

WFP Executive Board

*1st Informal Consultation
Management Plan 2016-2018*

10 July 2015



World Food Programme

Agenda for Informal Consultation

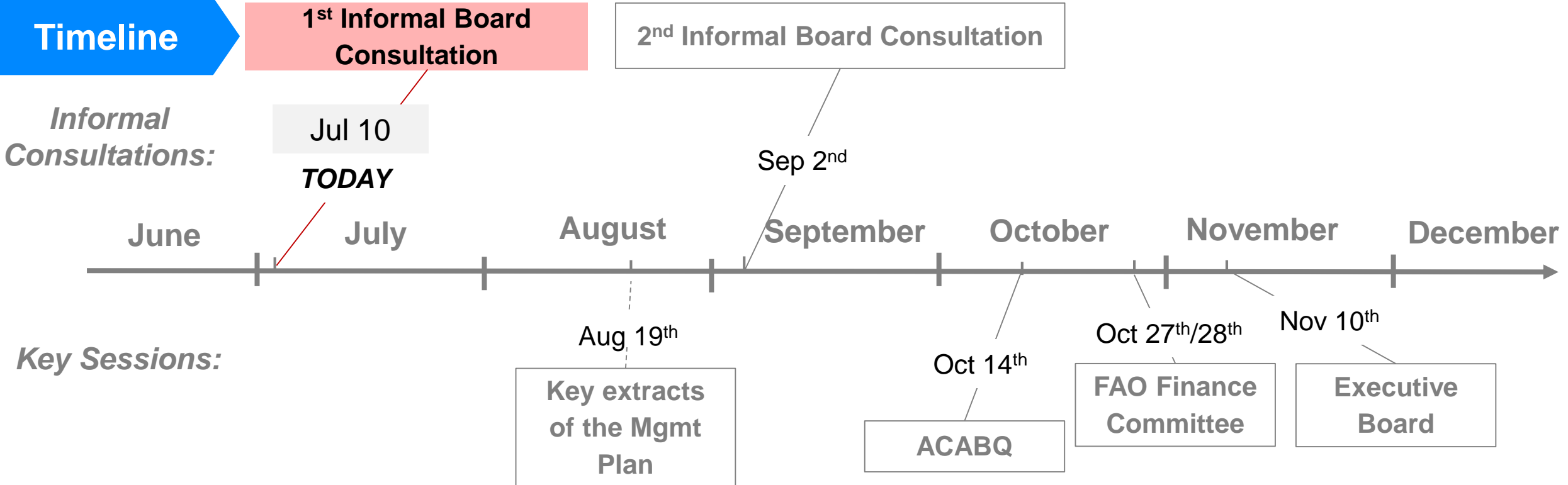
- I. Setting the Scene: Resourcing & the Financial Context of the 2016-2018 Management Plan**
- II. Operational Requirements and Provisional Prioritized Plan**
- III. PSA Approach and Budget**
- IV. Critical Corporate Initiatives (CCIs) and Other Issues for Discussion with EB**

Key dates for Management Plan 2016-18

Objective

Present for approval the 2016-18 Management Plan for the Second Regular Session of the Executive Board

Timeline



Setting the Scene: Resourcing & Financial Context of the 2016-2018 Management Plan

- I. Management Plan: Building on Executive Board Feedback
- II. Overview of Management Plan Forecast based on Steady-state Growth
- III. Operational Requirements: Upwards Trajectory of Needs
- IV. PSA Overview: Increase PSA to Support Growth in Business

Management Plan: Building on Executive Board Feedback

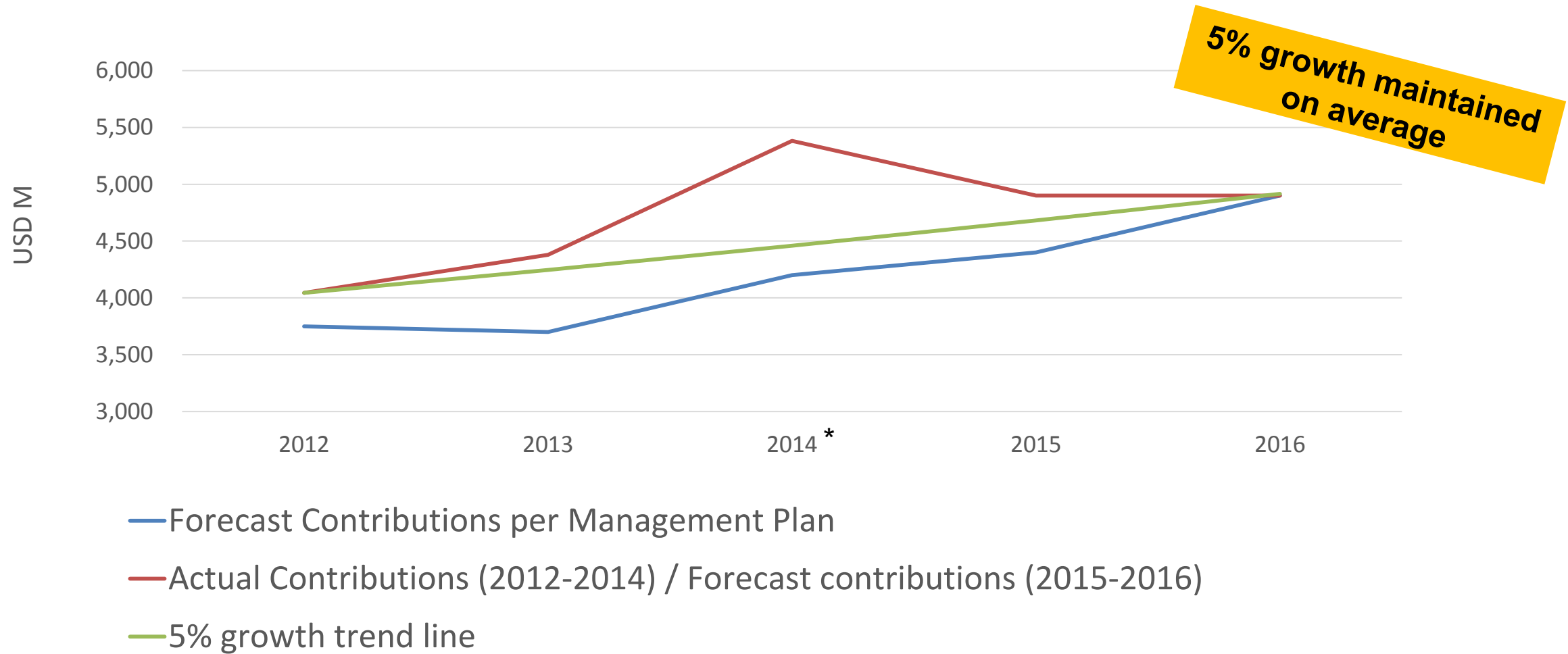
Provisional Prioritized Plan of Work

- ✓ Based on donor funding projections and anticipated limitations
- ✓ Within the context of assessed needs, based on the scope of the Strategic Plan and organisational capacity
- ✓ Forms the basis of the Management Plan

Programme and Administrative Support

- ✓ Focusing on 'steady state' growth
- ✓ Concluding 'Fit for Purpose' investment
- ✓ Preparing for Cost Excellence
- ✓ Fully integrated part of Strategic Resource allocation process

