

# Informal consultation on Resource Management Items for EB.A/2016

*Financial Framework Review, Financial Statements, Annual  
Performance Review (APR), and advance financing mechanisms*

9 May 2016



**World Food Programme**

# Agenda

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- 1. Financial Framework Review**
- 2. Management Plan (2017-2019)**
- 3. 2015 Financial Statements**
- 4. Annual Performance Review (APR)**
- 5. Report on the utilization of WFP's advance financing mechanisms (1 January – 31 December 2015)**
  - Use of the Immediate Response Account (IRA) for preparedness activities

# Informal consultation on Resource Management Items for EB.A/2016

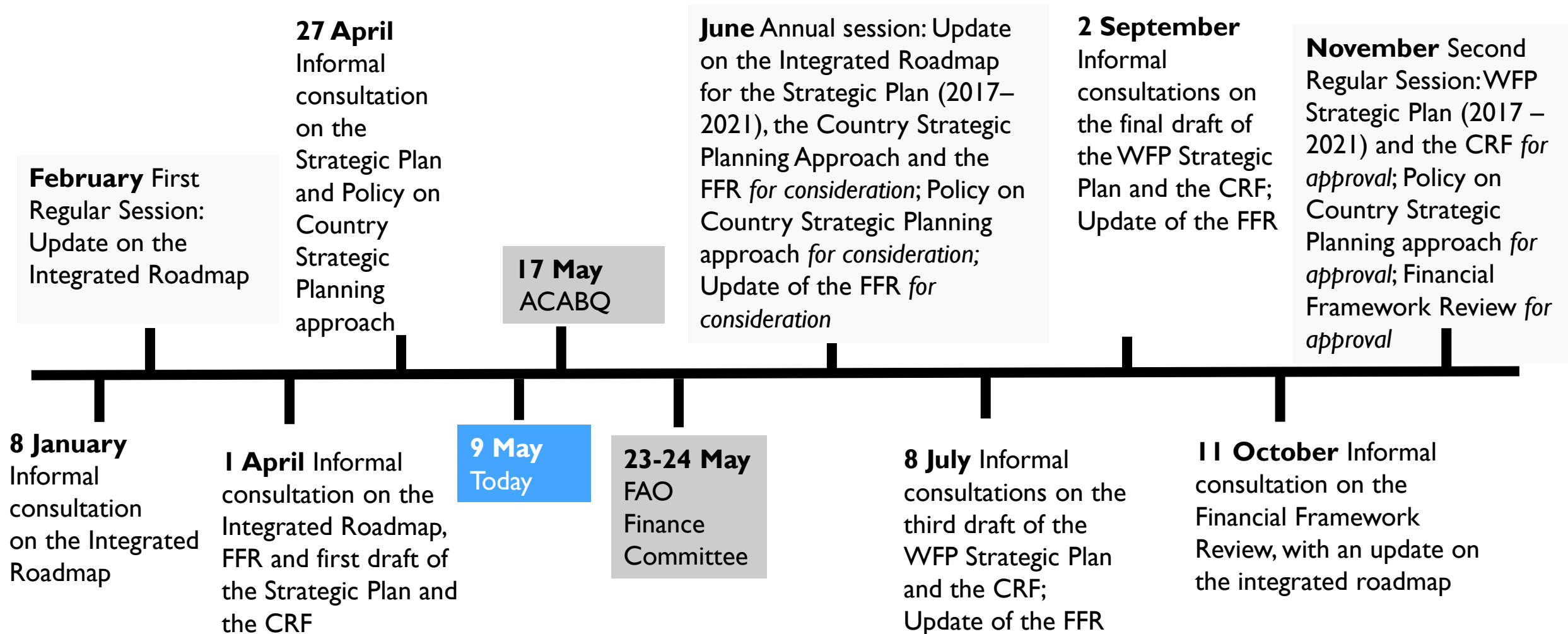
*Financial Framework Review*

9 May 2016



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# Overview of where we are in the 2016 Financial Framework Review timeline for Board Engagement



# Focus of today's segment on the Financial Framework Review

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- 1 Review feedback received during 1 April 2016 informal consultation**
- 2 Provide an update on the accelerated prototype development process**
- 3 Outline the foreseen transition plan and timeline for 2017**
- 4 Outstanding issues**

# Review feedback received during 1 April 2016 informal consultation

## Broad Themes Emerged

1. Context: Distinction between humanitarian and development activities
2. Results-focus and flexibility of the country portfolio budget structure
3. Terminology and approach for country-level costs not attributable to activities
4. Linking resources to results
5. Application of full cost-recovery

**To the extent possible, comments were addressed in the Financial Framework Review paper for the Annual Session in June 2016.**

**Many of these themes are being further explored in the current phase. Updates will be provided during the Board's 2016 Annual Session**

# 1. Context: Distinction between humanitarian and development activities

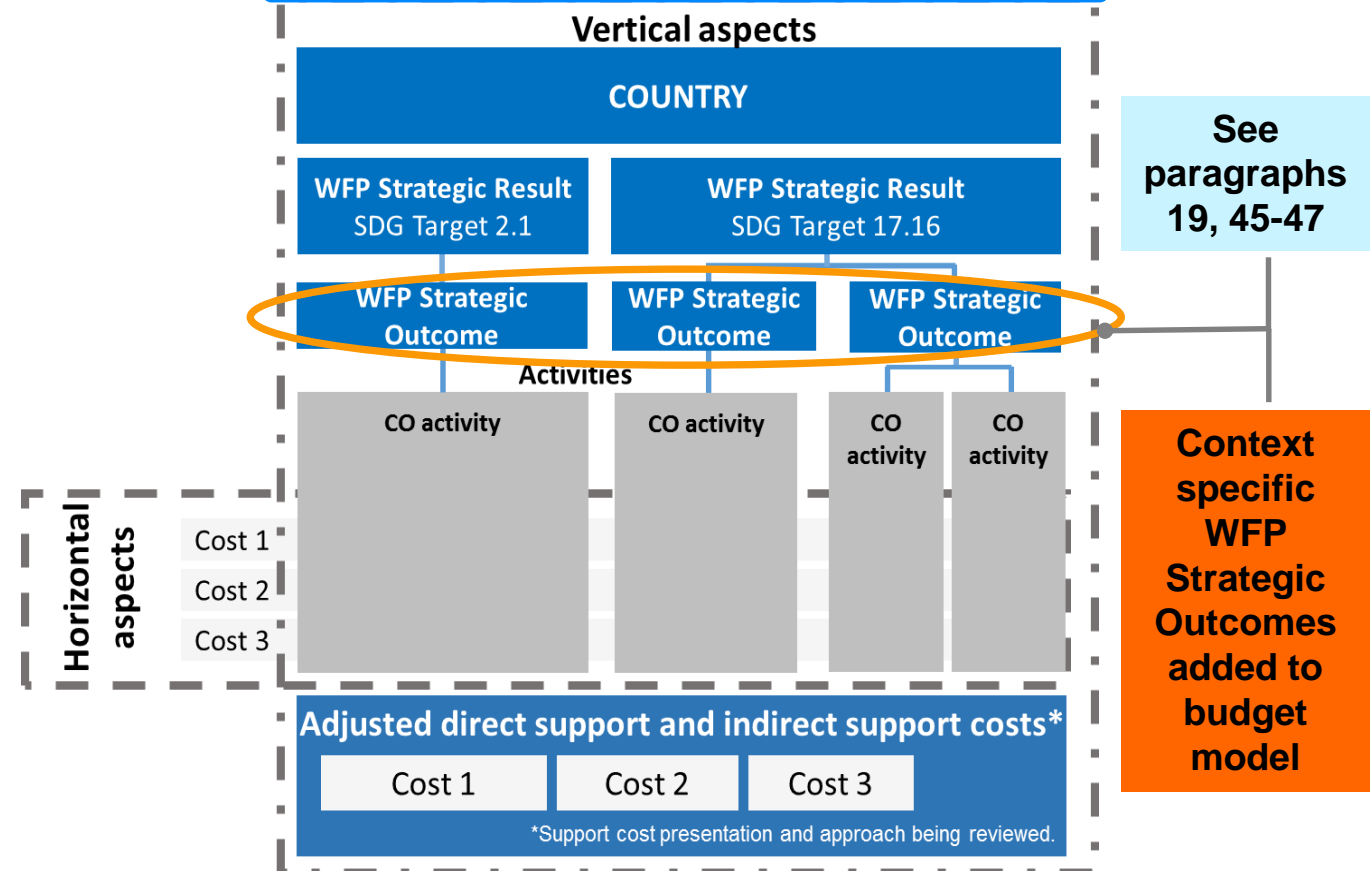
Managing a CPB by WFP Strategic Outcome will facilitate context identification

