

KEY EXTRACTS OF THE DRAFT MANAGEMENT PLAN (2015–2017)



Informal Consultation

Revised version

World Food Programme
Rome, Italy

SECTION I: INTRODUCTION

Reader's Guide

1. The Management Plan (2015–2017) reflects the transformation of WFP's performance management in terms of increased coherence among the Management Plan, the Annual Performance Report (APR) and the Financial Statements. Operational requirements reflect the resources needed to implement the Strategic Plan, and a new implementation budget provides a prioritized view of WFP's work in the coming year in alignment with projected funding levels. The new Programme Support and Administrative (PSA) budget approach incorporates value-for-money considerations as a basis for resource allocations, and links planned achievements with management results with a view to ensuring that WFP manages its resources as economically, efficiently and effectively as possible with maximum transparency and accountability.
2. The improvements in this Management Plan made with a view to performance-informed budgeting¹ are set out below.
 - The new Section II: Funding Context and Resource Assumptions provides a more complete funding picture by setting out the financing context, funding and resourcing trends and assumptions for 2015.
 - The new Section III: Provisional Prioritized Plan of Work presents a prioritized view of operations aligned with projected funding levels for 2015, noting that resourcing assumptions form the basis of prioritization and that donors earmark around 90 percent of funding for specific projects.
 - The new implementation budget matches forecast funding levels with the provisional prioritized plan and the proposed PSA budget. It will be used to promote accountability for reporting on actual results achieved; it may also be used to compare budgeted and actual expenditure in the Financial Statements.
 - In Section IV: Programme Support and Administrative Budget, the PSA budget is based on value-for-money concepts and the application of the Management Result Dimensions (MRDs) with a view to closer linking of budgeting and performance.
 - Trust fund expenditure is set out where applicable: country office trust funds and corporate trust funds related to operational activities and implemented in country offices are considered in Section III; corporate trust funds for institutional improvements are considered in Section IV.
 - In Section V: Advance Financing for Corporate Services and Other Special Accounts the Capital Budgeting Facility and other special accounts are considered.
3. To enable readers to access information at a level of detail appropriate to their needs, each section starts with an overview of the content; details of the PSA budget and the regional overview of operational requirements are presented in Annexes.² A reader may therefore review the Management Plan through the Executive Summary and Draft Decision and the overviews at the beginning of each section, or may read the whole document.

¹ Performance-informed budgeting establishes a clear relationship between budget input and results, demonstrating the impact of funding levels on performance. Thus performance information becomes a critical factor in determining the budget.

² All annexes will be included in the final Board document.

Structure of the Document

4. The Management Plan (2015–2017) is in five sections, with an Executive Summary and a Draft Decision.
 - Section I: Introduction consists of the Reader’s Guide followed by a commentary on the global economic and political context and WFP’s strategic and management considerations.
 - Section II: Funding Context and Resourcing Assumptions considers the context in which WFP seeks voluntary contributions to implement the programme of work: it explains the resourcing assumption of USD 4.4 billion, which is conservative in the light of actual income in 2013 and projections for 2014, considers the decline in multilateral resources and proposes an increased target level for the Immediate Response Account (IRA).
 - Section III: WFP’s Provisional Prioritized Plan of Work considers the impact of the expected gap between operational requirements and funding, and the related prioritization scenarios; this includes an analysis of forecast operational expenditure by cost component, which may be used in preparing Statement V of the 2015 Financial Statements. Section III also considers the changing nature of food assistance and the different types of outcome used in defining and measuring beneficiary needs, and an analysis of country office trust funds and corporate trust funds related to operational activities.
 - Section IV: Programme Support and Administrative Budget presents the PSA budget proposal required to support the prioritized plan of work. It outlines the actions taken to ensure that WFP functions effectively in the context of zero nominal growth – a regular PSA budget of USD 281.8 million and critical corporate investments of USD 9.2 million – and the proposal for sustainable funding of security expenditures previously financed from the General Fund. Section IV also considers corporate trust funds for developing WFP’s institutional capacity and the proposal to keep the indirect support cost (ISC) rate at 7 percent for 2015.³
 - Section V: Advance Financing for Corporate Services and Other Special Accounts presents the status and proposed use of the USD 70 million corporate services financing mechanism approved by the Board at its 2014 Annual Session and other special accounts established by the Executive Director.⁴

The Global Economic and Political Context

5. The global reach of WFP and its dependence on voluntary funding mean that its plans depend on a variety of factors over which it has little or no control. Awareness of their effect on the programme of work is fundamental to understanding the context of the Management Plan.

³ A review of the method for calculating the ISC rate will be completed in 2015.

⁴ Special accounts enable WFP to provide non-profit business services, improve institutional capacities and mobilize country-specific complementary resources for programmes.

The Impact of Armed Conflict

6. In 2014, by September WFP was responding to Level 3 emergencies resulting from armed conflicts in the Central African Republic, Iraq, South Sudan and the Syrian Arab Republic. The situation in the Middle East continues to cause concern. The rise of the Islamic State in Iraq and the Levant (ISIS) has shaken a region already in turmoil, and previously separate conflicts are merging into a wider, protracted regional disaster as population displacements and the disruption of trade, tourism and investments threaten stability and food security.
7. The wider effects of the crisis in Ukraine must not be underestimated, particularly in terms of grain prices: the country is a major exporter of wheat and maize, much of which goes to the Middle East and West Africa.

The Impact of Climate-Related Change

8. Climate-related phenomena may impact WFP's operating environment in late 2014 and beyond. A weak to moderate⁵ El Niño is expected to peak in late 2014 and early 2015. This usually leads to drier-than-average conditions in the crop-producing areas of southern Africa, and late crops in the Indian subcontinent, the Middle East and the wetter regions of south-east Asia. The effects on crop production and market prices will be felt during the 2015 lean season. Wetter-than-average conditions will be felt in the October–January short rains in eastern Africa, which may benefit crop and pasture resources, particularly in arid areas, but could also lead to flooding.
9. Rainfall patterns in the northern hemisphere during the 2014 growing season will have consequences for food-insecure populations extending into 2015: the evidence indicates drier-than-average conditions in the second half of 2014 in Central America, Indonesia, Pakistan, the Sahel and South Sudan, where even small fluctuations in rainfall can have significant consequences.

The Impact of Sudden-Onset Emergencies

10. Catastrophic, sudden-onset events will continue to occur, requiring swift, well-coordinated responses. Recently, the Ebola virus disease in West Africa has spread rapidly, fuelled by factors that include the difficulty of controlling and screening population movements across borders, misconceptions and fear about the disease, and resistance to health authorities and humanitarian actors. The outbreak very quickly unsettled production, trade and other livelihood activities in the region, with immediate broad impacts on food assistance needs.

Unforeseen Requirements

11. A number of factors may contribute to increases to the original programme of work. Increases owing to unforeseen requirements have averaged 35 percent over the past five years; the Secretariat uses the corporate risk register to monitor risks that could produce unforeseen requirements.

⁵ Historical data indicate that even weak events can have serious consequences.

TABLE I.1: UNFORESEEN REQUIREMENTS, 2010–2014 (USD million)⁶				
	Original programme of work	Unforeseen requirements	Final programme of work	% increase
2010	4 606	2 241	6 848	49
2011	4 347	1 764	6 111	41
2012	5 162	1 634	6 796	32
2013	5 317	1 356	6 673	26
2014	6 267	1 728	7 995*	28
Average	5 140	1 745	6 884	35

* Mid-year figures

The Challenging Funding Environment

12. The funding environment is expected to remain challenging. Some donor countries are facing financial constraints, and global humanitarian needs are growing.

Strategic and Organizational Context

13. The Management Plan (2015–2017) is driven by the Strategic Plan (2014–2017) and the Strategic Results Framework (SRF). The organizational context and the framework for action are captured in the five MRDs – People, Partnerships, Processes and Systems, Programmes, Accountability and Funding.

Strategic Considerations

14. WFP is moving towards performance-informed budgeting by linking results to budgets and funding to performance:

- the Strategic Plan sets the context for WFP's interventions;
- the SRF guides the provisional prioritized plan of work;
- the Management Results Framework (MRF) guides PSA resource planning; and
- the strategic and management results and related expenditures are monitored and reported annually; lessons learned influence future plans.

15. The Strategic Plan (2014–2017) defines WFP's four Strategic Objectives in terms of their contribution to three priorities: i) prepare for and respond to shocks; ii) restore and rebuild lives and livelihoods; and iii) reduce vulnerability and build lasting resilience.⁷ It reflects an evolving operating environment that shapes WFP's operational requirements and its proposed use of trust funds.

⁶ Figures in the Management Plan are rounded.

⁷ Strategic Objective 1 – Save lives and protect livelihoods in emergencies. Strategic Objective 2 – Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies. Strategic Objective 3 – Reduce risk and enable people, communities and countries to meet their own food and nutrition needs. Strategic Objective 4 – Reduce undernutrition and break the intergenerational cycle of hunger.

16. WFP seeks to maximize the effectiveness of its operations by applying its enhanced set of tools: these increase its capacity to provide policy, institutional and programmatic advice in response to the needs of governments and regional organizations, with a view to handing programmes over to local and national authorities where possible.
17. WFP's programme of work is influenced by geographic and demographic shifts in the prevalence of poverty. The numbers of stunted children and other chronically vulnerable people in middle-income countries are growing and poverty is shifting to urban areas, particularly in Asia and Latin America. There is no "one-size-fits-all" approach, so WFP continues to develop the policies and capacity needed to deploy the right tools in the right place at the right time.
18. Fragile and shock-prone environments are home to 80 percent of WFP's beneficiaries, most of whom are women and children who find it difficult to maintain their food security and cope with crises without compromising livelihoods. WFP's operational requirements therefore provide for increased resilience through asset creation, nutrition interventions and tools such as micro-insurance, with enhanced gender analysis. This will be supported by food-security analyses and early-warning systems to help governments and communities to handle natural shocks and safeguard development gains.

Management Principles

19. The key management principles laid out in the Framework for Action include:
 - enhance the capacity of country offices to design and implement country programmes and operations;
 - increase the capacity of regional bureaux to provide the policy, management and front-line support for country offices; and
 - ensure that Headquarters operates as an efficient field-oriented organization that establishes policies, strategies and standards, provides oversight, supports innovation, and facilitates optimum accountability, performance monitoring and reporting.
20. The five MRDs and WFP's evolving value-for-money approach are enablers for optimizing PSA funding. All 2015 funding requests are aligned with the MRDs and subject to a review of their potential value-for-money benefits.

SECTION II: FUNDING CONTEXT AND RESOURCING ASSUMPTIONS

Overview

21. This section, included as a stand-alone section for the first time, provides an overview of the financial context and assumptions underlying WFP's 2015 revenue forecast of USD 4.4 billion.
22. WFP's funding model and its inherent challenges are outlined, with emphasis on the need for flexible funding and the ways in which WFP makes optimum use of funding received. Predictable and flexible funding will help to improve planning and financial management for operational requirements that vary significantly.
23. Section II also outlines a proposal to increase the IRA target level and the ongoing work to increase multi-year funding.

Keeping Pace with Needs

24. Donors make enormous efforts to maintain their levels of contributions despite six years of punishing economic conditions: a record USD 134.8 billion in official development assistance was made available in 2013 and there was a 25 percent increase in humanitarian assistance in response to the concurrent crises. But the 2013 funding gap for the Consolidated Appeal Process (CAP) was 44 percent – the largest in a decade. The initial CAP request for 2014 was the largest ever at USD 12.9 billion, 34 percent more than in 2013. Record levels of developmental and humanitarian assistance are not keeping pace with needs.

WFP Funding Trends

25. Following discussions with traditional and emerging donors, host governments and the private sector, WFP anticipates USD 4.4 billion in revenue in 2015.
26. The forecast of USD 4.4 billion is realistic and conservative given that in four of the last five years funding received for operational needs and PSA requirements reached or exceeded USD 4.0 billion, and that the estimate for the current year has risen to USD 4.5 billion as a result of donors' commitment to the multiple crises which WFP is responding to. In 2013, USD 4.4 billion in contributions was realized, compared with the Management Plan forecast of USD 3.7 billion.