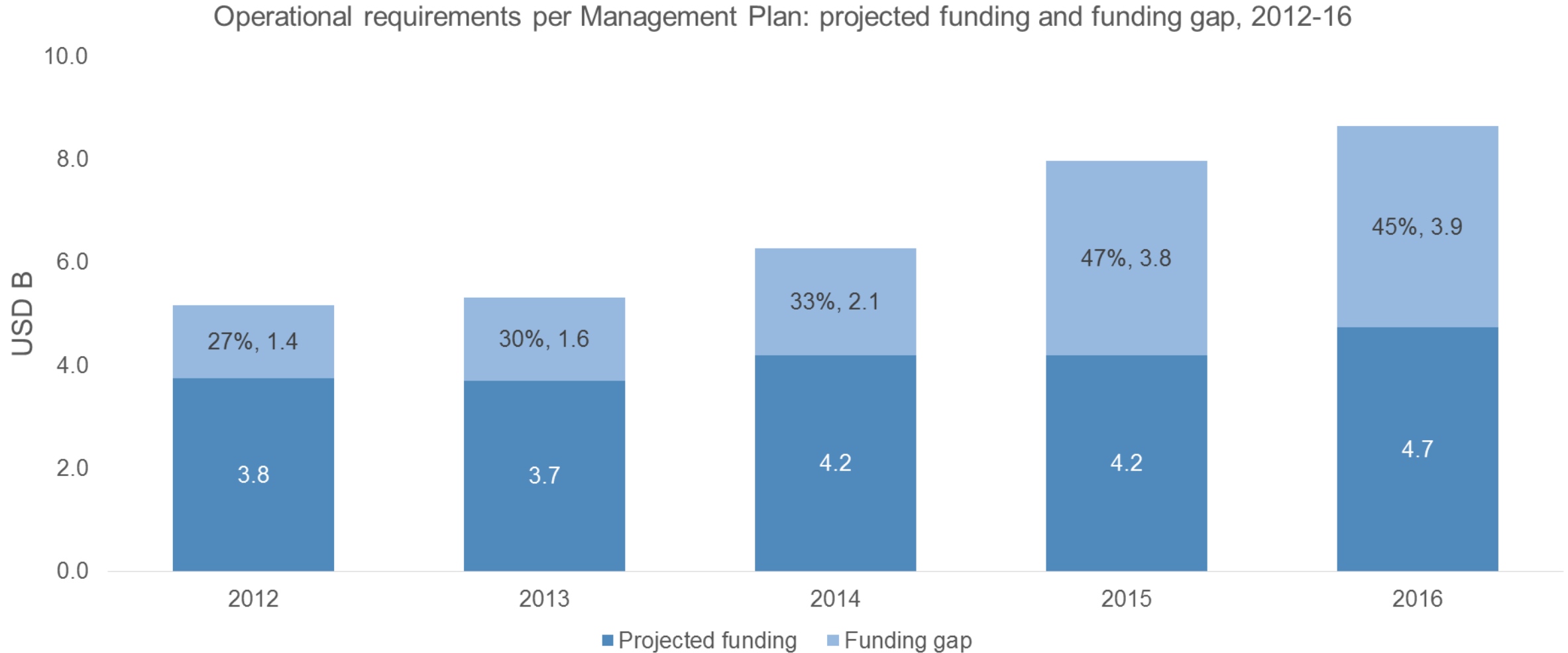
Overview of Management Plan Forecast based on Steady-state Growth



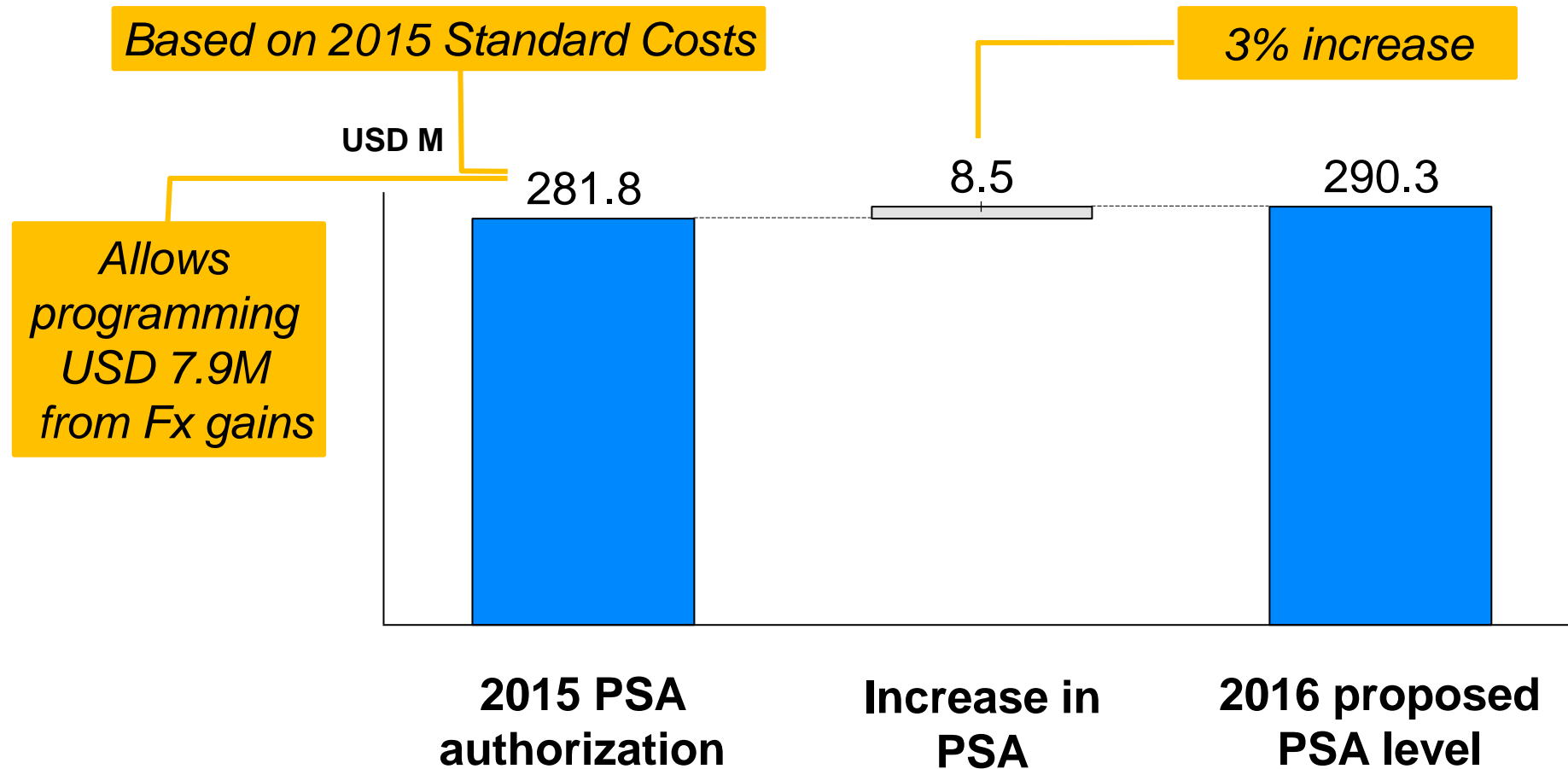
In the 'new normal' of multiple L3's, we can project steady growth in funding

Operational Requirements: Upwards Trajectory of Needs

All figures are in USD billion



PSA Overview: Increase PSA to Support Growth in Business



PSA base expenditures are *USD 290.3 M*, an increase of 3%

Operational Requirements and Provisional Prioritized Plan

Please note, all figures presented are provisional

- I. Approach to the Compilation of Operational Requirements and Provisional Prioritized Plan of Work
- II. Funding Forecast and Provisional Prioritized Plan of Work
- III. 2016 Provisional Prioritized Plan: Key Figures
- IV. 2015 - 2016 Prioritized Plan of Work Provisional Overview by Strategic Objective*
- V. 2015 - 2016 Prioritized Plan of Work Provisional Overview by Activity*
- VI. 2016 Operational Requirements vs. Prioritized Plan
- VII. 2016 (2015) Operational Requirements vs. Prioritized Plan Variations*
- VIII. 2016 Provisional Operational Requirements vs. Prioritized Plan
- IX. 2016 Top 10 Countries: Projected Funded Amount*

Approach to the Compilation of Operational Requirements and Provisional Prioritized Plan of Work

ITEM	DESCRIPTION
Operational Requirements review	<ul style="list-style-type: none">▪ Use of needs assessments to inform projected requirements▪ Review of planned requirements vs. criticality of the food insecurity situation at RB and HQ▪ Review of the cost of planned programme assistance (food/transport costs, etc.)
Funding Projections	<ul style="list-style-type: none">▪ Resourcing projections at country and project level using tools such as statistical forecasting and consultations at local level▪ Review of funding forecasts by RB & HQ▪ Alignment with global funding projection
Provisional Prioritized Plan of Work	<ul style="list-style-type: none">▪ Review project needs against funding projections▪ Prioritize needs / strategic objectives at Country Office level based on projected funding▪ Analyze the impact on unmet operational requirements

Funding Forecast and Provisional Prioritized Plan of Work

- Projected operational requirements of **USD 8.6 billion** in 2016
- Preliminary funding projection of **USD 4.9 billion**
- Funding a Provisional Prioritized Plan of Work of **USD 4.7 billion** for projects (excluding trust funds)
- Resulting in a gap of **USD 3.9 billion**, representing **45 percent** of operational requirements

Projected requirements and funding levels subject to evolving, dynamic operational context (e.g. Yemen)

2016 Provisional Prioritized Plan: Key Figures

Revised Slide



76 countries



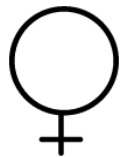
USD 4.7 B
prioritized plan



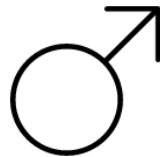
64 M
Direct beneficiaries



2.5 M mt of food



34 M



30 M



13.7 B rations



142 projects



USD 1.4 B cash-based
transfers

Cash based transfers, approximately 30% of 2016 MP (mainly RBC)