*How will the Country Portfolio Budget (CPB) preserve and enhance accountability for humanitarian and development activities?*

*Maintaining a clear understanding between emergency work and development is an important distinction for donors.*

*Ability to identify crisis-related expenditure or emergency related activities that correspond to humanitarian appeals*

## Updated Country Portfolio Budget Model



**WFP Strategic Outcomes included in the CPB structure to provide opportunity for context-specific budget management**

## 2. Results-focus and flexibility of the country portfolio budget structure

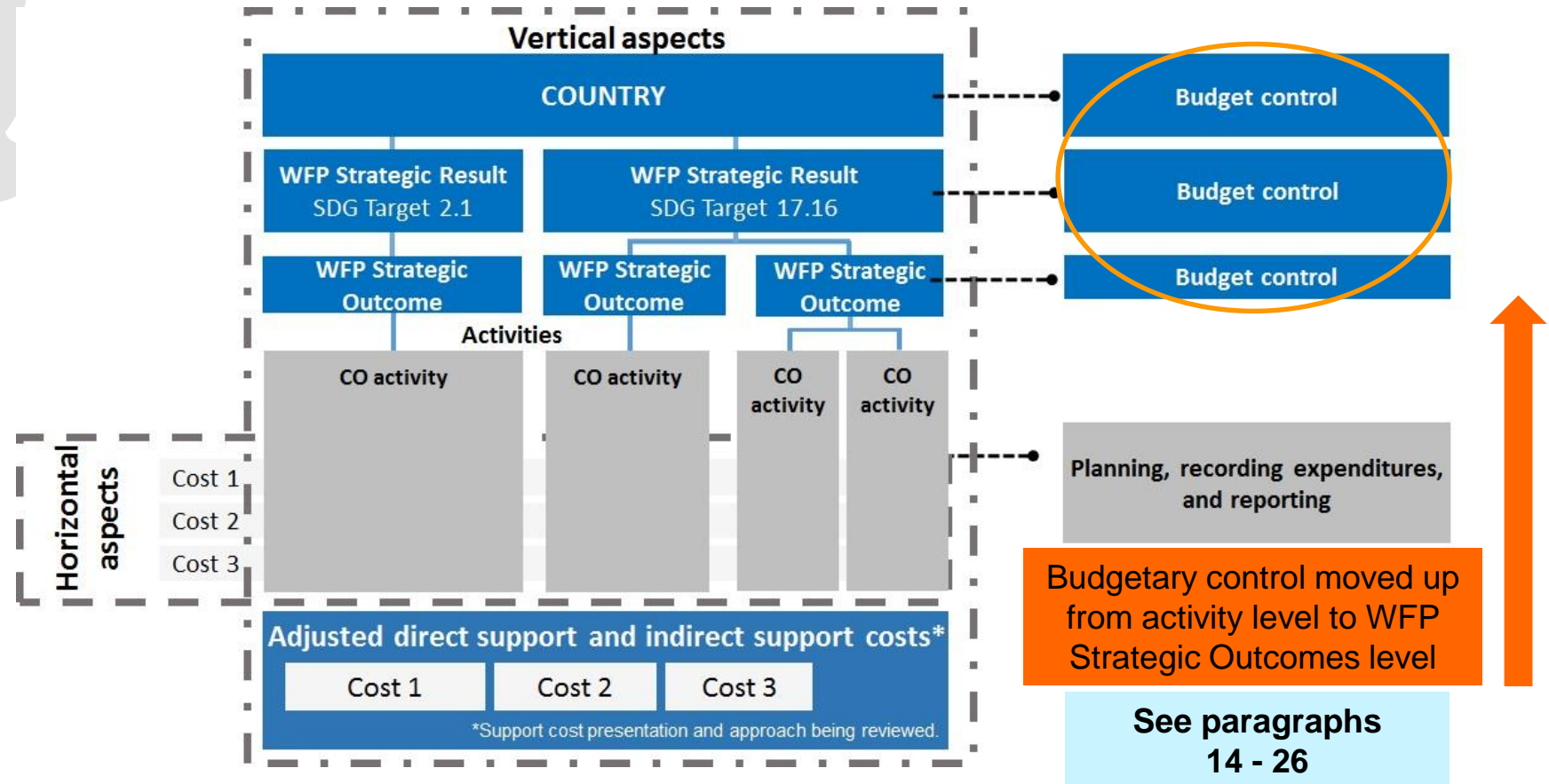
Line of sight, results-oriented budgetary framework

*How does WFP intend to link activities with strategic results and what are the benefits?*

*Elaborate on how the country portfolio budget structure will enhance flexibility*

*If more flexibility is afforded to the Secretariat there has to be at the same time enhanced accountability and visibility for the Executive Board*

### Updated Country Portfolio Budget Model with Budget Control Hierarchy



**The Country Portfolio Budget and proposed budgetary control provides a results-oriented focus and is a fundamental change from multiple projects managed by cost categories**



### 3. Country-level costs not attributed to activities: terminology and approach revisited

See paragraphs 14 and 24

*What type of costs would be considered in this category?*

*How does WFP define “core” costs and what is the intended source of funding for these costs?*

*What is meant by “core” costs is unclear*

- Represents those **costs managed on a country-wide basis** and are **not linked to specific activities**
- **Gives impression** that those **costs are funded by core resources**
- Terminology changed for now to “adjusted direct support costs and indirect support costs”
- Further work being done to determine and refine composition and aggregation of support costs