Forecast Funding, 2015–2017

27. Discussions with traditional donors indicate a stable level of support over the planning period, with a range of contributions from USD 3.6 billion – WFP's core donor support – to USD 4.4 billion estimated on the basis of current trends.
28. Projections for 2015 indicate high operational needs and funding of USD 4.4 billion. Projected needs are expected to decrease slightly in 2016 and 2017, with funding forecast at USD 4.2 billion: this is based on the assumption that humanitarian needs and donors' contributions will remain more or less constant, but it remains difficult to anticipate the impact of any unforeseen crises during those years.
29. The bulk of WFP's financial support will continue to come from traditional donors, but WFP recognizes the need for broadening of its donor base if it is to maintain funding levels given that humanitarian needs are consistently high. WFP is seeking to establish a consistent donor base in the Gulf region, and is working with emerging and private-sector donors. Turning to the newer economies in the global markets, WFP will work to consolidate and

expand the support from Brazil, the Russian Federation, India, China and South Africa – the BRICS. It is also exploring the potential for host governments to contribute to operations in their own and in neighbouring countries and for increased use of full-cost recovery support mechanisms such as twinning.

Predictable, Flexible Funding for Efficient Planning

30. WFP is a voluntarily funded organization; it has no core funding. Its overall level of funding is generally predictable – but because 90 percent of contributions are directed, this predictability diminishes considerably at the country, project or activity levels. Such restrictions on the use of contributions can limit the ability of country offices to plan and prioritize their operations.
31. Between 2009 and 2013, funding for emergency operations (EMOPs) and protracted relief and recovery operations (PRROs) varied enormously as a percentage of needs in the five countries with the largest programmes – from 31 percent in Ethiopia to 83 percent in the Sudan. Serious shortfalls in underfunded countries and increasing demand particularly in South Sudan and the Syrian Arab Republic occurred with little warning and are difficult to mitigate (see Box II.1). In recent years, unforeseen requirements have increased the planned operational requirements by 35 percent on average.
32. Increasing the flexibility and predictability of funding, for example through multilateral and multi-year agreements, would: i) ensure that support for beneficiaries was more consistent; and ii) enable WFP to plan and prioritize its work more effectively to achieve the objectives of the Strategic Plan.
33. The unpredictability and frequent inflexibility of donations means that WFP has to devote resources to developing innovative financial mechanisms. For example, its advance financing tools for minimizing pipeline breaks use forecasts of donor contributions as collateral for advances, which are repaid when the contributions are confirmed. WFP's FoodSECuRE facility seeks to ensure regular funding availability for preparing for and responding to climate-induced disasters: it draws on specific finance instruments to fund resilience-building early enough to save lives and livelihoods.
34. But even these innovations are under threat as donors increasingly restrict the use of forecast or future contributions as collateral or repayment for advances: 50 percent of contributions in 2014 carried such restrictions. WFP's inability to use these contributions to repay advances is undermining its operational funding tools, with detrimental effects on supply chains and the timing of food assistance for beneficiaries.
35. Contributions that can be used to cover expenditures made against advances are vital for effective management of supply chains. Restrictions on the use of contributions against advances impedes the advance funding mechanisms and slows down the operation of supply chains.
36. WFP will be reviewing its forecasting process in the second half of 2014 with a view to obtaining earlier indications from donors as to where funding will be directed and how restrictions on any contribution can be aligned with WFP's prioritization requirements.

Box II.1: The displacement effect of major emergencies

The predictability of funding for operations is reduced when major emergencies require the redirection of a significant portion of humanitarian funding.

Experience shows that a major emergency does not necessarily lead to an increase in the humanitarian resources available and as a result, funding for lower-profile protracted emergencies may have to be reduced. A recent example occurred in 2010, when the earthquake in Haiti and the floods in Pakistan called for major emergency responses. Haiti received 15 percent of 2010 humanitarian assistance compared with 1 percent in 2009, and Pakistan received 11 percent compared with 4 percent in 2009. But humanitarian aid increased by only 4 percent between 2009 and 2010, and assistance for sub-Saharan Africa consequently fell from 48 percent to 35 percent.

The IRA, established to provide funds for sudden-onset emergencies, depends on the direct contributions provided by donors.

Proposal to Increase the Immediate Response Account Target

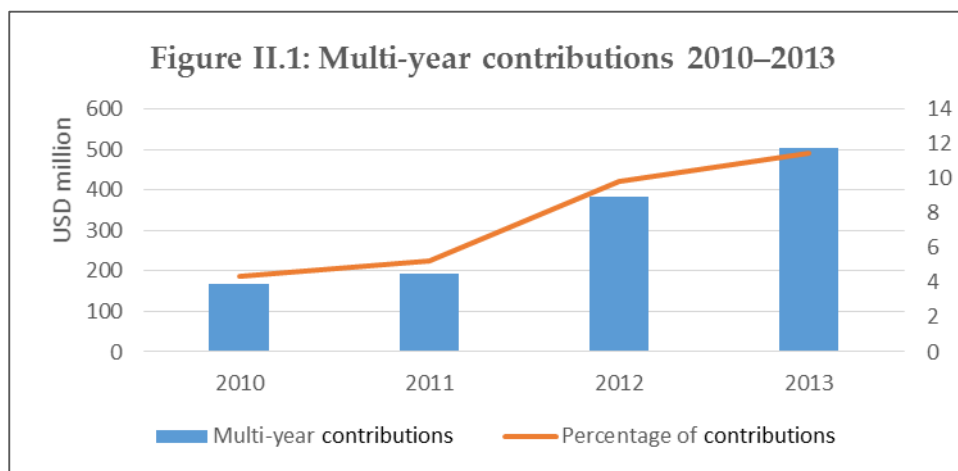
37. The IRA was established in December 1991 to provide immediate food, non-food and logistics assistance in life-threatening emergencies pending appeals and donation forecasts. In effect the IRA serves as an unarmarked revolving fund, available for immediate use in sudden-onset emergencies or when a life-threatening pipeline break occurs. This flexibility enables WFP to keep its food assistance flowing.
38. Contributions to the IRA and allocated to a project may be revolved and subsequently used to provide funding for other projects once the original project has repaid its advance (see Table II.1), thereby using the same donation more than once. Contributions used for IRA repayment are accounted for and reported under the operation to which they were pledged.

TABLE II.1: IMMEDIATE RESPONSE ACCOUNT MOVEMENTS 2008–2013 (USD million)						
	2008	2009	2010	2011	2012	2013
New contributions	60.7	52.7	37.3	38.1	56.2	52.1
Allocations	140.6	136.6	151.9	161.9	126.1	165.3
Revolved funds	97.6	86.3	113.0	104.4	82.4	88.6

39. Under Financial Regulation 4.3, the Board may establish an IRA target level for a financial period. The current target of USD 70 million was set in October 2004. The Secretariat proposes a new target level of USD 200 million based on the following:
- WFP's income has doubled since 2004;
 - the IRA target of USD 70 million was revolved 2.4 times in 2013, advancing USD 165 million to projects;
 - the IRA can be revolved more effectively by using available funds as collateral for advance financing when forecast contributions have yet to be registered;
 - the current Level 3 emergencies have reduced the available IRA balance to less than USD 10 million, threatening availability for future responses; and
 - the IRA makes it possible for donors to contribute less in earmarked, multilateral, multi-year funding for immediate emergency responses.
40. A target does not imply a commitment by Member States, but it does enable WFP to seek IRA contributions to meet the needs of beneficiaries in life-threatening situations.

Multi-Year and Strategic Partnerships

41. In recent years WFP has signed strategic partnerships and multi-year funding agreements with many donors. In 2014, multi-year support came from 19 donors: Australia, Belgium, Cambodia, Canada, Germany, Honduras, Iceland, Ireland, the Republic of Korea, Luxembourg, Monaco, the Netherlands, New Zealand, Norway, Portugal, the Russian Federation, Switzerland, the United Kingdom and the United States of America.
42. Multi-year funding agreements facilitate the planning process, particularly at the start of a year, and enable strategic advance actions such as prepositioning of food and increased focus in prioritization of activities.
43. In 2015 WFP will continue seeking to increase both the number of its strategic partners and the levels of multi-year predictable funding.



SECTION III: PROVISIONAL PRIORITIZED PLAN OF WORK

Overview

44. The section, entitled “Projected Operational Requirements” in previous Management Plans is now called “Plan of Work”. It introduces two substantive changes in response to the Board’s feedback. The first is the ongoing refinement of the methods for measuring food assistance costs; the second is a 2015 plan of work matched with projected funding, which responds to the Board’s request for additional information as to how managers address anticipated funding gaps. In this connection, the Management Plan (2014–2016) introduced a prioritization process to analyse the potential impact of funding shortfalls, and the Management Plan (2015–2017) sets out a new implementation plan consisting of a provisional prioritized plan of work and an overview of country-specific and corporate trust funds utilized in the field.
45. As part of the refinement of the measurement of food assistance costs, this Management Plan shifts the focus from beneficiaries to daily rations.⁸ Using rations as the unit of analysis allows WFP to set out more accurately the costs associated with providing assistance in the form of food, cash or voucher transfers. The 2015 analysis shows that the projected average daily ration cost is USD 0.44 a day, and that the provisional prioritized plan of work has an average daily ration cost of USD 0.34 a day, reflecting the necessary reduction in ration size.
46. This new metric enables more detailed analysis of the cost of assistance, but it does not truly reflect WFP’s reach beyond the direct recipients of food assistance. WFP has therefore developed three beneficiary categories: i) targeted people provided with food assistance; ii) people benefiting from asset creation and behavioural change communication, and smallholder farmers participating in Purchase for Progress (P4P); and iii) people benefiting from capacity development and technical assistance.
47. The provisional prioritized plan of work sets out the utilization of anticipated funding based on realistic project funding forecasts. It differs from projected operational requirements, which are needs determined by food security and nutrition assessments. Prioritization is carried out at the activity level and aggregated to produce a global analysis of the impact on different aspects of WFP’s work. This assumes earmarking of contributions at the project level to facilitate some flexibility at the activity level.
48. The provisional prioritized plan of work for 2015 is based on:
- forecast contributions of USD 4.4 billion⁹ in 2015 – USD 3.9 billion excluding ISC and trust funds – based on donor preferences and current expectations, giving a provisional plan to provide 10.7 billion daily rations through 150 projects in 79 countries, or 76 countries if trust funds are excluded; and

⁸ A ration is defined as the amount of food or cash/voucher equivalent provided daily for a beneficiary in a target group to meet defined objectives.

⁹ See Section II.

- operational requirements for 2015 projected at USD 7.4 billion¹⁰ to provide 17.1 billion daily rations.

WFP will continue to advocate for the funds required to address all identified needs.

49. Estimated projected requirements for 2016 and 2017 are included for context and planning purposes; they are low projections based on known humanitarian situations and are likely to increase as a result of unforeseen emergencies.¹¹ A prioritized plan of work for 2016 and 2017 will be prepared in future Management Plans.
50. For 2016, the low projection of total operational requirements is USD 6.4 billion. Food and related direct operational costs (DOC) will total USD 3.8 billion for 3.9 million mt of food, cash and vouchers (C&V) and related DOC will total USD 1.6 billion, and capacity development and augmentation USD 400 million.¹²
51. For 2017, the low projection of total operational requirements is USD 6.1 billion. Food and related DOC will total USD 3.4 billion for 3.6 million mt of food, C&V and related DOC will total USD 1.7 billion, and capacity development and augmentation USD 400 million.¹²
52. WFP forecasts funding in 2016 and 2017 at USD 4.2 billion. Prioritization in 2016 and in 2017 will align the projected operational requirements to the forecast funding to create the prioritized plan of work.

COST AND REACH OF FOOD ASSISTANCE

53. Determining the cost of food assistance based on beneficiary numbers has inherent limitations such as counting all beneficiaries equally regardless of intervention type or duration. Using rations as the unit makes it possible to set out the costs of providing assistance in the form of food, cash or voucher transfers much more clearly by operation and by activity. A ration is the amount of food, cash or voucher equivalent provided daily for a beneficiary in a target group; it is expressed as the weight in grams of each food type and varies in size according to needs and available funding.
54. The average ration cost for projected operational requirements for 2015 is USD 0.44 per day. The daily cost of a ration and its transfer is calculated for each activity, but the number of rations and the cost per ration vary according to the type of activity and transfer tool. The projected daily school feeding ration cost, for example, is USD 0.28 per day, and the general distribution ration cost is USD 0.51 per day.
55. The 2015 provisional prioritized plan of work envisages 10.7 billion daily rations at an average cost of USD 0.34 per day, reflecting adjusted ration sizes in response to funding constraints. The average daily ration cost for school feeding, for example, is USD 0.16 per day but the cost for general distribution is USD 0.41 reflecting the different operational conditions of each transfer modality.