2015 - 2016 Prioritized Plan of Work Provisional* Overview

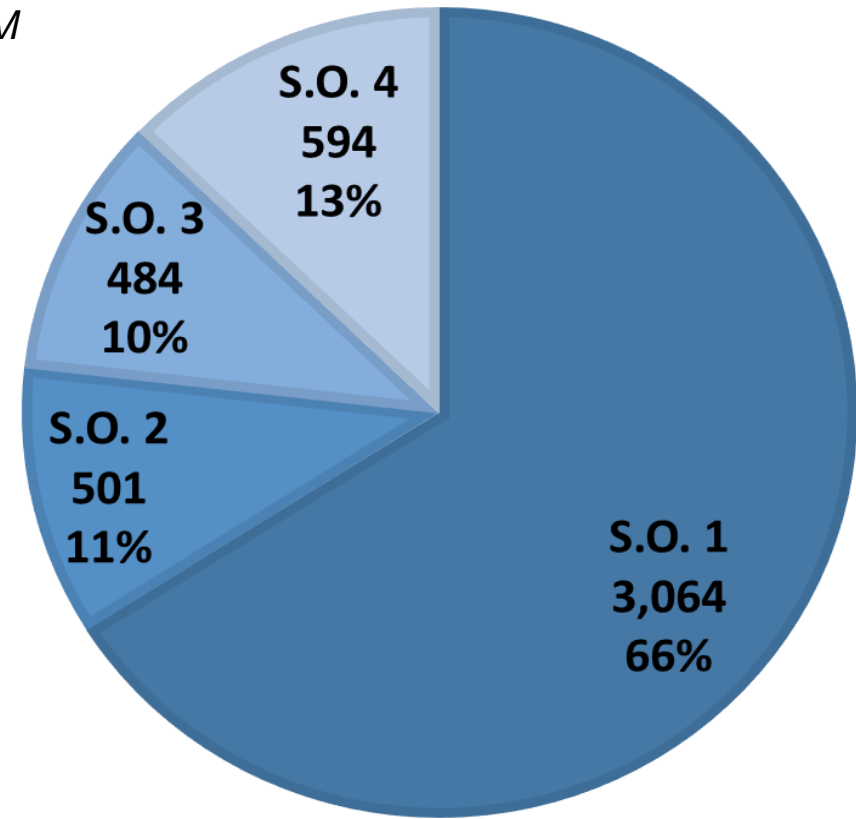
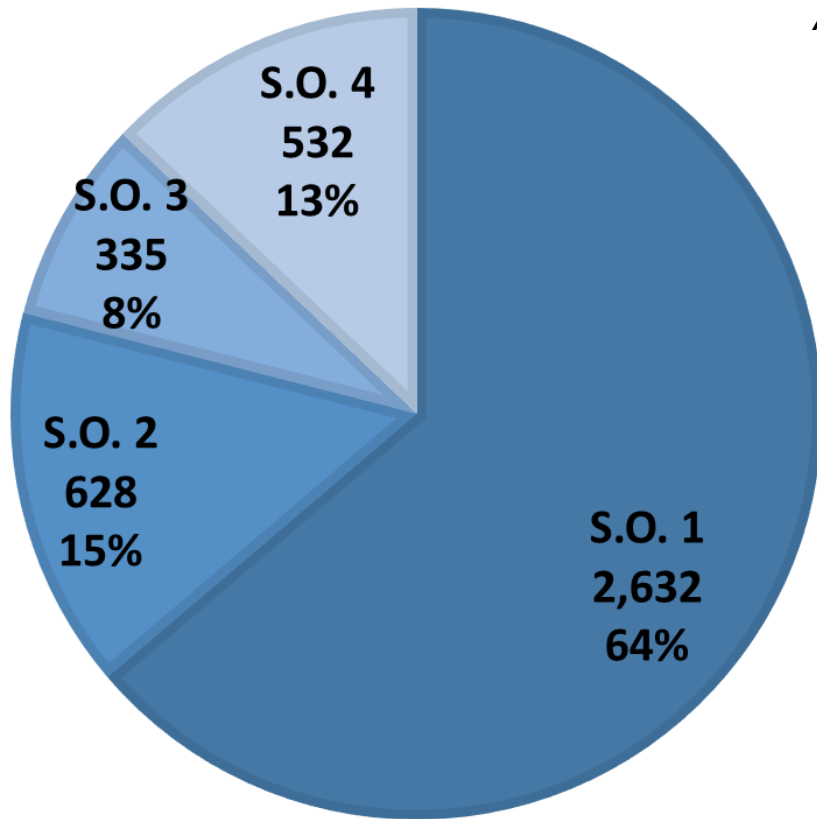
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By Strategic Objective:

2015

2016

All figures are in USD M



2015 - 2016 Prioritized Plan of Work Provisional* Overview

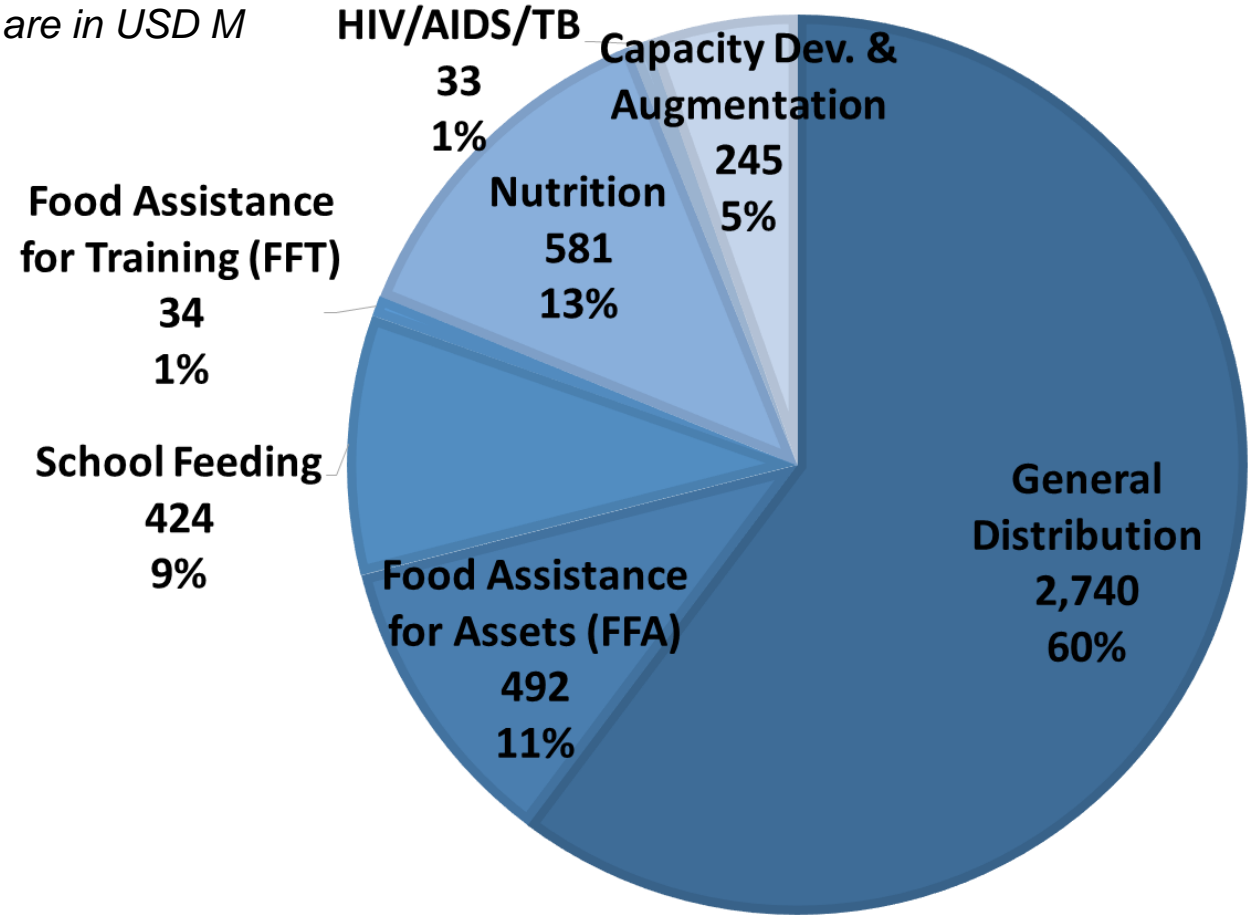
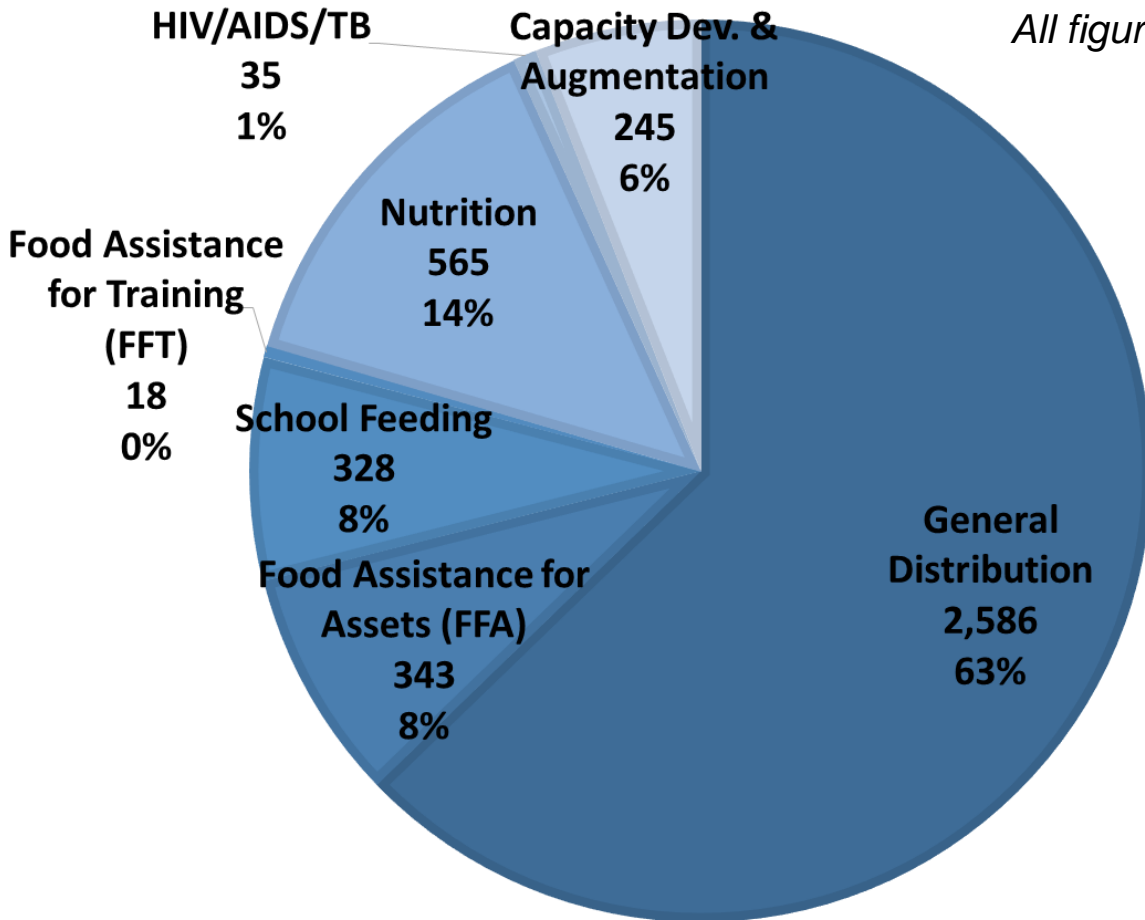
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By Activity:

2015

2016

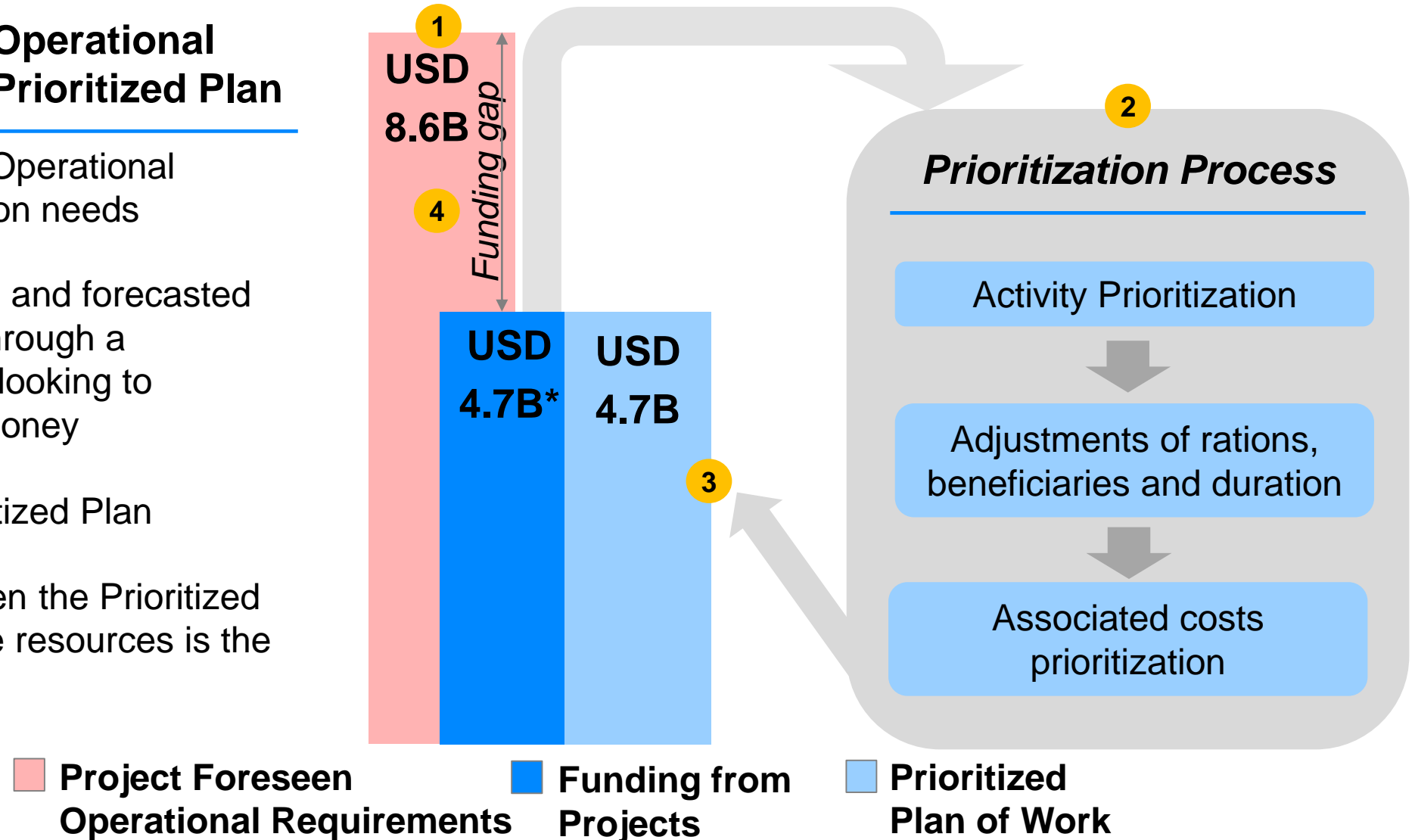
All figures are in USD M



2016 Operational Requirements vs. Prioritized Plan

How we get from Operational Requirements to the Prioritized Plan

- 1 WFP establishes the Operational Requirements based on needs
- 2 Considering available and forecasted funding, WFP goes through a prioritization process looking to maximize Value for Money
- 3 WFP reaches a Prioritized Plan
- 4 The difference between the Prioritized Process and available resources is the funding gap