**Phase II is further refining the new cost structure**

# 4. Linking resources to results

## Link to the results chain

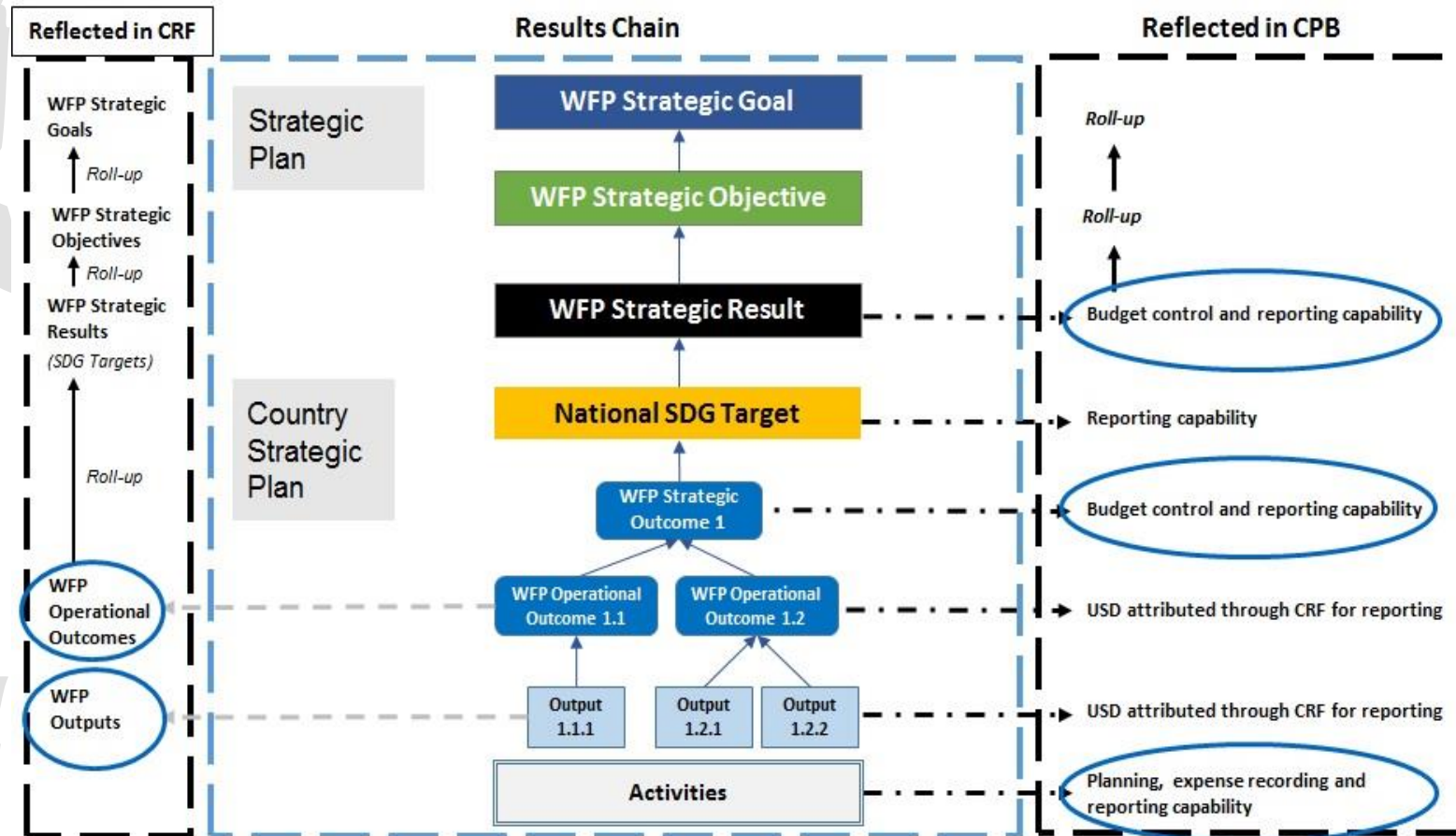
...it is important to improve the decision-making process and to increase alignment between resources and results and, in this perspective, it is also important to show the value of money that is demonstrated and visualized in the Financial Framework Review.

We would appreciate further clarification on how WFP intends to link activities with strategic results and what are the benefits WFP sees in having a clear line of sight from strategic results to activities to costs.

It is essential to know to which exact country and activities will their funding be used for and to which results it will contribute.

See paragraph 19

### WFP Results Chain in a Country Context



## 5. Application of full cost-recovery

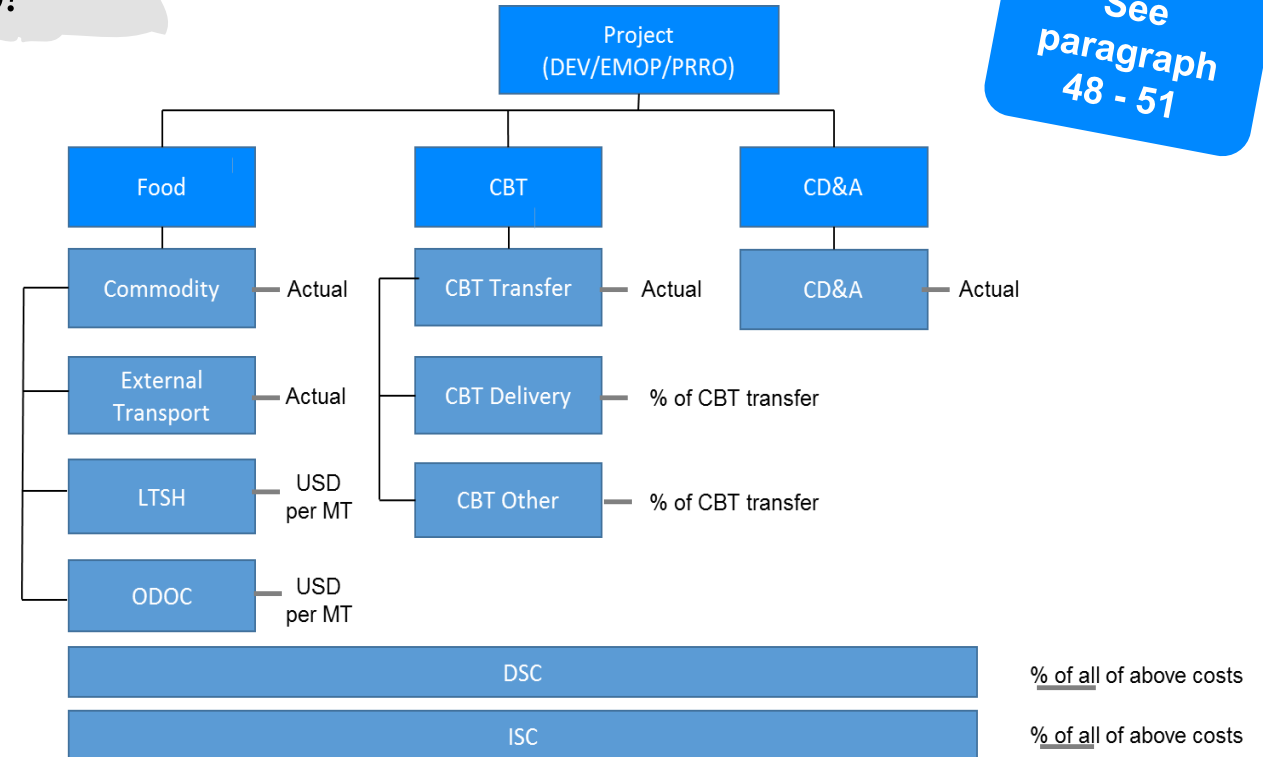
Further elaboration provided on the full cost principle and its application

*What is the principle of full cost recovery?*

*Where is full cost recovered from and where does it go?*

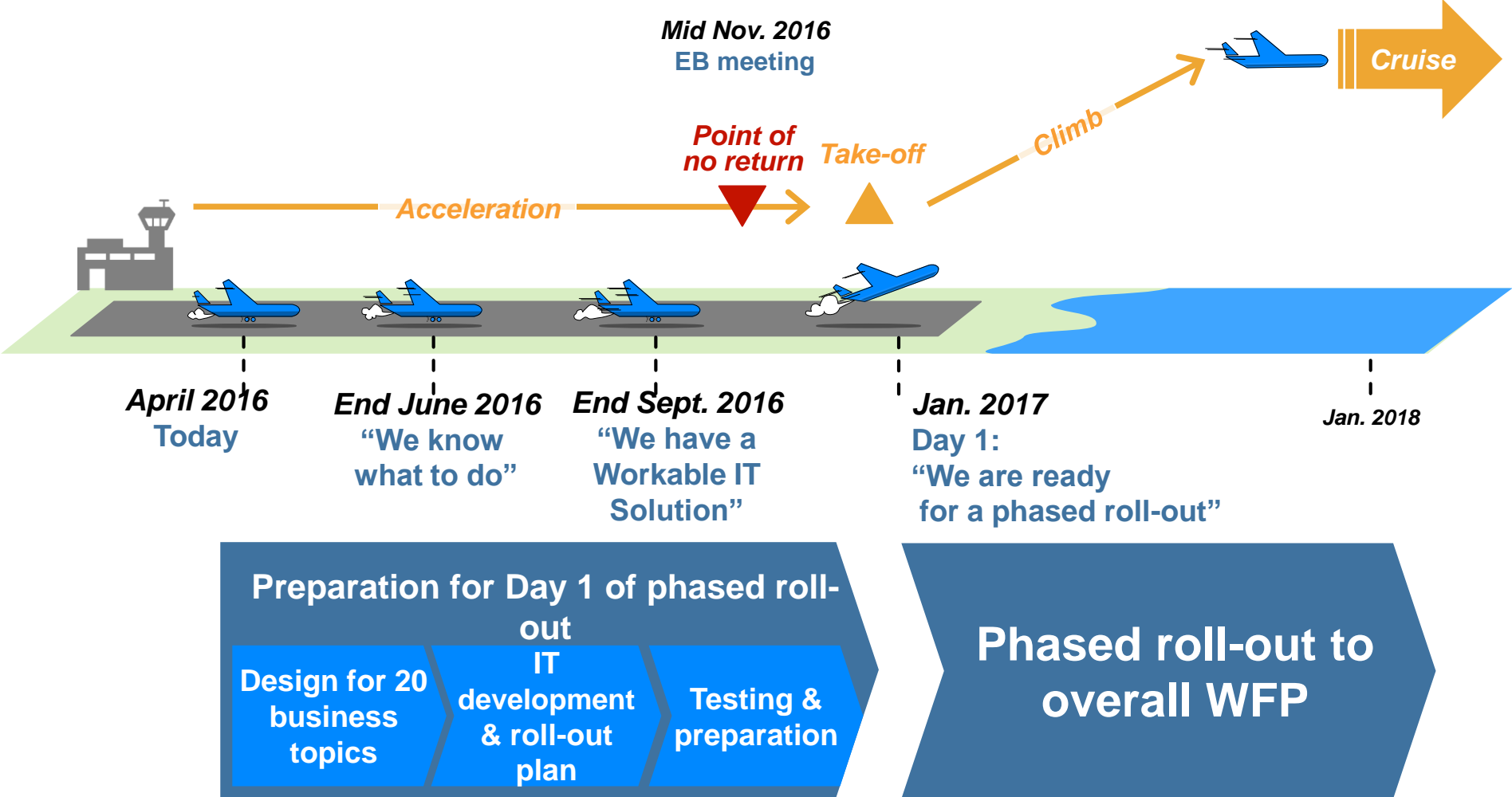
- General Rule XIII.IV governs full cost recovery and its application
- Established in the 1990s
- All contributions, regardless of flexibility, are broken down into these components
- Inflexible and artificially restrictive
- Can result in unspent balances, surpluses and returns of funds