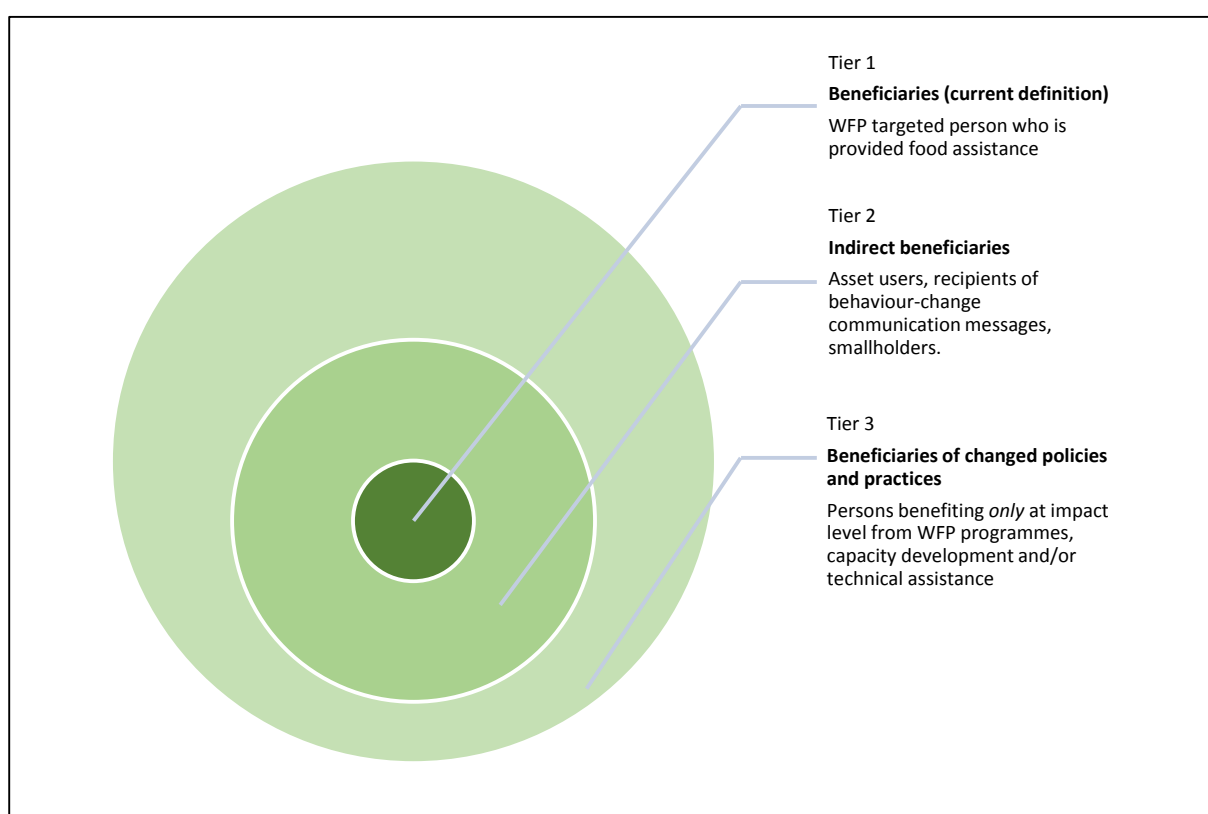
¹⁰ Total operational requirements include foreseen needs in Iraq as of August 2014 to assist those affected by the serious escalation of violence in Ninewa Governorate.

¹¹ See Annex V.

¹² Direct support costs (DSC) is apportioned among the three cost components.

56. The new metric will show the cost of assistance in the form of food, cash or voucher transfers by activity, tool or project type: this will give a more detailed picture than the current approach. But it does not fully reflect the value of WFP's assistance beyond the direct recipients of food assistance, which becomes relevant when capacity-development tools are used or when the benefits of food assistance extend beyond the direct beneficiaries.
57. WFP has therefore categorized beneficiaries as: i) targeted people provided with food assistance; ii) people benefiting indirectly from asset creation and behaviour-change communication, and P4P smallholders; and iii) people benefiting from capacity development and technical assistance such as food fortification and capacity augmentation (see Figure III.1).

Figure III.1: Types of beneficiaries



58. WFP's planned activities will generate benefits for a population larger than the estimated 63 million people who will, according to the prioritized plan, benefit directly from food or C&V transfers. Work is under way to determine more accurately the reach of WFP's programmes, for example by improving estimates of the number of food assistance for assets (FFA) beneficiaries. Programme costs can be expressed as the costs incurred through the distribution of food or C&V, but the benefits of assets established or rehabilitated through FFA extend far beyond those who receive the direct transfer.
59. Given the limitations of expressing WFP's reach through a single beneficiary number, beneficiary-related metrics have been replaced as much as possible by daily rations in this Management Plan. Reporting and information systems adapted to reporting on the actual distribution of rations will be rolled out during 2014 and 2015 to enable global analysis of rations planned versus rations distributed during a given year and enhance understanding the costs of providing beneficiaries with food or C&V.

PROJECTED OPERATIONAL REQUIREMENTS AND PROVISIONAL PRIORITIZED PLAN OF WORK

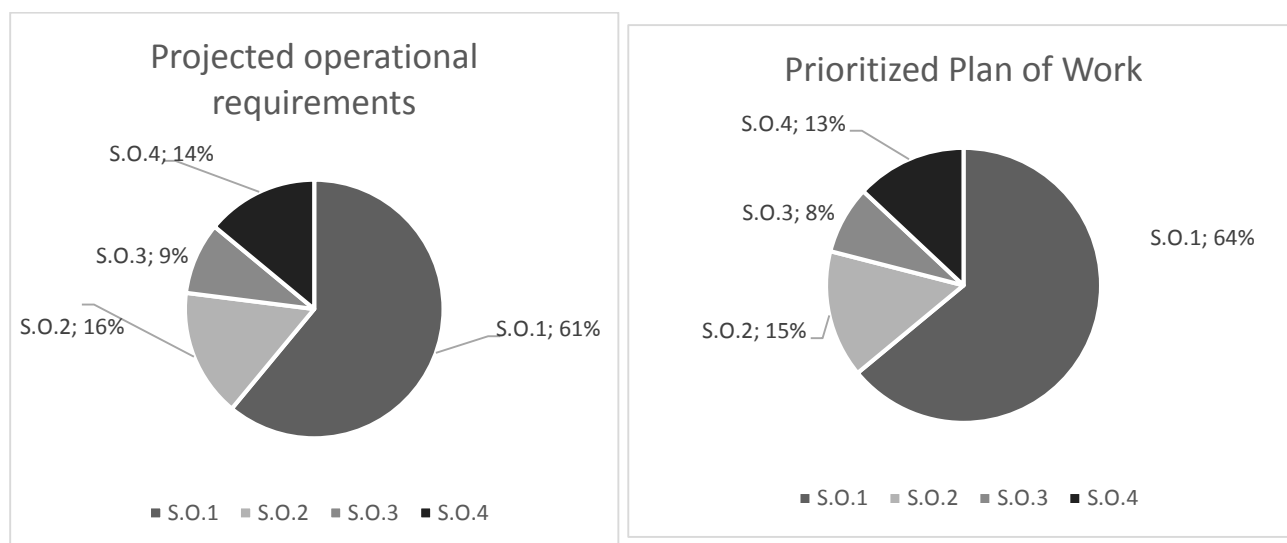
60. Projected operational requirements are the aggregated needs of each country identified by WFP's food-security and nutrition assessments in approved projects and their logical extensions. These needs are not constrained by forecast funding levels.
61. WFP, its partners and host governments project operational requirements of USD 7.4 billion in 2015 to deliver 17.1 billion daily rations for 78 million beneficiaries, an increase over the 2015 high projection of USD 7.27 billion in the Management Plan (2014–2016); it includes a full year of provision for three Level 3 emergencies.
62. The increase in operational requirements for 2015 from the previous year reflects WFP's responses to the crises in South Sudan and the Syrian Arab Republic: full-year operational requirements for the former are estimated at USD 1.0 billion, and for the latter at USD 1.8 billion.
63. The provisional prioritized plan of work shows how USD 3.9 billion would be utilized to deliver 10.7 billion daily rations for 63 million beneficiaries. It assumes earmarking at the project level, which will provide some flexibility for prioritization at the activity level. Data is aggregated to show the overall effect on the different aspects of WFP's work.

Analysis by Strategic Objective

64. Table III.1 shows projected operational requirements and the provisional prioritized plan of work by Strategic Objective.

Strategic Objective	Operational requirements		Prioritized plan of work	
	USD million	%	USD million	%
1: Save lives and protect livelihoods in emergencies	4 557	61%	2 461	64%
2: Support or restore food security and nutrition and establish or rebuild livelihoods in fragile settings and following emergencies	1 205	16%	587	15%
3: Reduce risk and enable people, communities and countries to meet their own food and nutrition needs	688	9%	313	8%
4: Reduce undernutrition and break the intergenerational cycle of hunger	996	14%	497	13%
TOTAL	7 446		3 858	

Figure III.2: Operational requirements and prioritized plan of work by Strategic Objective, 2015



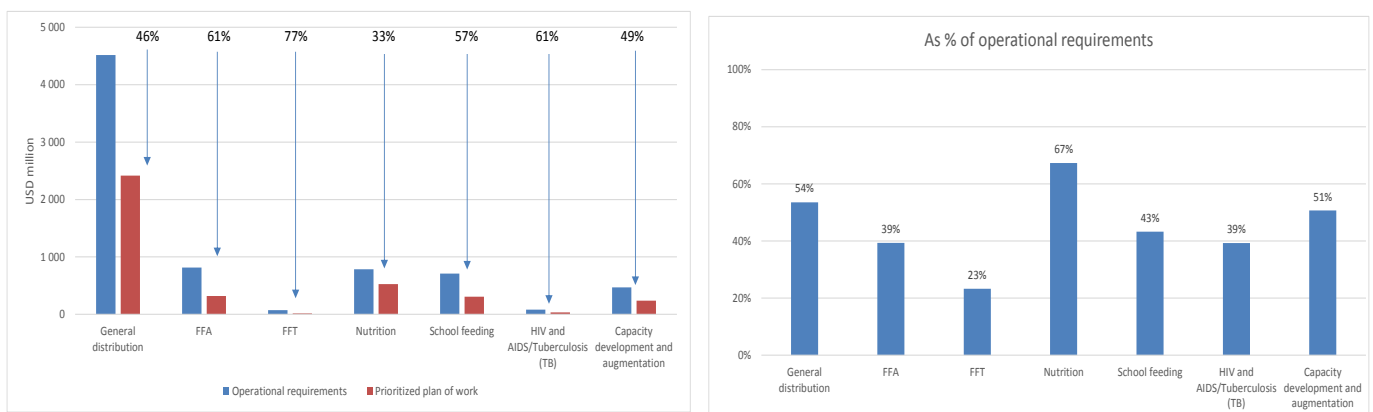
65. As in 2014, Strategic Objective 1 will account for the largest proportion of operational requirements and the provisional prioritized plan of work: USD 4.6 billion and USD 2.5 billion of total prioritized resources.
66. When funding is limited, managers prioritize life-saving activities under Strategic Objective 1 over other activities. This is reflected in the increased proportion – 64 percent – of Strategic Objective 1 under the prioritized plan of work compared with 61 percent under operational requirements. Strategic Objective 2 accounts for the second largest proportion of requirements: USD 1.2 billion – 16 percent of operational needs – and for USD 587 million – 15 percent of the provisional prioritized plan of work. The decrease will be achieved by reducing the number and/or size of rations.
67. The figures for Strategic Objective 3 are USD 688 million – 9 percent of projected requirements. Under the prioritized plan of work, Strategic Objective 3 is the most affected and will be reduced by 56 percent to USD 313 million – 8 percent of the prioritized plan of work.
68. Strategic Objective 4 will require USD 996 million – 14 percent of operational requirements, and USD 497 million – 13 percent of the prioritized plan of work.

Analysis by Activity

69. Table III.2 shows operational requirements and the provisional prioritized plan of work by activity.

TABLE III.2: OPERATIONAL REQUIREMENTS AND PROVISIONAL PRIORITIZED PLAN OF WORK BY ACTIVITY, 2015 (USD million)				
Activity	Operational requirements		Prioritized plan of work	
	General distribution – unconditional transfer of food, cash or vouchers	4 515	61%	2 417
Food assistance for assets	814	11%	320	8%
Food for training	72	1%	17	0.4%
Nutrition	784	11%	528	14%
School feeding	709	10%	307	8%
HIV and AIDS and tuberculosis	83	1%	33	1%
Capacity development and augmentation	469	6%	237	6%
Total	7 446		3 858	

Figure III.3: Provisional prioritized plan of work by activity



70. General distribution is the largest activity at USD 4.5 billion in operational requirements and USD 2.4 billion in the prioritized plan of work. Proportionally, general distribution will increase under the prioritized plan of work – 63 percent – compared with projected operational requirements – 61 percent. General distribution accounts for 87 percent of Strategic Objective 1, and managers will preserve this activity if insufficient resources are available to focus on life-saving assistance. Reductions will be achieved by various means, including reductions in the number and/or size of rations.