2016 (2015) Operational Requirements vs. Prioritized Plan Variations

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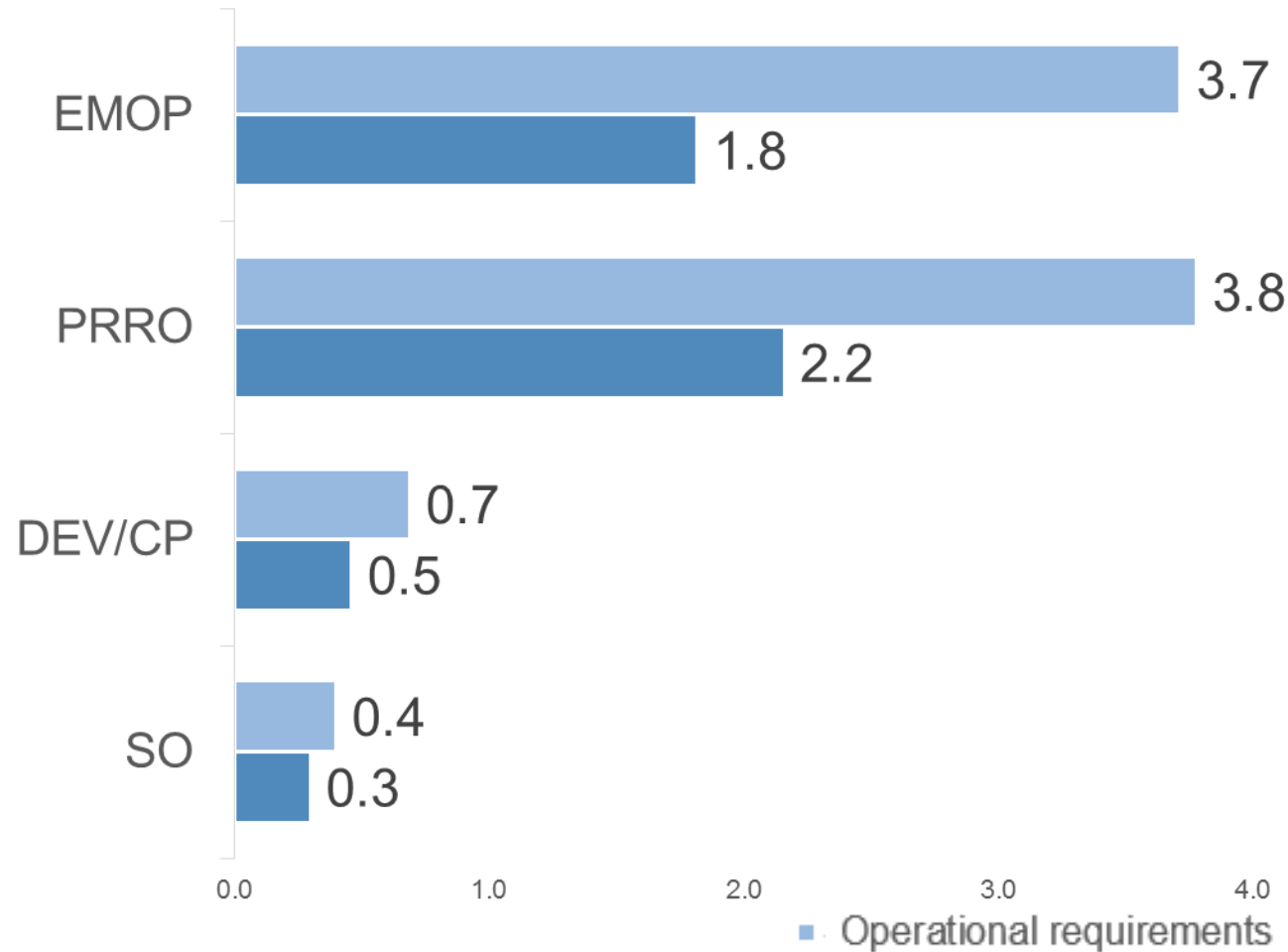
Key Figures	UoM	Projected Operational Requirement	Provisional Prioritized Plan of Work	% Variation
Requirements	USD B	8.6 (8.0)	4.7 (4.2)	-45% (-48%)
Daily rations	Billion	19.7 (17.1)	13.7 (10.7)	-30% (-37%)

2016 Requirements include 12 months of Yemen, despite uncertainties

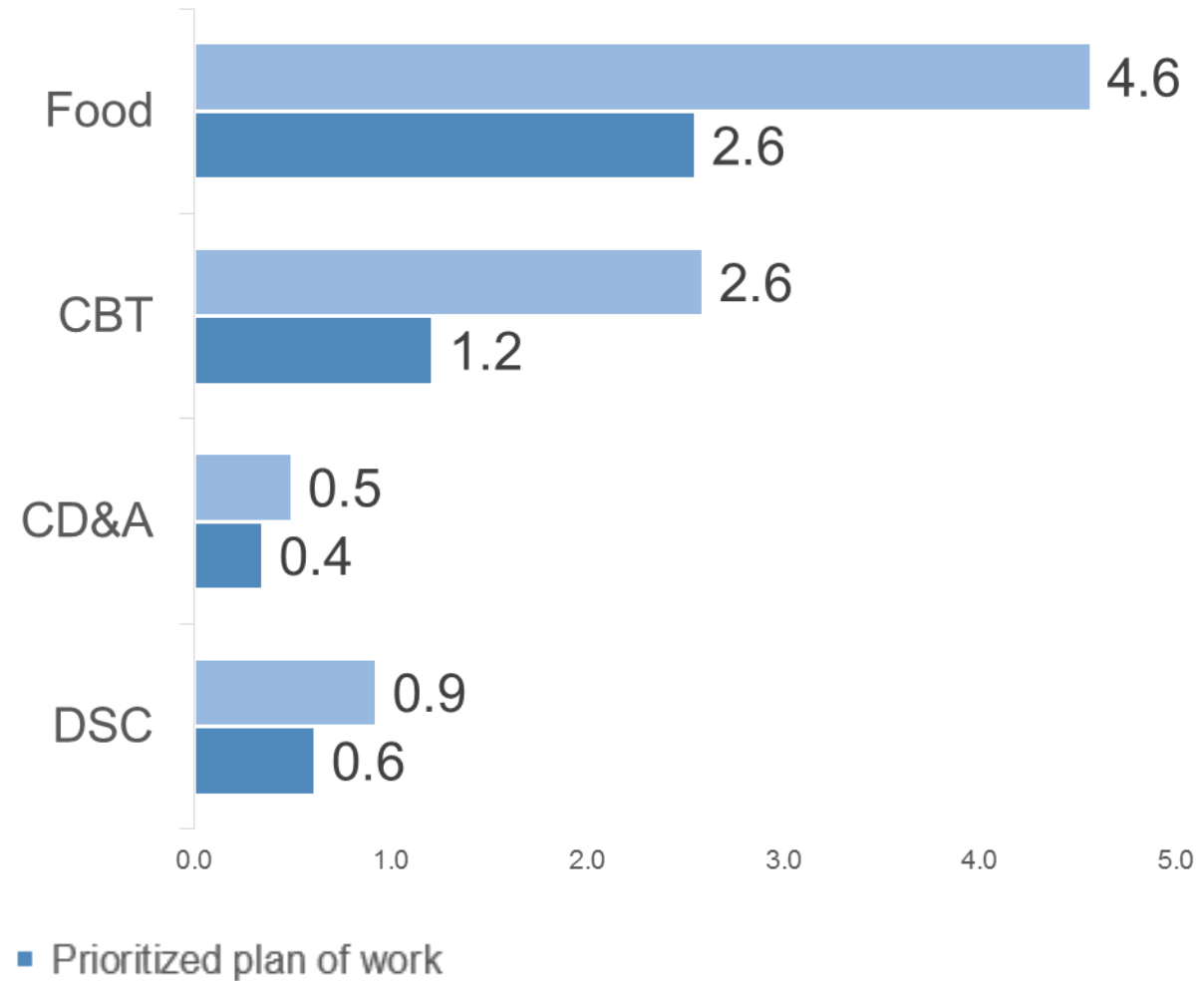
2016 Provisional Operational Requirements vs. Prioritized Plan

All figures are in USD billion

By Project Category



By Tool



2016 Top 10 Countries: Projected Funded Amount

Recipient Country	2016 Projected Funded Amount (USD M)
Yemen	554
South Sudan	439
Syria Emergency	564
Ethiopia	232
Iraq	291
Niger	200
Somalia	171
Afghanistan	138
Kenya	171
Sudan	284
Subtotal top 10 countries	3,044

PSA Approach and Budget

- I. Trajectory of PSA levels from 2012 – 2016
- II. Key Principles for the Management Plan (2016-18) PSA
- III. PSAEA Projections
- IV. Overview of PSA Allocation Recommendations for 2016-2018 MP
- V. Formalising Funding and Alignment of Security Costs & Staff Wellness

Trajectory of PSA levels from 2012 - 2016

USD M	Management Plan 2012	Management Plan 2013	Management Plan 2014	Management Plan 2015	Management Plan 2016 (projection)
PSA Expenditure Authorised / Planned	249.1	249.1	281.8	281.8	290.3
Critical Corporate Initiatives (CCI)	22.2	20.0	9.2	9.2	17.0 + 7.0
ISC Income Earned/ Projected	255.0	283.5	354.7	316.1	316.1
PSAEA Drawdown				78.0*	-

- Critical Corporate Initiatives: **USD 17M** as outlined in the PSAEA paper
- Cost Excellence set aside: **USD 7M** for 2016

Key Principles for the Management Plan (2016-18) PSA

PSA Budget Envelope

- Maintain 7% Indirect Support Cost (ISC) rate
- Ensure a healthy PSAEA balance of minimum 4 months
- Measured steady–state growth
- Maintain regular/ Critical Corporate Initiative (CCI) distinction
- Ensure PSA budget is within our means
- PSA targets set by Department at 2015 approved levels
- Exchange rate benefit allocated to key focus areas