### Example of current application of full cost recovery



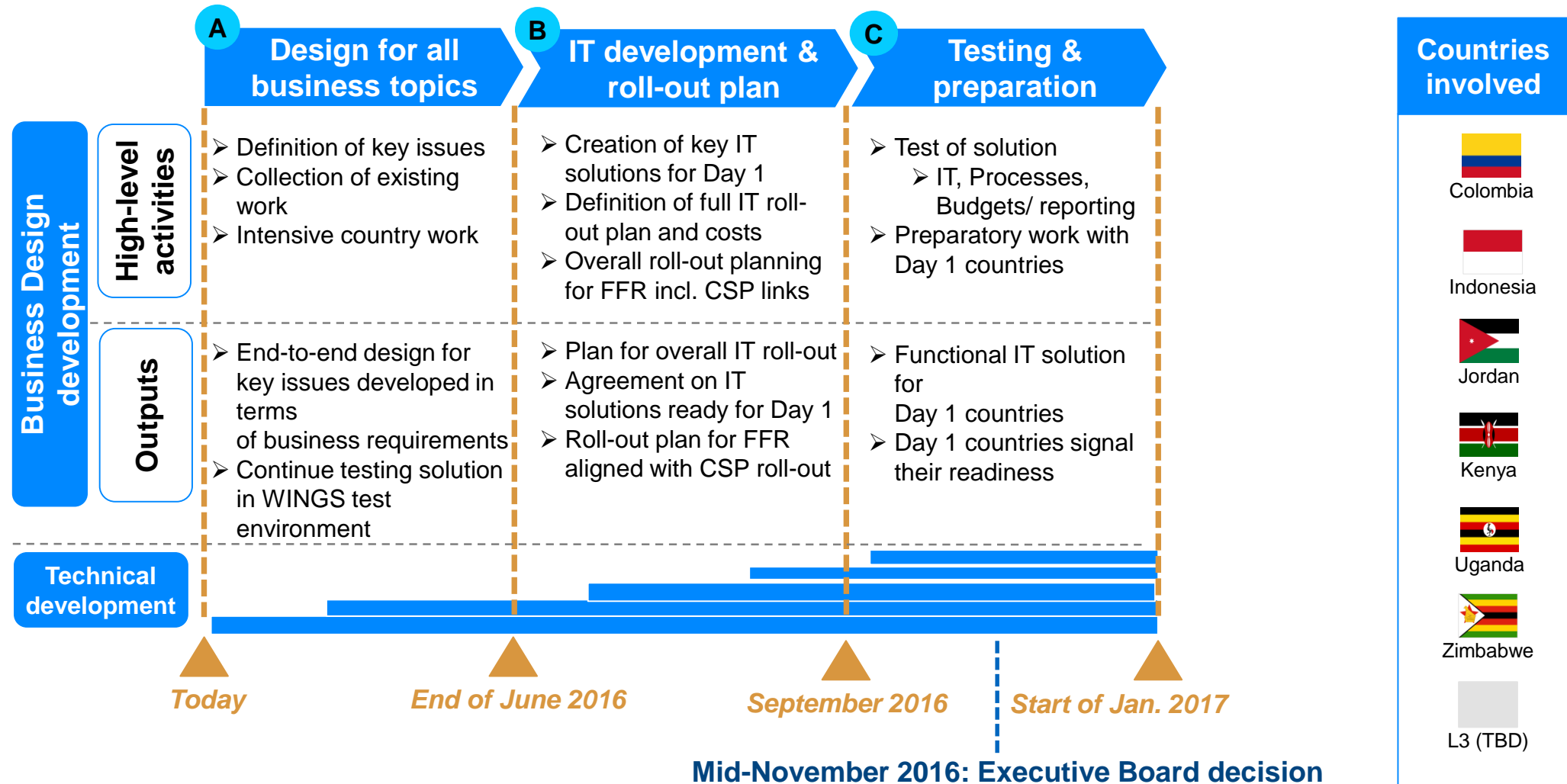
**Phase II will explore options for applying full cost-recovery**