71. In the prioritized plan of work, nutrition is prioritized as the second largest activity at USD 528 million, followed by FFA and food assistance for training (FFT) at USD 337 million, school feeding at USD 307 million, capacity development and augmentation at USD 237 million and HIV and AIDS prevention at USD 33 million.

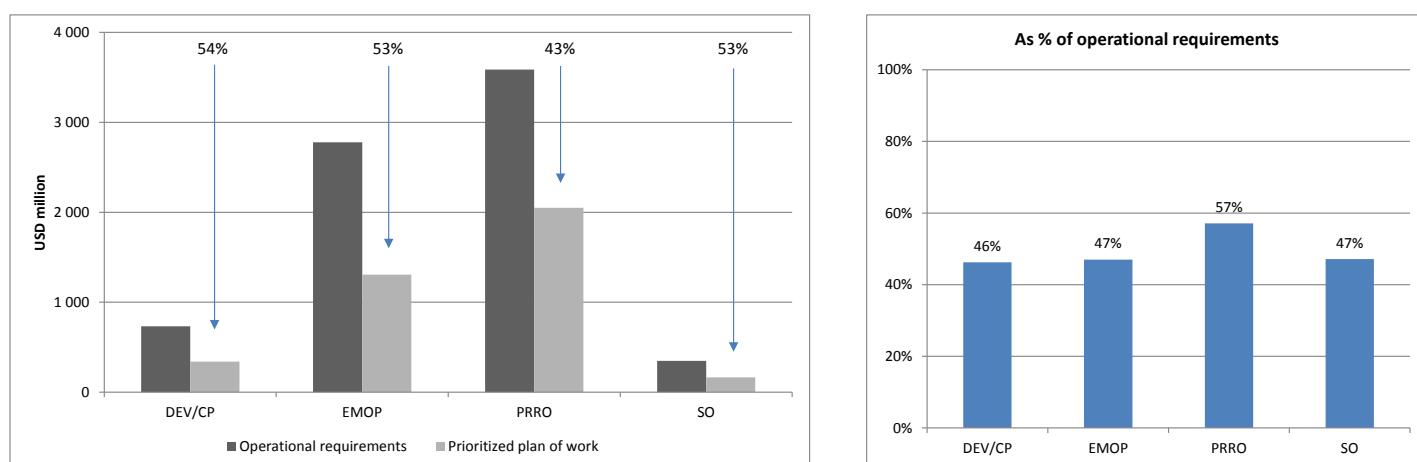
72. The prioritized plan of work reduces FFA and FFT by 61 percent compared with operational requirements; it is the activity most affected. In the prioritized plan, 23 projects will cancel FFA and FFT if funding is limited to preserve life-saving activities such as nutrition and general distributions. This is reflected in the smaller reduction of these activities compared with operational requirements.

Analysis by Programme Category

73. Table III.3 presents the operational requirements and the provisional prioritized plan of work by programme category.¹³

Programme category	Operational requirements		Prioritized plan of work	
Development project (DEV)/country programme (CP)	733	10%	339	9%
Emergency operation (EMOP)	2 778	37%	1 306	34%
Protracted relief and recovery operation (PRRO)	3 587	48%	2 049	53%
Special operation	348	5%	164	4%
TOTAL	7 446		3 858	

Figure III.4: Provisional prioritized plan of work by programme category



74. Figure III.4 illustrates the impact of the prioritization scenario: PRROs will remain the largest programme category, accounting for USD 2.0 billion – 53 percent of prioritized resources – followed by EMOPs at USD 1.3 billion – 34 percent.

75. Unforeseen requirements do not necessarily translate into changes in the size of the prioritized plan of work. This is because aggregate funding levels do not change and funding for some operations is reduced, so re-prioritization is required during the year. Hence the composition of the prioritized plan of work may change: for example unforeseen requirements in 2013 totalled USD 1.4 billion but did not result in significant additional

¹³ See Annex III for details of requirements by Strategic Objective, programme category, cost component and region.

income, which amounted to USD 4.4 billion and brought the final programme of work to USD 6.0 billion.

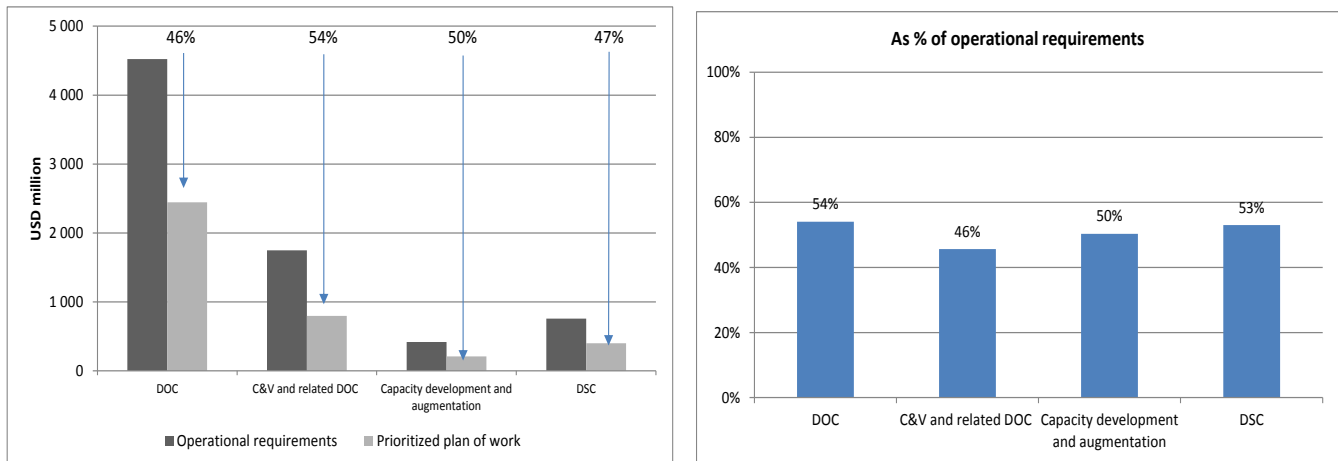
76. The programme category most affected by the realistic funding scenario is DEV/CP, which accounts for 46 percent of operational requirements (see Figure III.4). This reflects the need for a higher proportion of flexible multi-year funding to support DEVs/CPs. The PRRO category – 57 percent – is least affected because PRROs provide a significant proportion of activities under Strategic Objective 1.

Analysis by Cost Component

77. Table III.4 shows operational requirements and the prioritized plan of work by cost component.

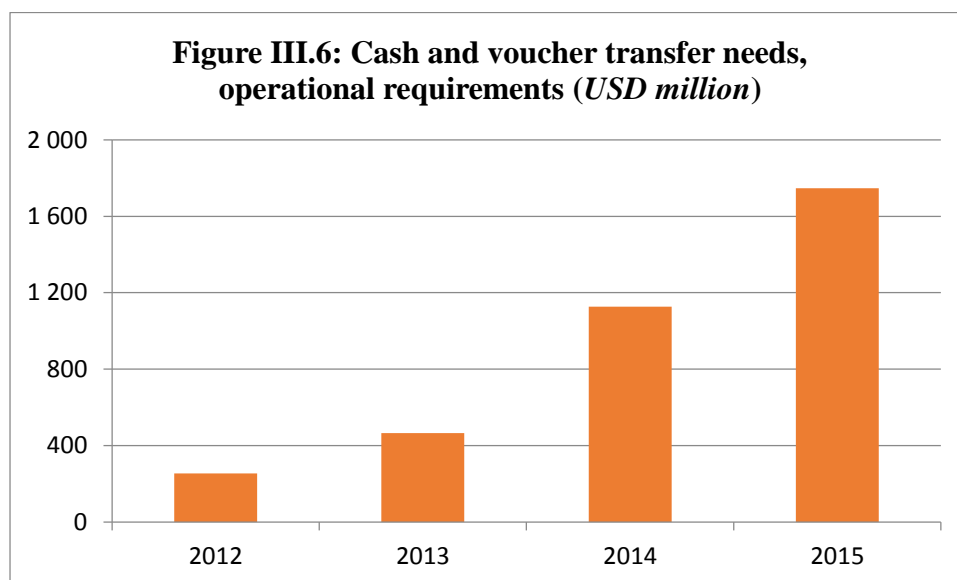
TABLE III.4: OPERATIONAL REQUIREMENTS AND PROVISIONAL PRIORITIZED PLAN OF WORK BY COST COMPONENT (USD million)				
	Operational requirements		Prioritized plan of work	
	USD million	%	USD million	%
Food and related DOC	4 523	61%	2 446	63%
C&V and related DOC	1 747	23%	798	21%
Capacity development and augmentation	419	6%	211	5%
Subtotal	6 688	90%	3 455	90%
Direct support costs	758	10%	402	10%
TOTAL	7 446		3 858	

Figure III.5: Provisional prioritized plan of work by cost component



78. Food and related DOC account for USD 2.4 billion – 63 percent of prioritized operational requirements – to ensure that food-based activities are maintained. Food costs will amount to USD 1.4 billion, landside transport, storage and handling (LTSH) to USD 709 million, external transport to USD 185 million and other direct operational costs (ODOC) related to food transfers to USD 183 million.

79. C&V and related DOC account for USD 798 million – 21 percent. Operations in the Syrian Arab Republic will continue to be the largest users of C&V. The transfer value of C&V will be USD 721 million, with related direct costs of USD 48 million and delivery costs of USD 29 million.
80. The increase in cash-based programming between 2012 and 2015 reflects the increased priority WFP gives to such projects, and its capacity to implement them. To facilitate comparison, figures shown in Figure III.6 are the projected requirements.



81. Capacity development and augmentation will account for USD 211 million – 5 percent. Chad, South Sudan and the Sudan will implement large special operations under this component.
82. Direct support costs are estimated at USD 402 million – 10 percent of anticipated funding in the prioritization plan.

Analysis by Tool

83. Table III.5 shows the breakdown by activity and tools under the prioritized plan.

Activity	C&V	Food	Total	%
General distribution	672	1 745	2 417	63
Food assistance for assets	110	211	320	8
Food for training	7	9	17	0.4
Nutrition	9	519	528	14
School feeding	11	296	307	8
HIV and AIDS and tuberculosis	8	25	33	1
Capacity development and augmentation	N/A	N/A	237	6
TOTAL	816	2 805	3 858	100

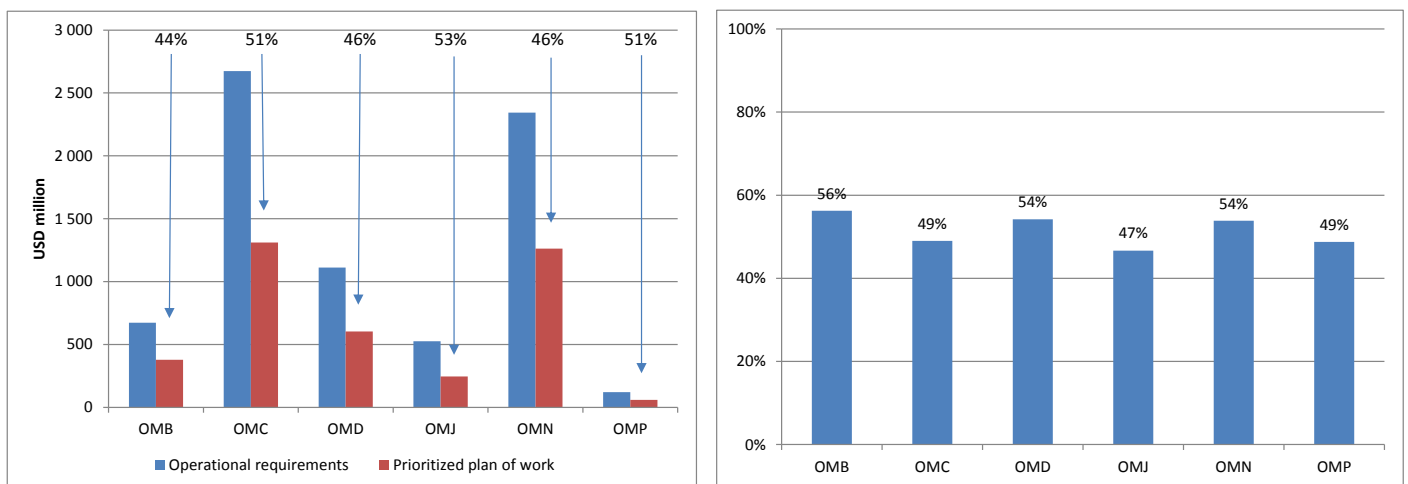
84. For 2015, USD 816 million of prioritized resources will be allocated to C&V and USD 2.8 billion to food-related activities. General distribution and food assistance for assets will be the main distribution channels for C&V; food will largely be delivered through general distribution and nutrition activities.