Resource Allocation

- Increases in line with corporate focus areas and to the field
- Continued emphasis on efficiency and 'VfM'
- 5% departmental documented 'churn'
- Allocation process tied to improved Value for Money review
- Full integration of PSA budgetary allocations to overall resource allocations
- Resource allocation process being integrated with performance reporting process

PSAEA Projections

All figures are in USD billion

	Estimated	Planning
	2015	2016
PSAEA Opening Balance	189.8	136.9
Estimated ISC Income***	316.1	316.1
•Regular PSA	281.8	290.3
•Critical Corporate Initiatives	9.2	*17.0
Total PSA Expenditure	291.0	307.3
2015 PSA Drawdown	78.0	0
Cost Excellence set aside		**7.0
Estimated Year end PSAEA Balance	136.9	138.6
Current PSAEA Target Level 4 months	93.9	96.8
Balance over T4 month target	42.9	41.9
Estimated months of PSA Reserve	5.8	5.7

* 2016 CCI level is indicated in WFP/EB.A/2015/6-1/1 paper

**Proposed set aside for Cost Excellence

***Assume contributions of USD 4.9 B in 2015

Overview of PSA Allocation Recommendations for 2016-2018 MP

Overview of Figures

2015 Approved	
Total HQ	189.6
COs	40.4
RBs	51.8
Total Field	92.2
Total PSA budget	281.8

Overview of Process

- Overall, 3% increase in the proposed PSA level
- Increase allows to account for Euro- Dollar exchange rate benefit
- Divisions asked to reallocate 5% of PSA to priority areas
- Field continues to be focus for PSA investments
- Some priorities from prior years to be maintained (e.g. evaluation, preparedness, people strategy)
- New PSA funding for cash-based transfers

Formalising Funding and Alignment of Security Costs & Staff Wellness

Security Costs (UNDSS & WFP Security Emergency Fund)

- Security costs funded from either the General Fund or PSAEA from 2002 – 2014, but a more sustainable solution was needed
- 2015 USD10M included in Standard Position Costs
- Proposed solution: Mainstream security costs into Standard Position Costs of all funded positions

Staff Wellness

- Staff Wellness Special Account set up in 2015
- WFP's 'Duty of Care' to its employees includes providing services, secure premises, and other facilities that fall under umbrella of employee wellness
- On-going funding proposed as a charge through Standard Position Costs
Proposed Budget for 2016 USD 1.4M (USD 0.7M PSA)

Critical Corporate Initiatives (CCIs) and Other Issues for Discussion with EB

- I. Critical Corporate Initiatives: Finalization of Fit for Purpose
- II. Cost Excellence: Project Overview
- III. A global Service Centre will allow WFP to obtain savings, improve service quality and increase mission focus
- IV. A four-step approach for Service Centre feasibility review
- V. 6 Divisions in scope after extensive process analysis; transition would be in 2 waves
- VI. A phased approach would be used in Service Centre transition
- VII. A location assessment is being undertaken
- VIII. Other Issues for Discussion with EB

Critical Corporate Initiatives: Finalization of Fit for Purpose

Fit For Purpose Focus Areas	USD M
Workforce capabilities and skillsets	2.7
National Capacity Development & Country Strategies	4.0
Cash Based Transfers and Enablement of Evidence-Based Decision Making	2.5
Nutrition Capabilities	0.5
Strategic Partnerships	0.8
Programme Design processes, platforms and systems	2.6
Flexibility in funding and efficient resource usage	2.5
Other CCI's (INC, HRM)	1.4
Total Critical Corporate Initiatives	17.0

USD 17 million should be set aside in 2016 for the final deliveries with the Fit for Purpose initiative

Cost excellence initiative was launched in July 2014 with two workstreams

Additional Slide

Cost Excellence Initiative

A

Global Support Cost analysis

- Review of support costs at headquarters and field level for efficiencies

B

Service Centre Feasibility Review

- A feasibility review that aims to explore options for a Global WFP Service Centre concept

Global Support Costs are currently under review by cost category in order to identify opportunities for better optimization and efficiency

Additional Slide

Global Support Cost analysis

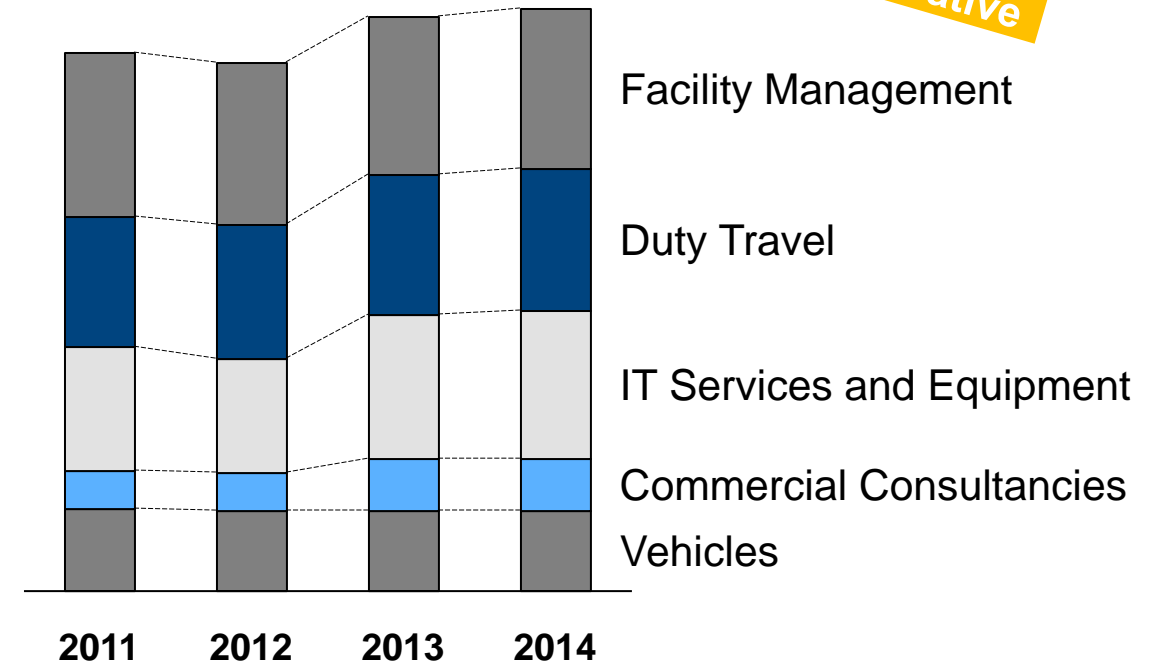
Review of Global Support Costs at headquarters and field level for efficiencies

Global expenditures were broken down and deep dive analysis conducted for major cost categories:

- Facility Management
- Duty Travel
- IT Services and Equipment
- Commercial Consultancies
- Vehicles

Expenditures breakdown

Illustrative



In addition to Global Support Costs analysis, a Service Centre feasibility review was launched to explore options for a WFP Service Centre concept

A global Service Centre will allow WFP to obtain savings, improve service quality and increase mission focus

Main rationale for a Service Centre

Cost savings for budget reduction and/or reinvestment in strategic activities

- Cost reductions will be achieved for **overhead, facilities, utilities, system costs** etc.
- Resources are freed up to **either provide opportunity for enhanced strategic focus**
- Improved capturing of **economies of scale**

Improved service quality and additional efficiencies

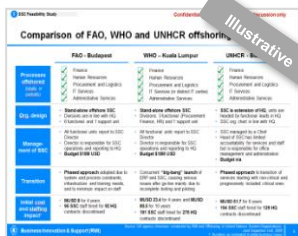
- Through the optimization of processes, **efficiency savings and improved service delivery** will be possible
- Greater service **consistency/standardization** and better use of new technologies

Greater mission focus and facilitated future growth

- Enable functional units to **concentrate on core processes and strategic priorities**

With increasing demand for WFP's services, we must find better ways to work in order to sustain the fight against hunger

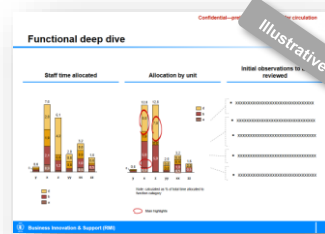
A four-step approach was taken for Service Centre feasibility review



Illustrative

- Investigate UN experiences with service centres
- Review industry best practices