# Phased Country Portfolio Budget prototype process accelerated

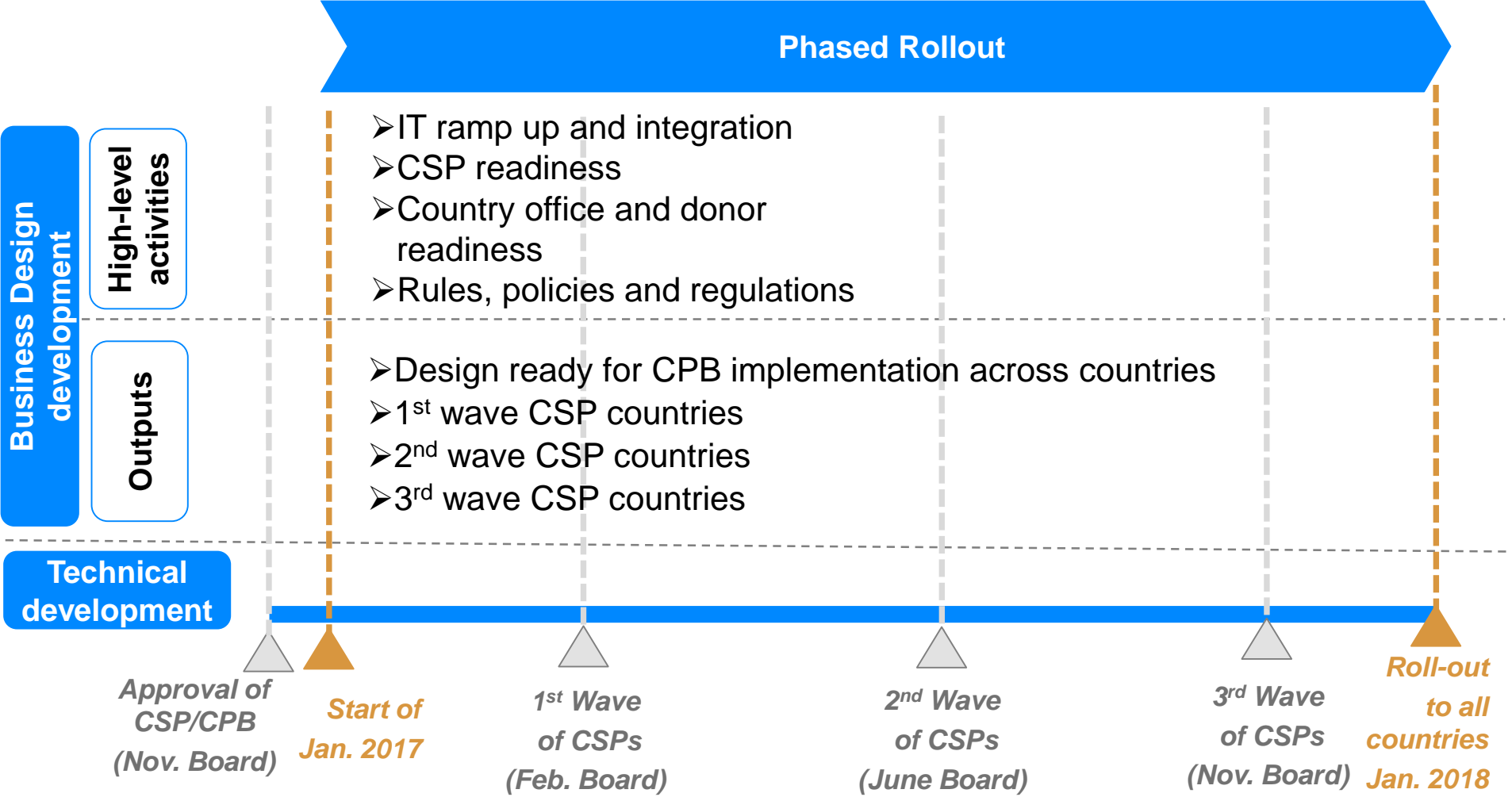


# Phased Country Portfolio Budget prototype process accelerated

Next milestone: resolution of key business topics and design of proposed solution by end - June 2016



# Pending the approval of the CSP approach and CPB model in November 2016, the phased rollout will begin from early 2017



# Outstanding issues

## 1 Governance

- Dependent on budget model and CSP discussion
- Clarity is emerging for internal analysis
- Implications will be fully analysed and presented before any proposal is requested

## 2 Full cost recovery

- Dependent on budget model and discussions with donor partners (ongoing)

## 3 Reporting on the design of proposed solutions

- Update at the Annual Session of the Executive Board as well as the scheduled 8 July Informal Consultation

# Informal Consultation

*Management Plan (2017-2019)*


9 May 2016



**World Food Programme**



## 2017 PSA Planning proposal

<i>PSA Planning Proposal</i>	<i>USD M</i>
	<i>2017 Planning</i>
2016 PSA Recurring Expenditure	290.3
Real increase to RB/HQ baseline	10.0
<b>More PSA funding to COs</b>	 <b>35.1</b>
Estimated ISC Income and Proposed PSA level	335.4

Proposal to the EB will be to use "unallocated" ISC to fund COs

**This proposal entails a reallocating resources**

# The PSA funding to COs will reduce DSC...

**EXAMPLE**

Current Model	In M USD
Resource Based Plan in Country X	100
<b>DSC</b>	15
<b>Percent DSC of Total Operational Cost</b>	<b>15%</b>



Example with additional PSA funding	In M USD
Resource Based Plan in Country X	100
<b>DSC minus additional PSA allocation</b>	<b>[15-3]=12</b>
<b>Percent DSC of Total Operational Cost</b>	<b>12%</b>

**... which increases net transfers to beneficiaries**

## What are the benefits of increasing PSA allocations to COs?

- ✓ Increases comparability with other agencies by allowing us to use PSA to cover more CO costs
- ✓ Increases our net transfers to beneficiaries
- ✓ By "giving back" ISC income, COs will be better funded with predictable resources
- ✓ Could help cover costs which are outside the control of COs

# Informal consultation on Resource Management Items for EB.A/2016

*2015 Financial Statements*

9 May 2016



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# Today's agenda: **WFP's three key accountability documents**

## 2015 Financial Statements

- WFP's financial accountability tool providing information about the financial position and performance of WFP prepared under International Public Sector Accounting Standards (IPSAS)
- Reflects WFP's commitment to maintaining the highest standards of financial and budgetary management and financial reporting

## Annual Performance Report 2015

- WFP's accountability tool for demonstrating results against the objectives set in the Strategic Plan
- Follows the structure of WFP's Performance Management Framework, discussing results at Strategic and Management level
- Framed in accordance with the UN principles for harmonized results reporting

## Enterprise Risk Management Policy

- First revision of Enterprise Risk Management (ERM) Policy since 2005
- Provides an overview of actions taken to strengthen ERM in the organization and way forward

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# 2015 Financial Statements

# Structure of presentation

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1. Structure of WFP Financial Statements
2. Financial Performance for the Year ended 31 December 2015
3. Financial Position as of 31 December 2015
4. Comparison of Budget and Actual Amounts for the Year ended 31 December 2015
5. Overview of Statement on Internal Control

# Structure of WFP Financial Statements

## 1. Executive Director's Statement provides overview of:

- ❖ Financial and Budget Highlights
- ❖ Enhancing Transparency and Accountability
- ❖ Financial Framework Review
- ❖ 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 2015
- ❖ Statement II – states the financial performance of WFP for 2015
- ❖ Statement V – compares WFP's Actual performance against Budget

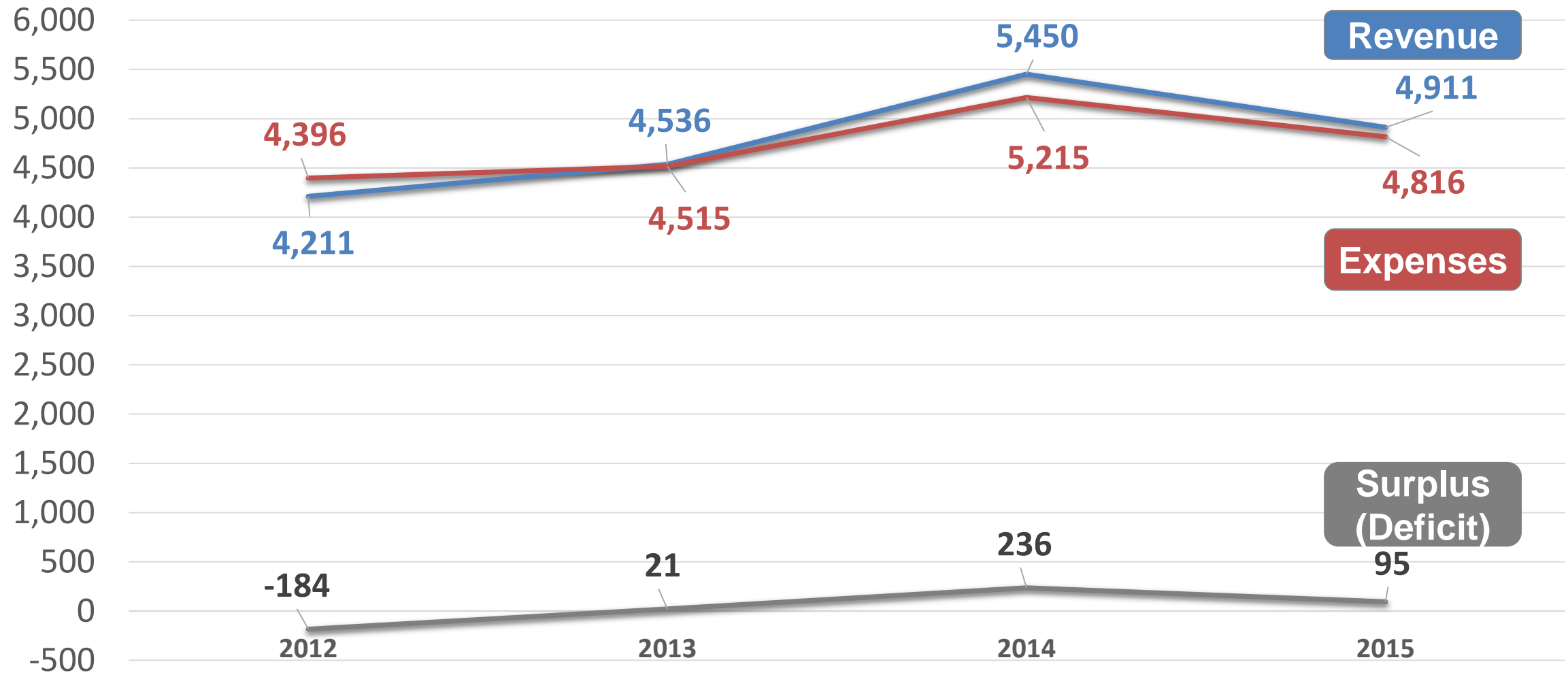
## 4. Notes to the Financial Statements

- ❖ 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



# Surplus (Deficit) Evolution 2012-2015: Revenue less Expenses



(USD million)