Analysis by Region

85. Table III.6 shows operational requirements and the provisional prioritized plan by region.¹⁴

TABLE III.6: OPERATIONAL REQUIREMENTS AND PROVISIONAL PRIORITIZED PLAN OF WORK BY REGION (USD million)				
Regional bureau	Operational requirements	%	Prioritization scenario	%
Bangkok (OMB)	672	9	378	10
Cairo (OMC)	2 674	36	1 311	34
Dakar (OMD)	1 112	15	603	16
Johannesburg (OMJ)	525	7	245	6
Kenya (OMN)	2 343	31	1 262	33
Panama (OMP)	121	2	59	2
TOTAL	7 446	100	3 858	100

Figure III.7: Prioritized plan by region



86. OMC and OMN will remain the regions with the largest share of the prioritized plan of work: OMC will account for USD 1.3 billion – 34 percent of planned regional work – and OMN for USD 1.26 billion – 33 percent; these figures reflect the EMOPs in the Syrian Arab Republic and South Sudan. OMD will account for USD 603 million – 16 percent, OMB for USD 378 million – 10 percent, OMJ for USD 245 million – 6 percent, and OMP for USD 59 million – 2 percent.

¹⁴ Details on operational requirements by region are provided in Annex III.

87. The breakdown of projected operational requirements by region shows a similar allocation to the prioritized plan. OMC will account for USD 2.7 billion – 36 percent – and OMN for USD 2.3 billion – 31 percent – followed by OMD and OMB.

ACCELERATING GENDER MAINSTREAMING

88. In 2015, resource requirements for gender-related activities will be allocated through PSA, extra-budgetary funding and project budgets. Analysis of the resource requirements by the regional bureaux and country offices shows that the 2015 requirements for gender-related activities will account for 11 percent of the programme of work.¹⁵
89. Gender-related activities cut across WFP's work: they include measures to increase girls' access to primary education to achieve gender parity, seasonal livelihood programming to align multi-sectoral projects with the different needs of women and men, the augmentation of technical expertise in regional and country offices and capacity development for implementing partners and WFP staff. Resource requirements also include provisions for addressing gender-related protection issues and supporting inter-agency responses to HIV and AIDS, in line with the gender policy.

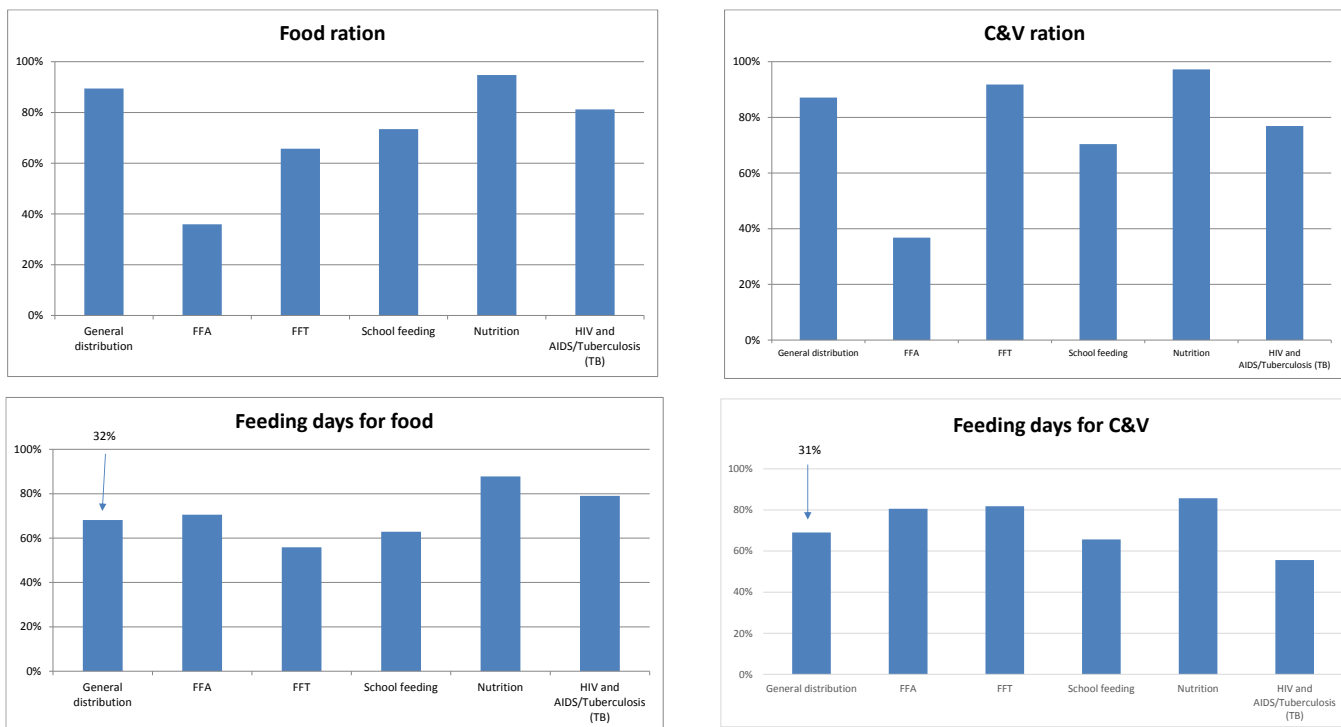
EFFECTS ON RATIONS AND DURATION

90. The prioritized plan of work envisages 10.7 billion daily rations provided as food or through C&V. When funding is limited managers prioritize by reducing the number or size of daily rations, decreasing the duration of assistance or prioritizing one activity over another. Table III.7 shows the prioritized daily rations per activity.

TABLE III.7: PROVISIONAL PRIORITIZED PLAN OF WORK BY NUMBER OF DAILY RATIONS (<i>million</i>)		
	Food	C&V
General distribution	4 115	1 027
Food assistance for assets	697	351
Food for training	58	27
School feeding	2 470	62
Nutrition	1 797	28
HIV and AIDS and tuberculosis	81	7
TOTAL	9 218	1 502

¹⁵ Gender activities are placed in three categories: i) targeted, Gender Marker 2B: activities whose gender component is the primary element, for example campaigns and training to counter sexual and gender-based violence; ii) sensitive, Gender Marker 2A: activities whose gender component is not the principal element but is expected to promote gender equality, for example FFA reflecting the preferences of women and men; and iii) limited, Gender Marker 1: activities that contribute to gender equality in a limited way, for example using gender-sensitive criteria to select shops for C&V schemes.

Figure III.8: Impact on rations and durations as percentage of operational requirements



91. General distribution accounts for the largest number of daily rations, because it is used to save lives in emergencies. In the prioritized plan of work, general distribution will provide 4.1 billion daily food rations and 1.0 billion daily rations through C&V. School feeding will provide 2.5 billion daily rations for children and their families, and nutrition activities will provide 1.8 billion daily rations for malnourished people.
92. If ration size has to be adjusted in response to funding constraints, nutrition activities will be prioritized to maintain 95 percent of the food ration and 97 percent of cash and voucher distribution to ensure that intended outcomes are achieved. WFP anticipates only an 8 percent reduction in the ration size for FFT, but the food ration size for FFA would be reduced by 64 percent with a 63 percent reduction of C&V.
93. With regard to the duration of food assistance, beneficiaries of nutrition activities will be protected because the number of feeding days is as important as ration size. Feeding days for general distributions will be affected more than ration size, and there will be reductions of 32 percent in feeding days for food and 31 percent for C&V. The activities most affected will be FFT and C&V in relation to HIV and AIDS interventions, both reduced by 44 percent.

TRUST FUNDS

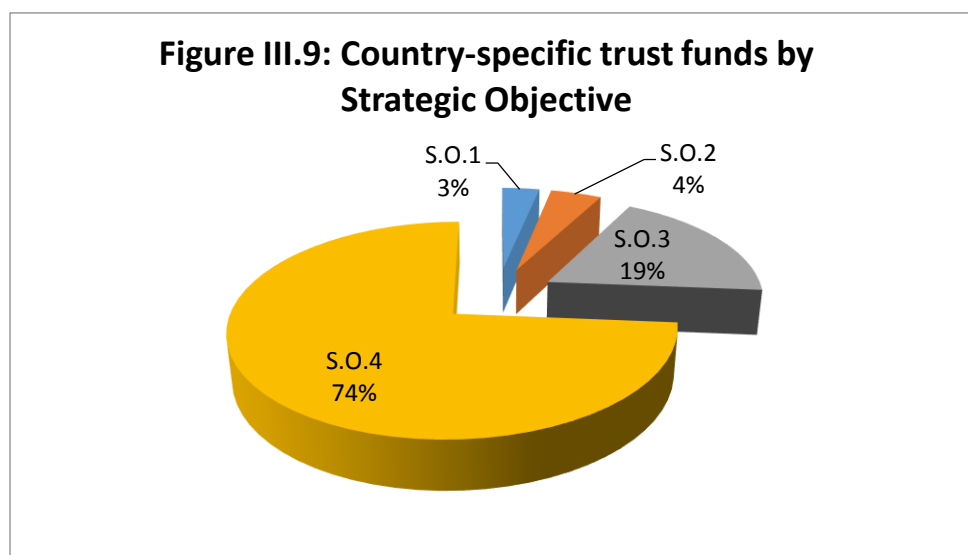
Country-Specific Trust Funds

94. Country-specific trust funds are forecast at USD 98.7 million in 2015, a 41 percent increase from the 2014 level. These funds receive contributions at the country-office level; the aim is to assist governments with the management and implementation of programmes aligned with WFP's Strategic Objectives. The main donors to country-specific trust funds are host governments, although governments of other countries and private foundations also contribute.

95. Table III.8 shows country-specific trust funds by region.

Regional bureau	Trust funds	%
OMB	12	12
OMC	4	4
OMD	1	1
OMJ	15	15
OMN	0	0
OMP	67	68
TOTAL	99	100

96. As in previous years, most country-specific trust funds are forecast for OMP, where projected trust fund resources are expected to increase by 67 percent from the 2014 level. WFP anticipates that country-specific trust funds will also grow in other regions, particularly southern Africa.



97. Figure III.9 shows that most trust fund resources will support Strategic Objective 4 in providing technical assistance and developing the capacity of host governments in areas such as school feeding and social protection.

98. Trust fund activities related to Strategic Objective 1 will improve vulnerability analysis and mapping, for example through communications centres, and will help to develop emergency preparedness and response capacities. Activities under Strategic Objective 2 will support capacity and community development, for example through asset creation. Under Strategic Objective 3, trust funding will support the distribution of locally produced dietary supplements and the enhancement of local capacities to implement innovative food-security and nutrition programmes.

Corporate Trust Funds related to Field Activity

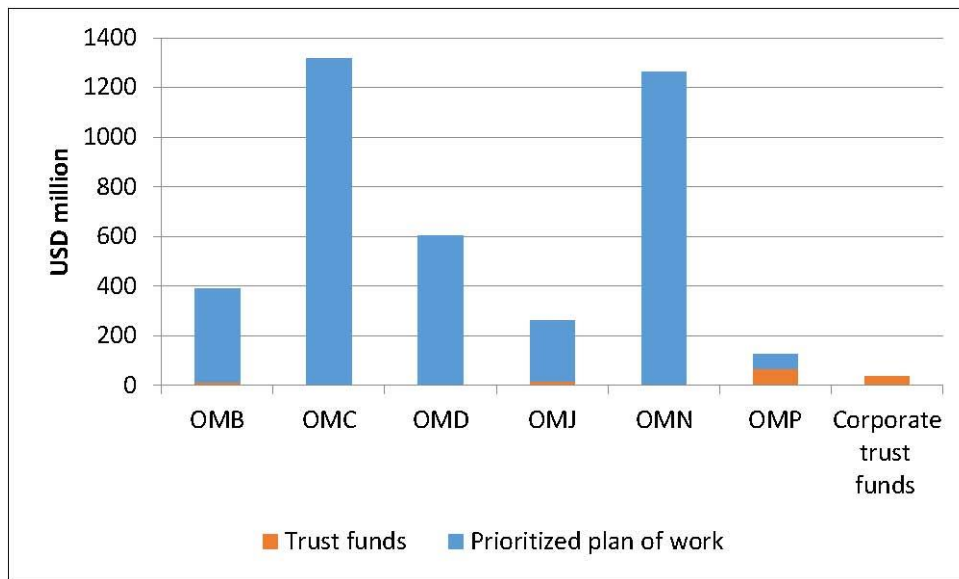
99. Corporate trust fund activities implemented in country offices will account for USD 35 million, mainly through P4P, Renewed Efforts Against Child Hunger and Undernutrition (REACH), the Children's Investment Fund Foundation and Climate Resilience Innovation.