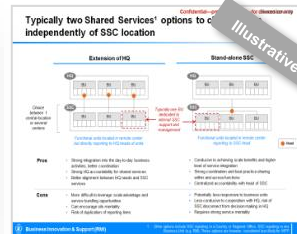
Scoping—Process & function analysis



Illustrative

- Scoping of service centre structure
- As-is process analysis
- Define services bundling scenarios

Business case



Illustrative

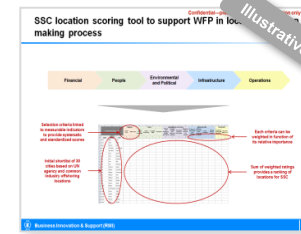
- Feasibility analysis of potential Service Centre costs / benefits

3. Risk analysis & mitigation

Illustrative

- Identify risks and required key mitigation actions

4. Location Analysis and Selection



Illustrative

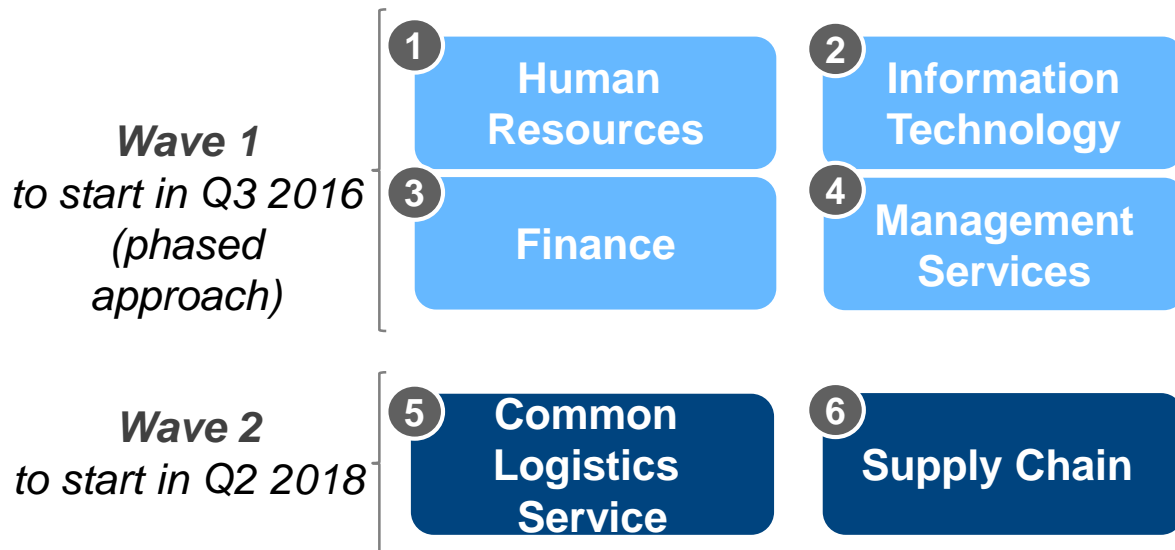
- Define location selection criteria and methodology
- Review shortlist of potential locations

6 divisions in scope after extensive process analysis; transition would be in 2 waves

Revised Slide

Process analysis narrowed down preliminary scoping to six divisions – phased approach to be used

A high level estimate indicates up to 300 positions (400-450 incl. consultants) at HQ in potential scope



Service Centre workforce

Up to 300 positions
(additional 100-150 consultants)

Wave 1: Up to 220

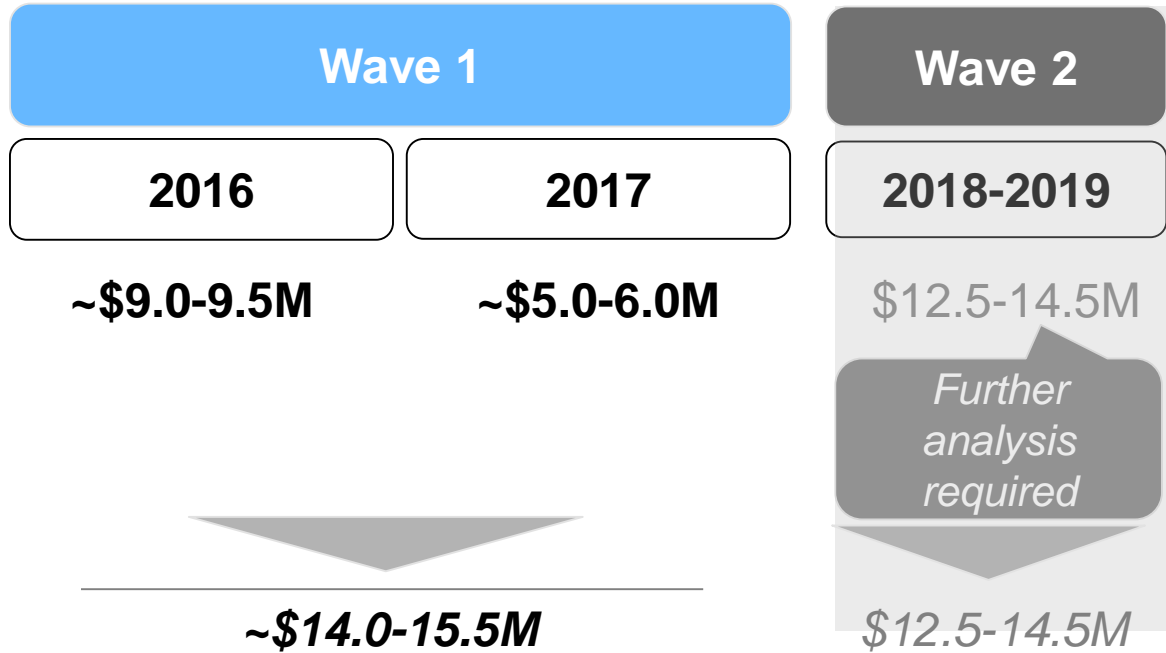
Wave 2: ~150-200

Additional assessment is being conducted to refine number of positions affected

“Wave 1” would require an investment of ~\$14.0-15.5M in 2016-2017 to create a Service Centre with an estimated annual savings of ~\$4.5-5.0M