— TOTAL REVENUE — TOTAL EXPENSES — SURPLUS (DEFICIT) FOR THE PERIOD

# Statement II - Statement of Financial Performance

(Financial Statements 2015, Statement II, page 19)

(USD million)	2015	2014
<b>REVENUE</b>		
Monetary contributions	4,247.9	4,877.8
In-Kind contributions	559.8	503.3
Other revenue	103.2	69.3
<b>TOTAL REVENUE</b>	<b>4,910.9</b>	<b>5,450.4</b>
<b>EXPENSES</b>		
Cash-based transfers distributed	679.1	845.6
Food commodities distributed	1,784.1	1,988.5
Distribution and related services	635.9	650.4
Wages, salaries, employee benefits and other staff costs	770.6	850.6
Supplies, consumables and other running costs	167.3	183.5
Contracted and other services	645.0	572.8
Finance Costs	2.2	2.4
Depreciation and amortization	52.4	50.3
Other expenses	79.7	70.5
<b>TOTAL EXPENSES</b>	<b>4,816.3</b>	<b>5,214.6</b>
<b>SURPLUS FOR THE YEAR</b>	<b>94.6</b>	<b>235.8</b>

Contribution revenue decreased by \$573.4m (11%)

Cash-based transfers distributed decreased by \$166.5m (20%), mainly due to decrease in Syria emergency

Cost of food commodities distributed decreased by \$204.4m (10%) reflecting the decrease in food tonnage distributed from 3.2m mt in 2014 to 3.1m mt in 2015 (in large part, Syria emergency decrease)

Wages decreased by \$80.0m (9%) as 2014 included the expense related to the comprehensive valuation of the post-employment benefits of the National Staff

Contracted and other services increased by \$72.2m (13%), mainly increase in aviation costs in South Sudan and Nepal operations

Total expenses decreased by \$398.3m (8%)

# Statement I - Statement of Financial Position

(Financial Statements 2015, Statement I, page 18)

USD million	31.12.2015	31.12.2014
Cash and cash equivalents	772.2	822.0
Short-term investments	817.2	854.0
Contributions receivable	2,233.4	2,099.8
Inventories	650.1	578.6
Other receivables	109.4	122.2
<b>TOTAL Current Assets</b>	<b>4,582.3</b>	<b>4,476.6</b>
Contributions receivable	36.5	93.1
Long-term investments	462.3	448.9
Property, plant and equipment	144.5	125.2
Intangible assets	5.2	8.9
<b>TOTAL Non-current Assets</b>	<b>648.5</b>	<b>676.1</b>
<b>TOTAL Assets</b>	<b>5,230.8</b>	<b>5,152.7</b>
Payables and accruals	513.8	535.9
Provisions	5.7	6.2
Employee benefits	10.6	10.4
Loans	5.8	32.8
<b>Total Current Liabilities</b>	<b>535.9</b>	<b>585.3</b>
Employee benefits	601.9	555.1
Long-term loan	83.8	89.6
<b>Total Non-current Liabilities</b>	<b>685.7</b>	<b>644.7</b>
<b>Total Liabilities</b>	<b>1,221.6</b>	<b>1,230.0</b>
<b>TOTAL NET ASSETS</b>	<b>4,009.2</b>	<b>3,922.7</b>
Fund Balances	3,710.7	3,591.3
Reserves	298.5	331.4
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>4,009.2</b>	<b>3,922.7</b>

Cash and STI decreased \$86.6m (5%), mainly from operational activities (decrease in contribution revenue)

Contribution receivables increased \$77.0m (4%) mainly due to timing of cash receipts

Inventory increased US\$71.5m (12%), due to increase in tonnage held from 0.9m mt in 2014 to 1.1m mt in 2015.

EBL increased \$47.0m (8%) primarily due to the increase in earned benefit entitlement

Funding status reflecting assets sets aside to cover total gross long-term liability went from 64% to 70%

# Statement V – Comparison of Budget and Actual Amounts

(Financial Statements 2015, Statement V, page 22)

USD Million	Budget Amount		Actual on comparable basis	Difference: final budget and actual	Prioritized Plan
	Original	Final			
Food and related direct operational costs (DOC)	4,522.6	4,957.5	2,673.9	2,283.6	2,446.0
Cash-based transfers and related DOC	1,746.7	1,541.2	779.2	762.0	798.0
Capacity augmentation	418.6	617.1	404.3	212.8	211.0
Direct support costs	758.0	1,003.9	610.5	393.4	402.0
<b>Subtotal direct project costs</b>	<b>7,445.9</b>	<b>8,119.7</b>	<b>4,467.9</b>	<b>3,651.8</b>	<b>3,857.0</b>
Regular PSA	281.8	281.8	280.7	1.1	281.8
Critical corporate initiatives	9.2	27.2	17.5	9.7	27.2
<b>Subtotal indirect costs</b>	<b>291.0</b>	<b>309.0</b>	<b>298.2</b>	<b>10.8</b>	<b>309.0</b>
<b>TOTAL</b>	<b>7,736.9</b>	<b>8,428.7</b>	<b>4,766.1</b>	<b>3,662.6</b>	<b>4,166.0</b>

Original budget is expanded by \$691.8m, mainly due to increase in the Ebola response, Iraq and CAR regional operations, Yemen and Nepal.

Utilization of final budget in 2015 is 57%, due to the constraints of amount, timing and predictability of contributions, as well as operational constraints.

Actual is higher than Prioritized Plan, due to higher than expected contribution revenue mainly driven by Ebola response and CAR regional operations.

**The Prioritized Plan includes the Provisional Prioritized Programme of Work for the direct costs portion and the Final Budget for the indirect costs portion (MP 2016-2018)**

# Overview of Statement on Internal Control

## **2015 is fifth year for which a Statement on Internal Control is being produced**

- Global best practice to assure stakeholders and demonstrate accountability
- In 2015, WFP revised the internal control framework to reflect COSO 2013 guidance
- SIC, signed by Executive Director, to be published with Annual Financial Statements (June 2016)

## **Completed Assurance Statements on internal control for each Office/Division form the basis of ED Statement**

- Directors of WFP offices and HQ divisions submitted to RDs and DED/AEDs
- RDs and DED/AEDs cleared submissions by Directors reporting to them
- Evidence from other sources was also considered

## **100% of Directors, managing 136 WFP HQ and field offices, submitted an Assurance Statement and Letter of Representation**

## **Evidence indicates progress in strengthening internal control within WFP compared to last year; however, there is still room for improvement**

- Area related to enhancement of staff performance appraisals has been closed
- Other two areas previously reported (Monitoring & Review and the impact of the high level of emergencies) need further improvement
- No new significant risk or internal control issue arose during 2015

# Informal consultation on Resource Management Items for EB.A/2016

*Annual Performance Report 2015*

9 May 2016



**World Food Programme**

## WFP's principal accountability document

### Annual Performance Report 2015

WFP's primary tool for demonstrating **results against the objectives set in the Strategic Plan**