IMPLEMENTATION PLAN

100. The implementation plan for each region combines the prioritized plan of work with country-specific and corporate trust funds supporting programmes or activities at the country or regional level. WFP foresees an overall implementation plan of USD 4.0 billion for 2015 – USD 3.9 billion for the provisional prioritized plan of work and USD 134 million for trust funds.

101. Table III.9 shows the regional breakdown of the implementation plan. OMC will have the largest plan – USD 1.3 billion – followed by OMN – USD 1.26 billion – and OMD – USD 604 million. The proportion of trust funds in the regional implementation plan is the highest for OMP – 53 percent.

Regional bureau	Prioritization scenario	Trust funds	Total
OMB	378	12	390
OMC	1 311	4	1 315
OMD	603	1	604
OMJ	245	15	260
OMN	1 262	0	1 262
OMP	59	67	126
Subtotal	3 858	99	3 957
Corporate trust funds related to field activity	n/a	35	35
TOTAL	3 858	134	3 992

Figure III.10: Regional implementation plan

SECTION IV: PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET

Overview

102. This section presents the proposed 2015 PSA budget of USD 281.8 million and non-recurring investments related to critical corporate initiatives of USD 9.2 million for funding from the PSA Equalization Account. It also sets out organizational adjustments made in response to lessons learned since the 2013 revision of WFP's structure and to changes in the operational environment (see Section II).
103. At a time of global fiscal restraint, WFP will maintain zero nominal growth for 2015. The 2015 PSA budget proposal – the same as the budget approved in the Management Plan (2014–2016) – has been reviewed to ensure that it is sufficient to maintain operational support and to generate efficiencies to allow for the reallocation of resources to higher priorities.
104. Savings of USD 12.8 million were achieved through a PSA budget reduction for most offices; the regional bureaux, country offices, the Partnership and Governance Services Department, and human resources policy functions were exempted. These savings and a further USD 700,000 million in treasury costs to be funded from the General Fund, made it possible to reallocate USD 8.1 million to priority areas and to meet USD 5.4 million of non-discretionary cost increases,¹⁶ including the PSA share of the USD 10 million security costs previously met from the General Fund.
105. A separate appropriation of USD 9.2 million from the PSA Equalization Account is proposed for critical corporate initiatives, as in 2014. These non-recurring investments ensure that WFP can continue the Fit for Purpose reforms and prioritize its investments.
106. The PSA budget reflects the minimum level of recurring investments and critical corporate initiatives for the 2015 provisional prioritized plan of work. This section also outlines further institutional improvements that could be funded from corporate trust funds.

Purpose of the PSA Budget

107. The PSA budget covers all WFP's indirect support or overhead costs that support its operational activity. It is funded from ISC recovered from contributions in accordance with the full-cost recovery policy. Although PSA requirements must adapt to the needs of the organization, any fluctuations may not be directly proportional to the level of operations.
108. The demands on the PSA budget are numerous: it supports changing operational needs, the shift to food assistance and the Fit for Purpose processes. The 2015 budget review aimed to reshape the regular PSA budget and ensure alignment with WFP's organizational priorities. The budget is complemented by the critical corporate initiatives funded from the PSA Equalization Account and activities funded through corporate trust funds (see Table IV.1 for terminology).

¹⁶ Non-discretionary costs are outlays made in response to external factors or the requirements of sound financial management.

TABLE IV.1: ELEMENTS AND TERMINOLOGY OF THE PSA BUDGET	
Regular PSA budget	The portion of WFP's budget that pertains to the recurring costs of providing indirect support to WFP's activities, funded by income generated from an indirect support cost charge of 7 percent on contributions.
Strategic reallocation	The budgetary allocations resulting from realignment of the PSA budget to advance corporate priorities, deliver value-for-money benefits, and support recurring medium-term investments, funded by savings generated by reducing the regular PSA budget ceiling provided to offices.
Critical corporate initiatives	Non-recurring investments focusing on continuing Fit for Purpose and delivering value-for-money benefits, funded by allocations from the PSA Equalization Account.
Institutional strengthening activities	Corporate trust fund activities for innovation and changes to operations and processes, funded by directed donor or multilateral contributions; multilateral allocations are managed by the Strategic Resource Allocation Committee (SRAC) and approved by the Executive Director.

Achieving a Zero Nominal Growth Budget through Savings

109. WFP is committed to “living within its means”, and the 2015 regular PSA budget does not exceed the income generated from the 7 percent ISC rate. To balance organizational needs with resourcing constraints, a 5 percent savings target was set for most departments.¹⁷ The savings generated made it possible to absorb all statutory or inflationary cost increases and to reallocate resources to corporate priorities as required.

Incorporating Value for Money

110. WFP defines value for money as “getting the best results for our beneficiaries by using our resources wisely”, and seeks the optimal balance between economy, efficiency and effectiveness. Value-for-money criteria are applied at all stages of internal budgeting (see Annex II).

Performance-Informed Budgeting

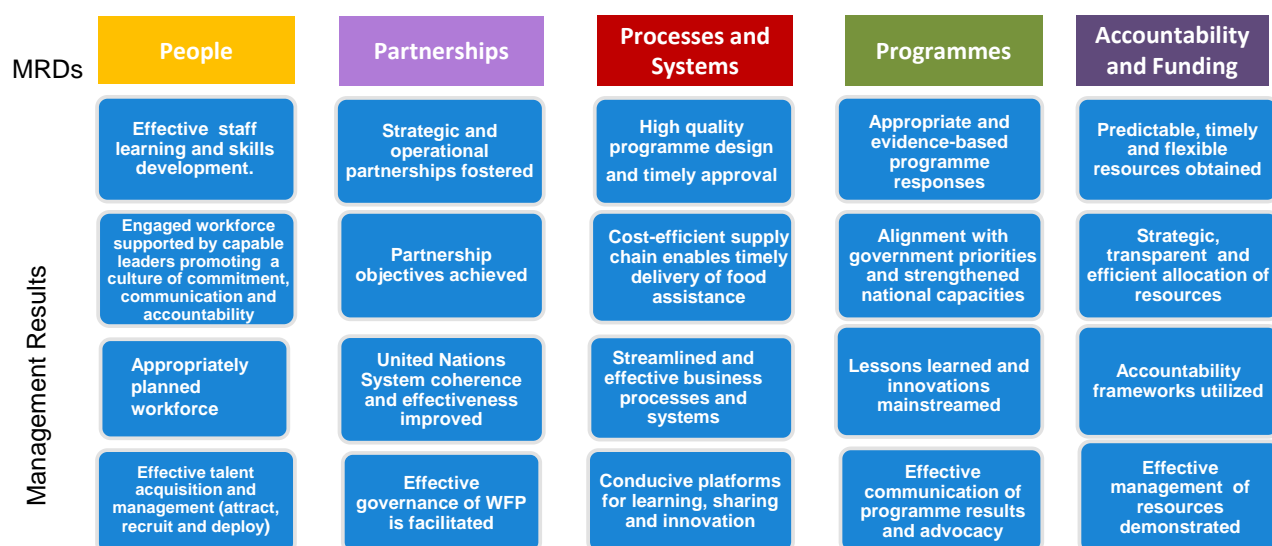
111. WFP is moving to performance-informed budgeting, the main feature of which is the strong link between expected results and the allocation of resources to achieve them. This link at the budgeting stage provides the starting point for monitoring actual performance; over time, budget allocations become performance-informed as actual results are factored into decision-making.

112. During 2013, five attributes for implementation of the Strategic Plan were established, in line with the Framework for Action: People, Partnerships, Processes and Systems, Programmes, and Accountability and Funding. These attributes, or MRDs, are now central to WFP's performance management.

¹⁷ The Partnership and Governance Services Department, human resources policy functions and the regional bureaux and country offices were exempt.

113. The MRF, with 20 distinct management results, guides the proposed use of PSA resources and corporate trust funds: programme-support and investment proposals are categorized in one of the five MRDs and must address at least one management result. This provides a results-based classification of PSA budget proposals in significantly greater detail than in the past and also provides the framework through which WFP manages its effectiveness and efficiency in implementing the Strategic Plan (see Figure IV.1).

Figure IV.1: 2014–2017 Management Results Framework



THE 2015–2017 PSA BUDGET

Main Areas of Increase/Decrease

114. The outcome of the regular PSA budget process is shown in Table IV.2. Starting from the approved 2014 PSA level, the appropriation is adjusted for:

- non-discretionary increases in staff costs including mainstreaming of a portion of the security costs previously funded through the General Fund;
- reductions arising from a value-for-money review of departmental budgets to identify efficiency savings;
- movement of some investment management costs from PSA to the General Fund; and
- reallocation of PSA resources to evolving corporate priorities.

TABLE IV.2: MAIN AREAS OF INCREASE/DECREASE IN THE PSA BUDGET COMPARED WITH 2014 (USD million)*	
2014 Approved PSA	281.8
Adjustments for non-discretionary costs: increases in staff-related costs, including PSA share of security costs previously funded by General Fund	5.4
Forced savings through PSA target levels	-12.8
Adjusted PSA total	274.4
Decrease for treasury costs to be funded by the General Fund	-0.7
Reallocations	
- Maintaining effectiveness of certain prioritized functions	1.1
- Mainstreaming critical corporate initiatives	1.9
- High-priority recurring expenditure	5.1
Total reallocations	8.1
Proposed PSA appropriations for 2015	281.8

⇒ *Increase in staff-related costs, including PSA share of security costs (USD 5.4 million)*

115. WFP uses standard rates to budget and account for PSA staff costs. The standard rates are re-calculated each year to reflect: i) the actual costs of employing a staff member in each grade and location; ii) anticipated exchange rates for Euro-based expenditure for Rome-based staff; and iii) provisions for other staff-related benefits and allowances.
116. Costs relating to mandatory United Nations Department of Safety and Security (UNDSS) activities and the WFP Security Emergency Fund amount to USD 18.8 million per year, including: i) WFP's estimated USD 11.5 million share of UNDSS costs, unchanged from 2014; and ii) USD 7.3 million to cover the costs of equipment.
117. In each of the three past Management Plans, the Board authorized WFP to draw up to USD 10 million from the General Fund to cover the portion of security costs not provided for in operations or the PSA budget. The Management Plan (2014–2016) indicated that this was not a sustainable solution;¹⁸ therefore, the Secretariat proposes that from 2015, USD 10 million of these costs be funded through standard cost rates for all positions. The 2015 PSA budget is increased by USD 4.4 million to cover the PSA portion of these costs; the balance will be met from non-PSA funded positions.
118. Applying the new standard cost rates increases the baseline salary cost in the Management Plan (2015–2017) by 3 percent – USD 5.4 million. This comprises:
- USD 1.0 million for actual payroll cost increases, a small inflation factor for entitlement benefits such as post adjustments and promotions, and increased costs from the rise in the Euro/US dollar exchange rate; and
 - USD 4.4 million for WFP security costs.

¹⁸ WFP/EB.2/2013/5-A/1 paragraph 218

⇒ *Forced savings through PSA target levels (USD 12.8 million)*

119. Most departments were given a budget ceiling 5 percent below their 2014 PSA allocation. With the absorption of staff-related costs in an unchanged PSA level, this generated a forced saving of USD 12.8 million from the 2014 PSA level. These savings incentivized divisions to review their processes and structures to maximize efficiency.

⇒ *Treasury costs to be funded through the General Fund (USD 700,000)*

120. Financial Regulation 11.3 enables WFP to credit interest income from its investment portfolios and bank and money-market accounts to the General Fund. Interest income for 2014 is estimated at USD 6 million. WFP proposes to charge all investment management costs to investment income starting in 2015. Most costs directly related to the management of WFP's investments are already charged against investment income, such as investment management fees, custodian-related expenses and some bank charges. However, USD 750,000 of costs are currently funded from PSA in central appropriations and in the Finance and Treasury Division budget; it is proposed to charge these to investment income starting in 2015.

