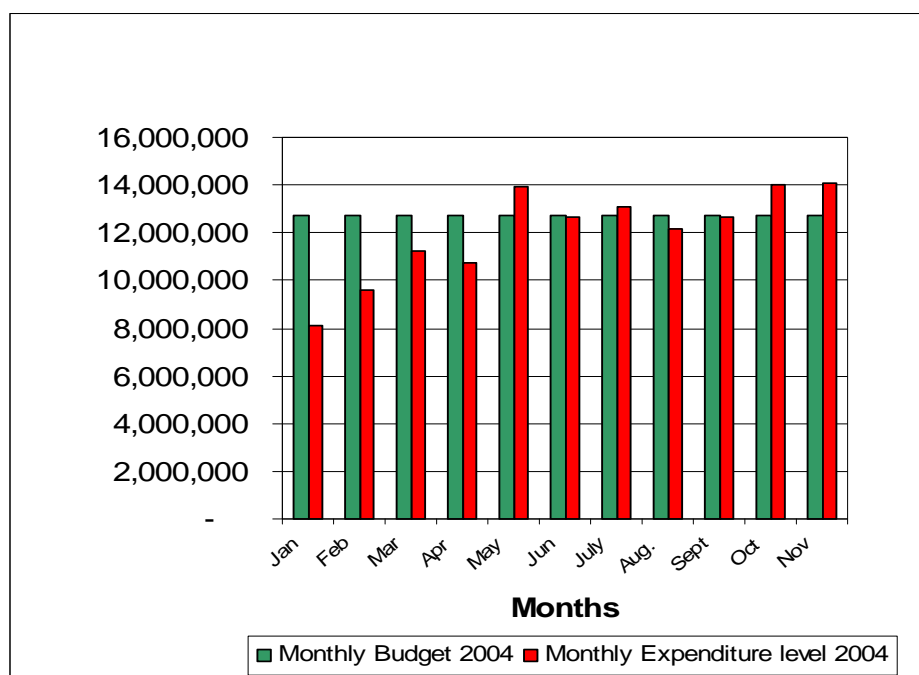
PSA Funding Levels and Expenditure

14. The projected donation level of US\$4.9 billion will generate ISC income of US\$297 million, US\$8.0 million less than the original ISC of US\$305 million.
15. The approved PSA level of US\$**305 million** could be funded from the PSA equalization account should the donation forecast remain at a level that will only generate US\$**297 million** (see Table 4).

TABLE 4: FUND BALANCE PROJECTION AND PSA FUNDING (US\$ million)		
PSA equalization account/General Fund	General Fund	PSA Equalization
31 December 2003 closing balance	30.9	230.6
Less 2004/05 earmarking (as per Management Plan):	(20)	(189.5)
(A) Net balance as 31 December 2003 GF/PSA equalization	10.9	41.1
ISC/PSA income 2004–2005		297.0
PSA expenditure 2004–2005		<u>(305.0)</u>
(B) Net ISC/PSA		(8.0)
(C) Estimated PSA equalization balance, 31 December 2005 (A – B)		<u>33.1</u>

16. As of November 2004, total PSA expenditure amounted to US\$**128.2 million**, or 42 percent of the approved PSA budget of US\$305 million. The Figure below shows monthly PSA expenditure against budget for the first eleven months of the biennium.

**FIGURE: MONTHLY PSA EXPENDITURE VS. BUDGET
(US\$ million)**



2004–2005 PSA Budget Projection

17. The Secretariat is currently holding PSA expenditure to the Management Plan level of US\$305 million, in spite of the 31 percent increase in the programme of work, because funding is projected for only 81 percent of the estimated US\$6.1 billion of programme activity. ISC income is projected at US\$297 million at the budgeted 7.0 percent ISC rate, which would cause the Executive Director to use US\$8.0 million of the surplus in the PSA equalization account, which is projected at US\$33.1 million at 31 December 2005.
18. The Secretariat will continue its efforts to increase the funding of its 2004–2005 programme of work to a level higher than US\$4.9 billion, or 81 percent of the total US\$6.1 billion programme of work. A by-product of improved programme funding will be the addition of ISC income above US\$297 million, which could preclude the use of the surplus – the PSA equalization account.

PSA FUNDING AND EXPECTED RESULTS

19. The management decisions to keep PSA expenditures within the approved budget were reviewed by the RBM division. The analysis of expected results in the context of achieving the objectives of the Management Plan indicated that 43 percent of the expected results were likely to be affected, of which 1 percent would be seriously affected. For the two results seriously impacted, substitute funding was subsequently identified. All divisions that were reporting a likely partial impact on their intended results subsequently redesigned their activities to minimize impact, identified accrued savings or revised their expected results statements.

	Management priority	Total results	Serious impact	Partial impact	No significant impact
1	Strengthening partnerships	4	0	1	3
2	Human resources management ^{1,2}	4	0	2	2
3	RBM ^{1,3}	5	0	1	4
4	Strengthening WFP's knowledge base	39	0	15	24
5	Strengthening operational support	25	0	9	16
6	Business process review	5	0	4	1
7	Increased transparency and accountability ^{1,4}	16	1	3	12
8	Communication and advocacy ⁵	13	1	10	2
9	Increased resources for increased needs	20	0	10	10
	Total	131	2	55	74
			1%	42%	57%

¹ Initial impact has been partially addressed through the identification of alternative funding sources.

² PSA add-backs partially compensated.

³ Alternative funding from the RBM fund identified.

⁴ Funding provided.

⁵ PDB funding is under review.



ACRONYMS USED IN THE DOCUMENT

DRC	Democratic Republic of Congo
DSC	direct support cost
EMOP	emergency operation
IRA	Immediate Response Account
ODOC	other direct operational cost
PSA	programme support and administrative (budget)
RBM	results-based management