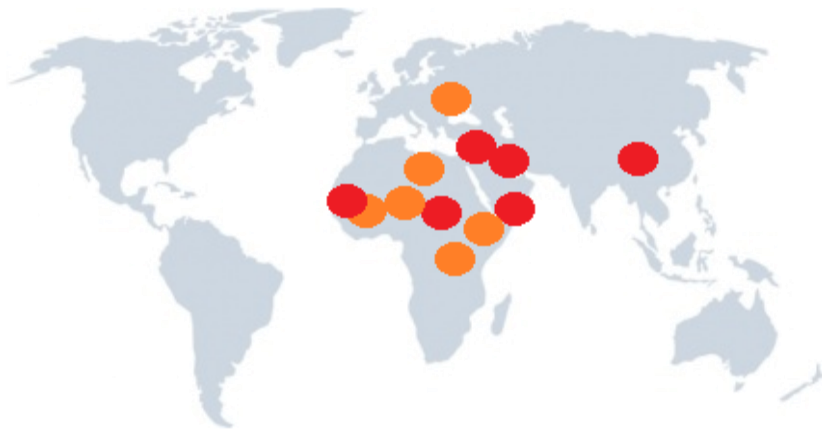
Follows the structure of **WFP's Performance Management Framework**, discussing Strategic and Management results

Framed in accordance with the **United Nations principles for harmonized results reporting**

## The world in which WFP operated and how it responded

2015

**More complex and protracted emergencies than ever before in a year which set the new global agenda**



WFP **heightened and sustained its emergency response**, with strong donor support and improved processes and systems



WFP kept its commitments towards **ending hunger jointly with partners**, providing a wide portfolio of food assistance activities



# Assisting the people in need

## Meeting our commitments from the Management plan for 2015

**Needs-based plan (Nov 2014) 78 million people**  
**Direct beneficiaries (Dec 2015) 76.7 million people**



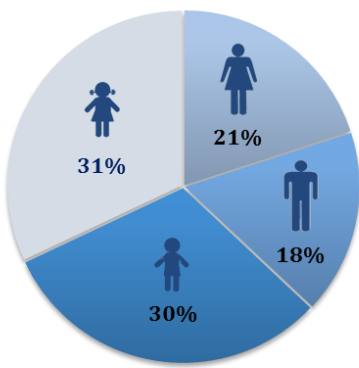
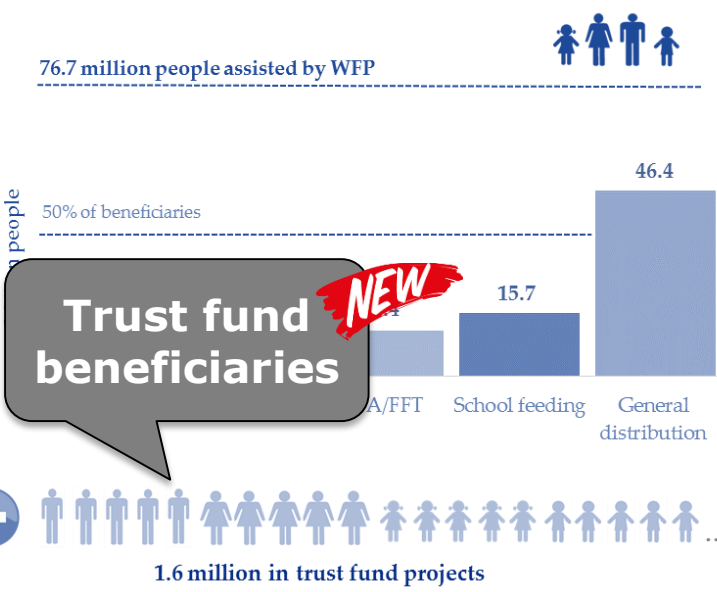
**More than 12.5 billion rations distributed**

**Benefitting beyond food/cash** *NEW*

Activity

Gender/age

Modality



- 1.2 million people benefitting from nutritional messaging
- 287,000 passengers transported on UNHAS aircrafts
- 60,000 government and partner staff trained
- 270,000 smallholder farmers provided with marketing opportunities

**Examples of beneficiaries of changed policies from selected countries accounting for additional 30 million**

# Performance against our 2014-2017 framework

## Strategic Results

What did we achieve?

Strategic Objective 1

Strategic Objective 2

Strategic Objective 3

Strategic Objective 4

Strong performance. Accounts for **79 % of 2015 expenditures**

Progress achieved but **increased emergency work reduced SO2 activities.**

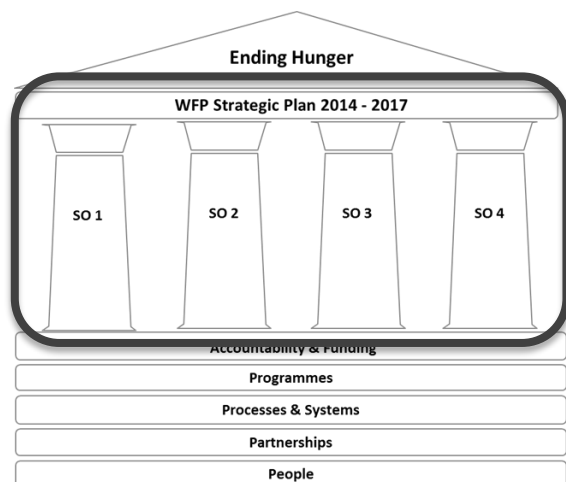
Continues to receive the **least financial support**

Gaps at output level but **targets met for those assisted**

Assessment of **capacity development** results across SOs continues to be constrained by under-reporting

### Cross-cutting results:

- More projects reporting on gender and protection
- Performance in line with results observed last year



# Performance against our 2014-2017 framework

## Management Results

How did we support the achievement of our objectives?

People

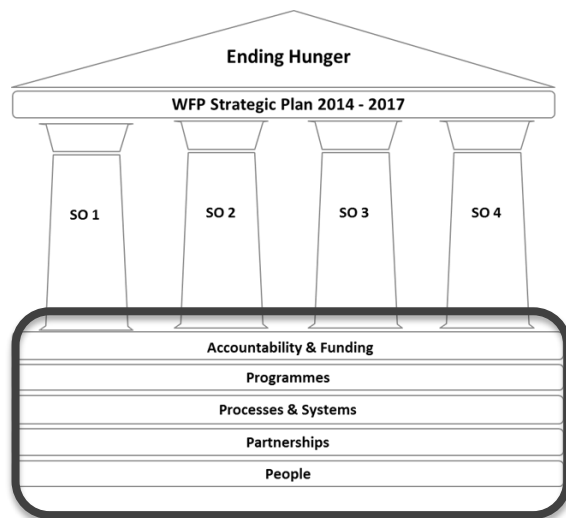
Partnerships

Processes & Systems

Programmes

Accountability & Funding

Indicators reflect progress but there are areas for consideration...



**Achieving gender parity** remains a UN-wide challenge

Improving the metrics for **capacity development** is a **QCPR commitment**

Efforts need to be strengthened for **supply chain KPI** reporting

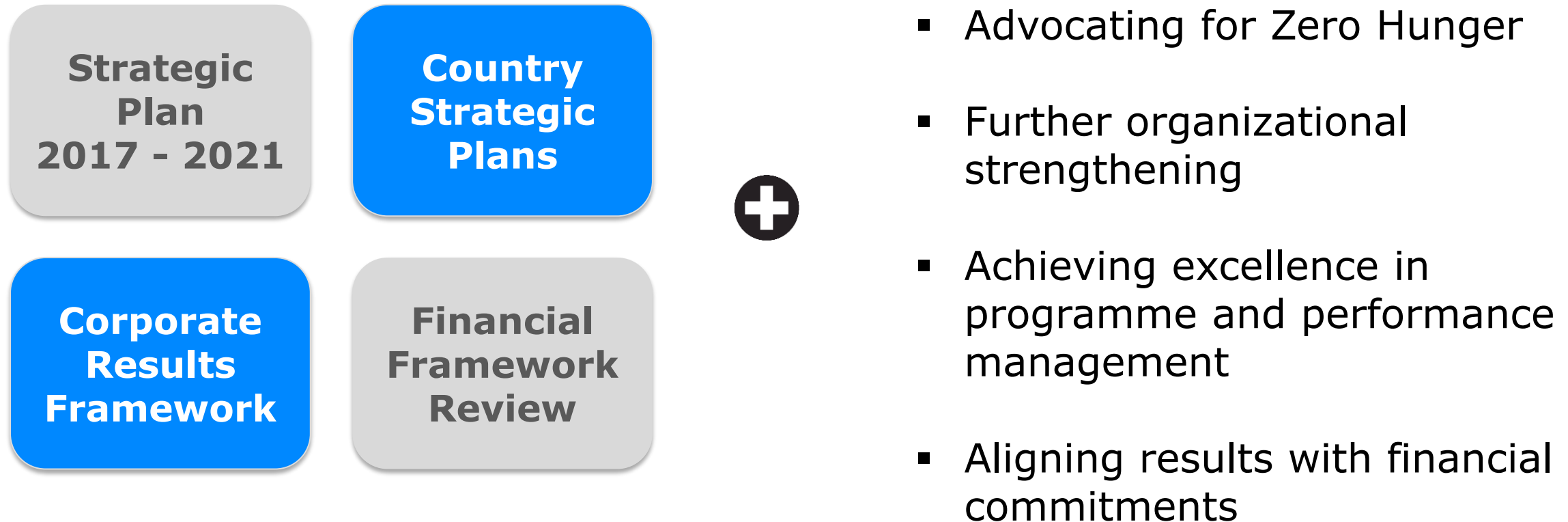
**Challenges remain for projects to meet targets**, both for contextual and resource reasons