⇒ *Reallocations*

121. With the savings described above, USD 8.1 million were reallocated on the basis of investment cases with demonstrable value-for-money benefits. The three main categories of reallocations are described below.

⇒ *Allocations to maintain effectiveness of certain functions (USD 1.1 million)*

122. All divisions identified budget savings, but some functions in the Office of Evaluation (OEV) and the Office of the Inspector General were maintained at 2014 PSA levels because there were clear investment cases. The budget of the Gender Office was maintained to ensure adherence to the United Nations System-Wide Action Plan for Gender Equality and Women's Empowerment (UN SWAP) and the continued development of gender expertise in WFP.

⇒ *Allocations to mainstream critical corporate initiatives started in previous years (USD 1.9 million)*

123. WFP uses corporate trust funds to develop new tools and modalities, but as they mature they are mainstreamed into the PSA budget. These allocations are for mainstreaming risk-management functions related to cash and vouchers and internal controls, for monitoring and reporting components previously funded through corporate trust funds, and for additional PSA funding for the Operations Centre.

**Box IV.1: Example of improved value for money in reallocations:
Financial risk management for cash and vouchers**

The increased use of cash and vouchers brings new responsibilities for country office staff in terms of financial management and financial risk management. This reallocation of USD 530,000 will provide a durable, standardized corporate solution for C&V transfers and training for staff to enable them to implement the interventions efficiently and effectively.

Financial controls will be embedded in cash and voucher interventions, which will be easier to scale up. Training for staff in negotiating skills is expected to reduce transaction and contract fees, saving WFP up to USD 750,000 annually. The investment also serves to improve coordination and risk mitigation, reducing operational cash losses by an estimated USD 250,000 annually.

⇒ *Allocations to support recurring expenditure central to the future effectiveness of WFP (USD 5.1 million)*

Enhanced technical capacity in regional bureaux

124. An allocation of USD 2.8 million will support capacity enhancement in the regional bureaux to improve programme design, logistics and monitoring and reporting. Capacity augmentation at the regional level continues to bring decision-making and support closer to beneficiaries.

Restructuring of partnership cooperation and WFP offices

125. An allocation of USD 700,000 will enable the Partnership and Governance Services Department to consolidate and expand fundraising capabilities from non-traditional sources.

People

126. An allocation of USD 1.6 million will support staff development, occupational health, training, ethics awareness and communications. Of this, USD 1.5 million is directed towards the People Strategy (see Box IV.2) and USD 120,000 will initiate a comprehensive, strategic plan to deliver fundamental ethics awareness, communications and training, which will start immediately and continue over a three-year period.

Box IV.2: Focus on the People Strategy

To implement the People Strategy, investments of USD 1.5 million address the following:

Imperative 1: Reinforce a performance mindset

Investments made in 2013 and 2014 as part of the PSA budget funded most of this work; no further allocations were necessary.

Imperative 2: Build WFP's talent

The reallocation (USD 250,000) will develop the talent-acquisition strategy to reflect the values that motivate people to work with WFP, and support the selection and appointment of people with appropriate competencies.

Learning programmes will be prioritized (USD 1 million). The increasingly complex environment in which WFP works calls for continuous learning and development. Institutional improvement will focus on the learning and development framework.

Imperative 3: Shift the focus

A PSA reallocation (USD 250,000) will support the preventive health programme for WFP offices with a view to ensuring a safe and healthy working environment.

Imperative 4: Equip high-impact leaders

Some of the funds for Imperative 2 will be used to enhance staff leadership skills. WFP will seek to augment this investment with other funding for institutional improvement.

Status of the PSA Equalization Account

127. The PSA Equalization Account is a reserve that is essentially built up through a surplus of ISC income over PSA expenditure. It is maintained to ensure that WFP has sufficient resources to meet indirect support costs if actual funding is less than forecast. The Board has determined that the target level should cover four months of PSA expenditure.

128. The 2014 year-end PSA Equalization Account balance is projected at USD 120.3 million, compared with USD 74.4 million projected in the Management Plan (2014–2016): this is because actual funding levels of USD 4.4 billion reached in 2013 and projected funding levels of USD 4.5 billion in 2014 are higher than the estimates in the Management Plan (2014–2016).
129. The 2015 funding forecast of USD 4.4 billion is expected to generate ISC income of USD 284 million, while the proposed 2015 zero nominal growth regular PSA budget amounts to USD 281.8 million. The proposed USD 9.2 million of non-recurring critical corporate PSA initiatives to be drawn from the PSA Equalization Account – the same level as in 2014 – will ensure a healthy PSA Equalization Account reserve at the end of 2015. The projected closing balance of USD 113.3 million exceeds the four-month target of USD 93.9 million by 21 percent.

Projected opening balance, 1 January 2015	120.3
2015 ISC revenue based on USD 4.4 billion revenue	284.0
2015 PSA expenditure	(281.8)
2015 critical corporate initiatives	(9.2)
Projected closing balance, 31 December 2015	113.3

2016–2017 PSA Outlook

130. Income for 2016 and 2017 is projected at USD 4.2 billion per annum. The 2015 proposed PSA budget supports WFP's work at the same level for the three-year planning period.

Critical Corporate Initiatives

131. A number of discrete, non-recurring investments totaling USD 9.2 million are proposed, focusing on continuing Fit for Purpose and delivering value-for-money benefits to WFP. These investments support the MRDs.

⇒ *People (USD 1.9 million)*

132. An allocation of USD 1.9 million to the People Strategy will:

- develop and implement a diversity and inclusion strategy, creating value for WFP's teams and individuals and helping to embed equality values; and
- continue the locally recruited staff project to move locally recruited staff members to appointments governed by the FAO Staff Regulations and Rules in order to harmonize the framework under which all WFP staff members are administered. National staff account for 82 percent of WFP's workforce. Contractual arrangements and conditions of employment for local staff will be refined and the recurring costs of administering the adjusted contractual arrangements will continue to be borne by projects.

⇒ *Partnerships (USD 300,000)*

133. A proposed Partnership Resource Centre set up with an allocation of USD 300,000 will support WFP staff, particularly in the field, in developing and reviewing effective partnerships.

⇒ *Processes and Systems (USD 2.6 million)*

134. Three critical corporate initiatives are proposed:

- i) organizational improvements expected to cost USD 1.1 million, in which a Global Change Team will be established to coordinate changes, leverage efficiencies and reinforce governance in the various initiatives;
- ii) establishment of a team to develop capacities to mainstream integrated supply-chain management, expected to cost USD 1.2 million: the team will work with stakeholders to coordinate cross-functional initiatives such as the Forward Purchase Facility (FPF) to maximize efficiency; and
- iii) an upgrading of WFPgo, expected to cost USD 300,000, to make the system fit for purpose in connecting staff worldwide with improved information-retrieval systems.

⇒ *Programmes (USD 700,000)*

135. Effective communications, awareness-raising and branding will require an investment of USD 695,500. The two components are:

- i) a new campaign addressing multiple audiences to communicate WFP's aims, encourage contributions and disseminate knowledge; and
- ii) an upgrade of the WFP website to provide improved visibility for WFP, its partners and governments.

⇒ *Accountability and Funding (USD 3.7 million)*

136. Two critical corporate initiatives will support this dimension:

- i) support for decentralized evaluations, expected to cost USD 600,000, to improve the system by empowering country offices and providing standards and guidance for country offices and the regional bureaux; and
- ii) support for the financial framework review, expected to cost USD 3.1 million in 2015, to increase financial accountability and promote flexibility in the management of operations:
 - a) a cost benchmarking system that will enhance understanding of operational cost drivers and increase accountability for the utilization of funds; and
 - b) a review of fund management with a view to updating WFP's resource management system by increasing flexibility in the use of funds for operations, creating efficiencies and reducing unspent balances.

**Box IV.3: Example of improved value for money in critical corporate initiatives:
financial framework review – focus on accountability**

The new country office cost benchmarking system based on key performance indicators will: i) increase transparency in the management of programme support and delivery costs; and ii) increase accountability for the use of funds at the country office level. This approach will incentivize cost containment, particularly project support costs; it is expected to achieve savings of USD 2.5 million per year.

The improved system will give country offices the flexibility to respond rapidly and effectively to any situation with the right mix of tools and activities. Unspent balances will be reduced, less time will be spent on budget analysis and transactions, and fewer budget revisions will be needed.

These changes will improve performance monitoring and accountability, thereby enhancing the management of financial resources entrusted to WFP and maximizing the impact of projects.

STRUCTURE OF THE SECRETARIAT

137. In the light of lessons learned from Fit for Purpose, the Executive Director has made organizational adjustments effective from January 2015 in order to:

- enhance WFP's contributions to the post-2015 sustainable development goals, the 2016 World Humanitarian Summit and One UN;
- reduce the chain of command to the regional bureaux to enhance accountability;
- bring together, under the Executive Director and Chief of Staff, the Office of the Executive Director, the Ethics Office, the Office of the Ombudsman, the Human Resources Division, the Legal Office, a new office of Innovation and Change Management, the Inspector General and Oversight Office, the Office of Evaluation and the Regional Bureau Support Unit;
- retain direct reporting lines to the Executive Director for the Director of the Human Resources Division, the General Counsel and Director of the Legal Office, the Director of Innovation and Change Management, the Inspector General and the Director of Evaluation;
- separate accountability for corporate budget allocations by making the Chief of Staff responsible for chairing committees that decide on PSA and SRAC allocations proposed;
- reorganize the Operations Services Department to directly support field units including programme, emergency preparedness, gender, nutrition, supply chain and common services such as the United Nations Humanitarian Air Service (UNHAS), UNHRD and the logistics cluster;
- optimize IT systems to improve the management of information;
- bring together field security, facilities management, the staff medical unit and the staff counselling unit within the Resource Management Department in order to enhance the safety and health environment of staff; and
- optimize public outreach by placing communications in the Partnership, Governance and Advocacy Department, particularly to enhance advocacy in support of revenue-raising, and by establishing a new partnership coordination division; and
- ensure that WFP delivers on its gender commitments by retaining the Deputy Executive Director's leadership on the gender policy until it is approved by the Board and, subject to approval of the policy, bringing the gender unit into the Operations Services Department to strengthen programme support.

138. These adjustments require the temporary transfer of an Assistance Secretary-General (ASG) post from Rome to New York for 2015 and 2016 to cover the New York and Geneva offices, and the upgrading of the Chief of Staff post to ASG level to reflect the increased responsibilities. These adjustments do not lead to changes in the total number of PSA-funded posts.

Executive Management, Oversight and Central Services

139. Executive management oversight and central service units include:

- The Office of the Executive Director supports the Executive Director in setting and implementing the Strategic Plans approved by the Board, optimizing WFP's global profile and maximizing its operational effectiveness. The office supports the Leadership Group, the Executive Management Group and the offices that report directly to the Executive Director and the Chief of Staff.
- The Ethics Office ensures that WFP maintains the highest standards of integrity. Its functions are to administer the Financial and Conflict of Interest Programme and to advise individuals on behaviour, standards and conflicts of interest. The office promotes awareness of United Nations and WFP standards of conduct and supports the system of workplace advisers.
- The Office of the Ombudsman and Mediation Services provides informal and confidential support for staff with employment-related concerns such as conditions of employment, workplace behaviour and the administration of benefits.
- The Human Resources Division supports an engaged workforce with the right skills in the right positions in a supportive and healthy workplace. It achieves this by recognizing positive individual performance, making managers accountable for performance, providing medical and counselling services, establishing career frameworks, creating opportunities for professional growth and training people in leadership and management skills.
- The Legal Office supports the Executive Director, the Board and WFP management with a view to protecting WFP's legal interests and providing advice on legal risk and compliance with internal, national and international laws. It advises on governance, privileges and immunities, the development and implementation of normative frameworks, contract negotiation, standard processes and templates and dispute prevention. The Legal Office represents WFP in litigation and dispute-resolution proceedings.
- The new Innovation and Change Management Division will work with the Executive Director and senior leaders to facilitate innovation and change across WFP. The division will develop a corporate agenda for innovation and provide a platform for identifying and accelerating promising high-impact initiatives. It will also support executive management in steering and managing the prioritized portfolio of key organizational change initiatives and will help ensure that changes are coordinated and embedded across WFP. It will provide project leadership and execution support for initiatives as required.
- The Office of the Inspector General provides independent assurance for the Executive Director on matters of governance, policy, risk, resource utilization, operations and accountability. The office implements best practices in the United Nations and the private sector in carrying out its internal audits, investigations and inspections.
- The Office of Evaluation provides independent assessments based on international standards of the outcomes of WFP's policies and operations, with a view to maximizing accountability and encouraging evidence-based decision-making. The evaluations also inform WFP's stakeholders of the effectiveness, efficiency and sustainability of WFP's work. The work programme of the Office of Evaluation is included as an annex to the full Management Plan.