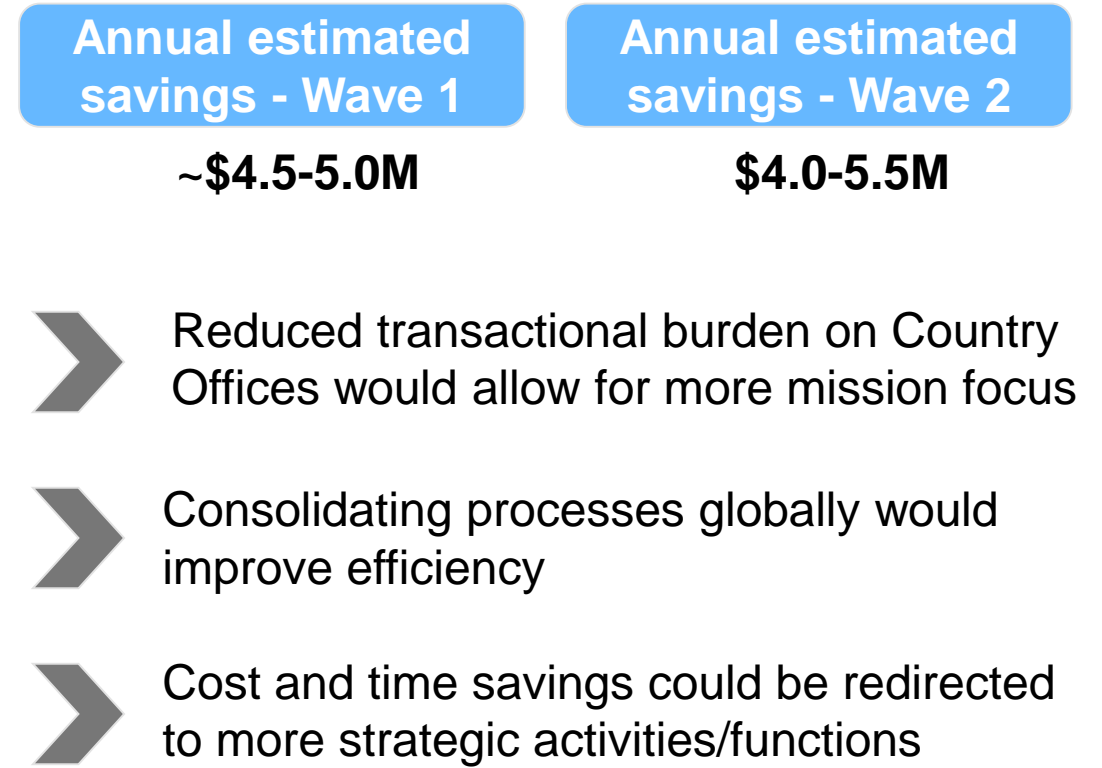
Preliminary figures to be refined

Upfront investments

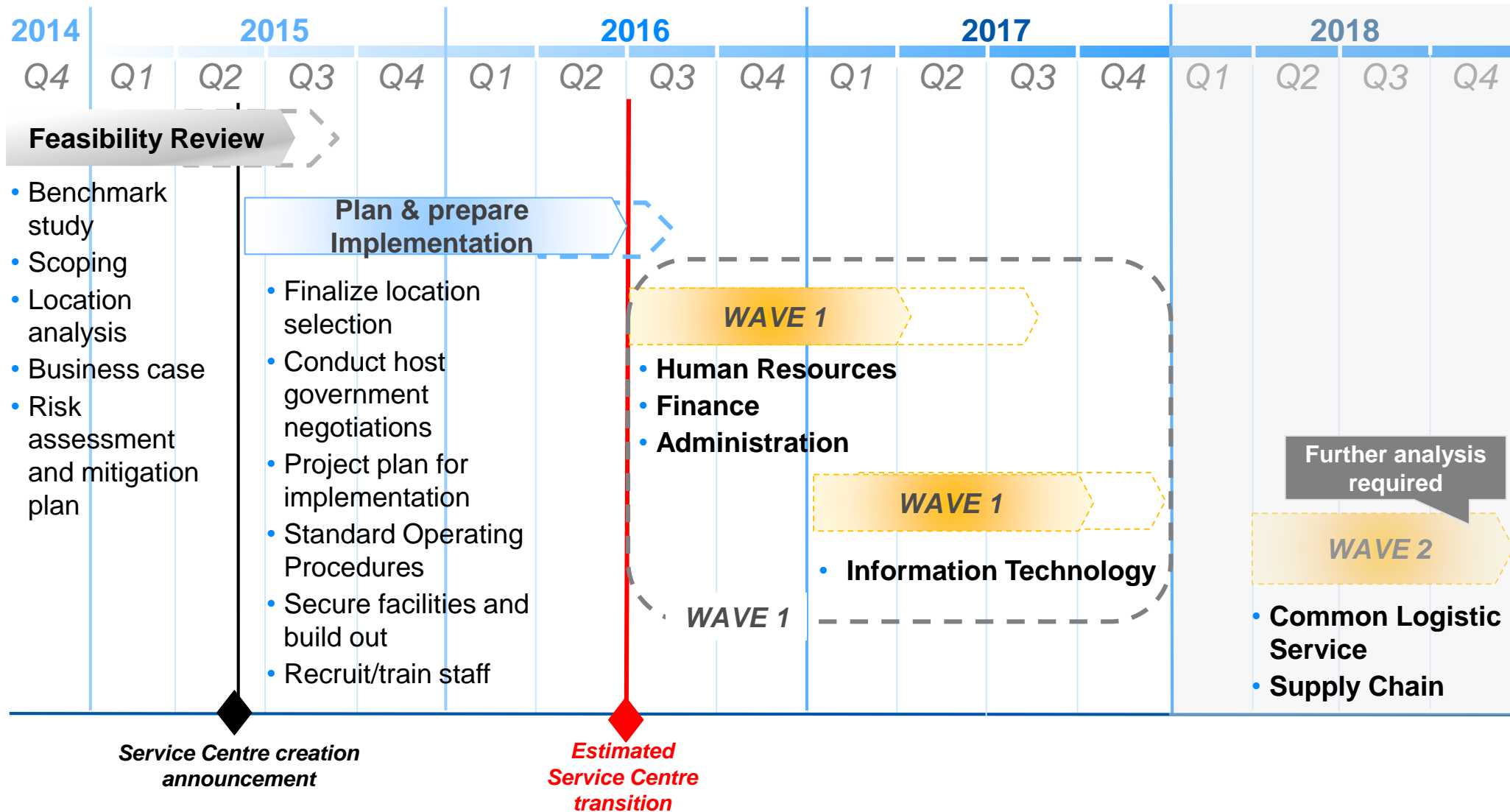


➤ **Main cost assumptions** include **staff impact mitigation measures, staff relocation costs** and additional resources due to **added workload** during Service Centre set-up period

Benefits

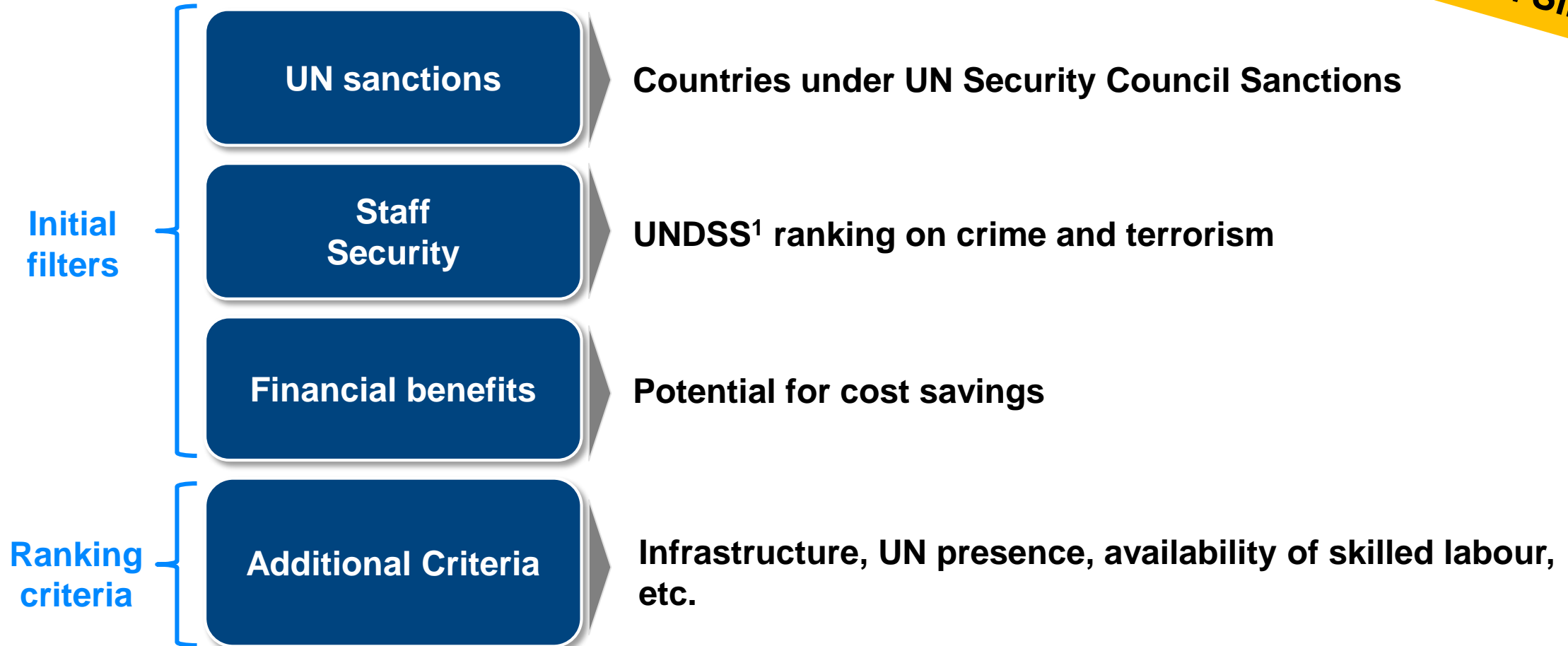


A phased approach would be used in Service Centre transition: first wave would start in Q3 2016



Currently a location assessment is being undertaken – overview of selection methodology

Revised Slide



Key rationale for opening a Service Centre is to identify cost savings to redirect to high priority areas while maintaining/ improving service delivery

Other Issues for Discussion with EB

Capital Budgeting Facility (CBF):

Proposal for the CBF level for 2016 to be increased from USD 28 million to USD 40 million, to accelerate capital improvements with payback

ED's authority to adjust PSA level:

Authorizes the Executive Director to adjust the PSA component of the budget in accordance with a change in the level of the forecasted income for the year at a rate not to exceed a set percentage of the anticipated change in income

Funding of Investment Management Costs:

Expenditure henceforth of USD 1 million (*approx.*) from the General Fund for Investment Management Costs

Thank You

2016 Operational requirements: Key figures

Revised Slide



76 countries



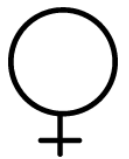
USD 8.6 B needs



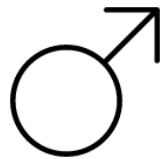
82 M beneficiaries



4.4 M mt of food



43 M



39 M



19.7 B rations



142 projects



USD 2.8 B cash-based transfers