**Income levels fell** compared to the historic high levels achieved in 2015



## A year of transformation for WFP

Building blocks of an improved WFP...



## Informal consultation on Resource Management Items for EB.A/2016

- *Report on the utilization of WFP's advance financing mechanisms (1 January – 31 December 2015)*
- *Use of the IRA for preparedness activities*

9 May 2016



**World Food Programme**

# 1. Utilisation of WFP's advance financing tools

Cover the activity of WFP's two main mechanisms for providing advance spending authority to projects:

## Internal Project Lending

Provides advance funding to projects where collateral in the form of contribution forecasts exists

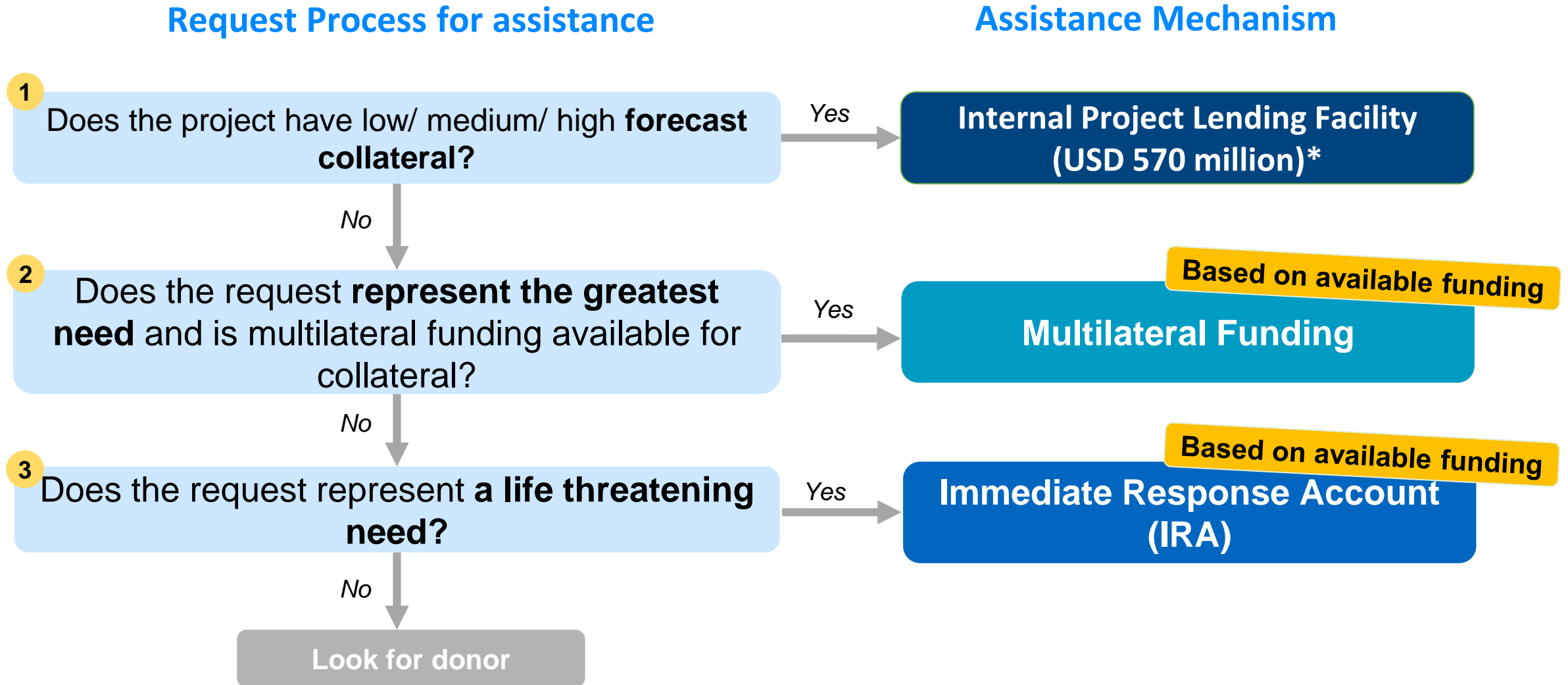
## Immediate Response Account

Multi-year, multilateral facility to provide immediate assistance in emergencies

**Also provides details on other financing tools including:**

- Advances for corporate services
- Global Commodity Management Facility (GCMF)

# 1.1 Process for deployment of Internal Project Lending (IPL) and Immediate Response Account (IRA)



## 1.2 Key 2015 figures from IPL, IRA, GCMF and Corporate Services

### IPL

- **157 advances**
- Total of **USD 777.5 million**
- 73 operations:
  - 60.7% EMOPs
  - 30.6% PRROs
  - 1.8% DEVs & CPs
  - 6.9% SOs

### IRA

- **USD 57.3 million in new contributions**
- USD 50 million in one-time transfer from PSAEA
- Total of **USD 164.2 million allocated**
- 2015 year end balance: USD 59.0 million
- **USD 10.4 million made as, or converted to grants**

### GCMF

- Purchased 626,000 mt
- Food value of **USD 372 million**
- 41 country offices purchased 848,000 mt
- Average lead-time of **37 days saved**

### Corporate Services

- Capital Budgeting Facility: **Advances approved for LESS** and field-based capital schemes
- **Global Vehicle Leasing Programme:** Credit line of USD 22 million
- **Fee-for-Services:** 22 advances totaling USD 49.3 million



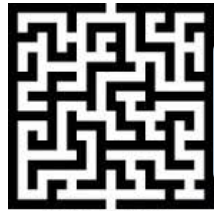
## 2. Use of the Immediate Response Account (IRA) for preparedness

- **Use of the IRA for preparedness activities approved by the Executive Board in 2004**
- **Activities covered include:**
  - ✓ **Capacity assessment for logistics, ICT and procurement**
  - ✓ **Contingency planning and emergency preparedness**
  - ✓ **Needs assessments, including VAM, targeting and technical appraisal**
  - ✓ **Baseline analyses and surveys**
- **IRA funding allowed up to a limit of USD 2 million per year**

## 2.1 Proposal for Use of the Immediate Response Account (IRA) for preparedness activities (I/II)



IRA annual **target level** of USD **70 million** was **set in 2004**



Since then WFP's income has doubled, accompanied by increased volume and complexity of operations



Therefore, IRA annual target level **increased in 2014** from USD 70 M to USD 200 M but...



Annual limit for use of **IRA for preparedness activities has not adjusted**

## 2.1 Proposal for Use of the Immediate Response Account (IRA) for preparedness activities (II/II)

Proposal to **revise annual limit up to USD 6 million per year:**

- ✓ **Increase the capabilities of partners**, in preparedness, to enable a joint and effective response to an emergency.
- ✓ **Enrich operational readiness** for a response, through emergency preparedness planning processes
- ✓ Establish **baselines for an informed response** including capacity assessments, needs assessments, VAM assessments, targeting and technical appraisals
- ✓ **Augment operational capacity of WFP's supply chain**, information and communications technology (ICT) and engineering services

**THANK YOU**