- The Regional Bureau Support Unit manages the project review and approval process, is the budget focal point for the regional bureaux and coordinates field office engagement with audits and evaluations.
140. Within this grouping the Director of the Human Resources Division, the General Counsel and Director of the Legal Office, the Director of Innovation and Change Management, the Inspector General and Director of Evaluation will report directly to the Executive Director.

Relations with the United Nations and the African Union

141. The Deputy Executive Director will move temporarily to New York to ensure that WFP is effectively represented at the United Nations. The Deputy Executive Director will oversee WFP's New York and Geneva offices, which will become a platform for full engagement in the post-2015 agenda and the World Humanitarian Summit and for WFP's representation in United Nations coherence initiatives and the Inter-Agency Standing Committee (IASC) Transformative Agenda. The Addis Ababa office will also report directly to the Deputy Executive Director to ensure that African Union members contribute to determining the focus and implementation of the post-2015 agenda.

Operations Services Department

142. The Supply Chain Division and the Common Logistics Services Division, which includes UNHAS, the UNHRD and the logistics cluster, will be integrated into the Operations Services Department with a view to ensuring that Headquarters supply-chain functions support the operations of WFP and the humanitarian community efficiently and effectively. They will be complemented by the Emergency Preparedness Division, which will be integrated into the department.
143. The new Nutrition Division of the Operations Services Department will build up capacities and tools for interventions in line with WFP's nutrition value proposition, and will support WFP's engagement in global nutrition platforms and collaboration with United Nations agencies and external stakeholders in nutrition matters.
144. The Gender Office will become part of the department to ensure that gender considerations are fully integrated into WFP's work.
145. The Policy, Programme and Innovation Division will remain in the Operations Services Department.
146. The new Chief Adviser will support the department with recommendations based on analyses of issues that may affect WFP in the medium term and long term.

Resource Management Department and the Office of the Chief Financial Officer

147. The Resource Management Department will maintain its present functions, with the Office of the Chief Financial Officer keeping a separation of duties between budgetary approval, financial oversight and expenditure management, and representing WFP to external stakeholders for accountability purposes.
148. The addition of the Information Technology Division will help ensure that the increasing amount of quantitative and qualitative data available in real time from internal and external sources is structured to support decision-making for enhanced performance and risk management, and that technology supports innovation. Complementing this, a strengthened performance management and monitoring function under the PSA budget will support

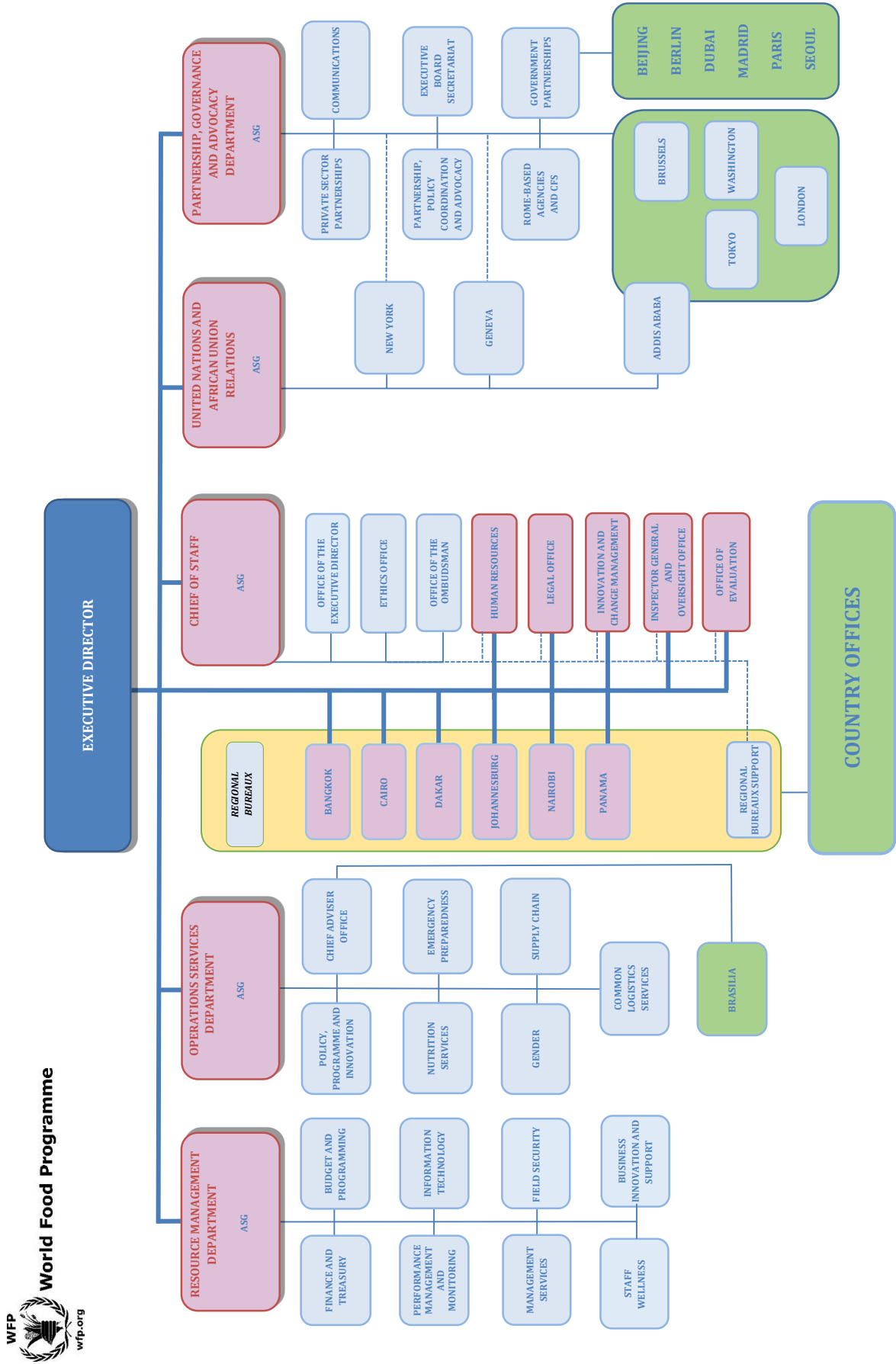
operations to utilize relevant monitoring data and demonstrate value for money in corporate reports.

149. Promoting and maintaining the physical, mental and social wellbeing of all employees, including prevention measures, are of paramount importance to efficiency and productivity, and are key responsibilities of WFP as an employer. This requires a more integrated structure, which will be achieved with the addition of field security, medical and staff counseling functions, to work closely with the Management Services Division, whose responsibilities include office and guesthouse facilities, light vehicles management and Headquarters security.
150. The Financial Framework Review will be incorporated within the Business Innovation and Support Office, with support from Headquarters and field offices.

Partnership, Governance and Advocacy Department

151. The Partnership, Governance and Advocacy Department will seek to optimize the outcomes of partnerships with governments, United Nations and private-sector organizations, the Committee on World Food Security and NGOs. The Government Partnerships Division has offices in Beijing, Berlin, Madrid and Paris; WFP's offices in Brussels, Dubai, London, Tokyo and Washington report directly to the Assistant Executive Director (AED).
152. The department will help WFP to secure predictable, timely and flexible resources by seeking greater donations from the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC), exploring public-private partnerships, enhancing donor visibility, developing partnerships with non-OECD/DAC members and optimizing corporate advocacy. The Communications Division, which promotes global awareness of the work of WFP, will be located in the department.

Figure IV.2: Organization 2015–2016



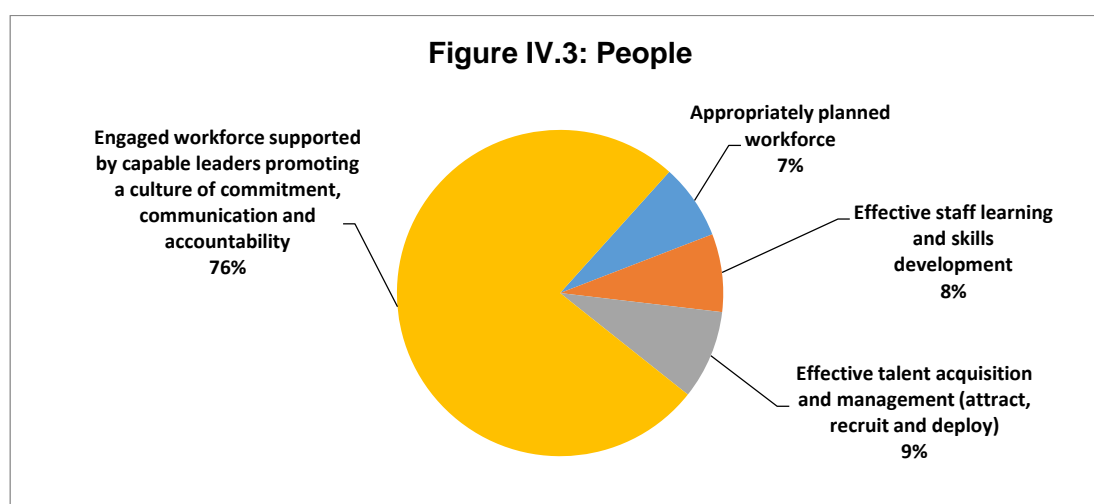
ORIENTATION OF THE PSA BUDGET

153. Table IV.4 and Figure IV.1 show the orientation of the PSA budget by presenting its different elements against the five MRDs.

TABLE IV.4 ANALYSIS OF PSA BUDGET AND CRITICAL CORPORATE INITIATIVES BY MANAGEMENT RESULT DIMENSION (USD thousand)						
	Adjusted PSA total	Reallocations	2015 PSA proposal	Critical corporate initiatives	Total	%
People	51 547	1 620	53 167	1 916	55 083	19
Partnerships	25 522	300	25 822	300	26 122	9
Processes and Systems	85 918	2 215	88 133	2 588	90 721	31
Programmes	32 255	2 554	34 809	696	35 505	12
Accountability and Funding	78 436	1 433	79 869	3 700	83 569	29
TOTAL			281 800	9 200	291 000	100

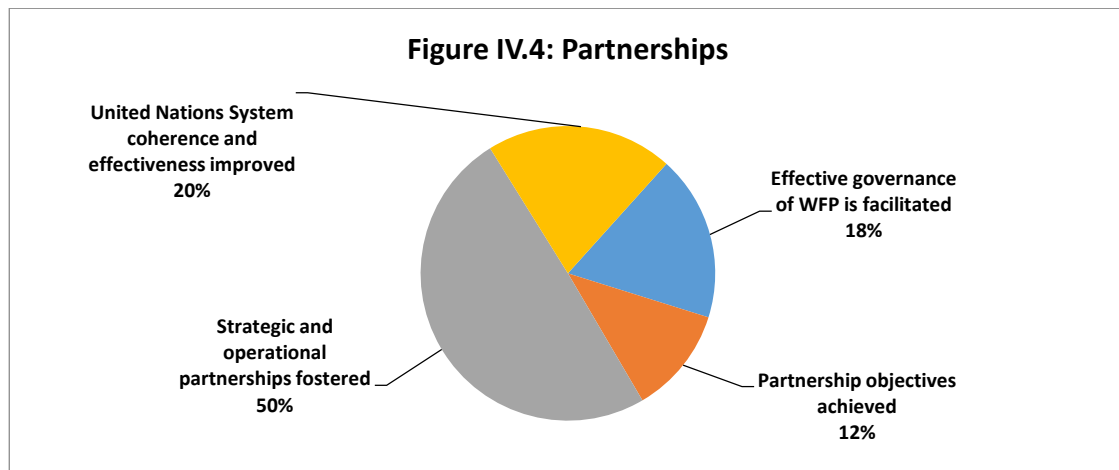
People

154. The People dimension accounts for 19 percent of total PSA investments. It focuses on training to enhance staff skills and capabilities and improve individual performance management and the capacities of managers. The objective is a skilled and flexible workforce with a reserve of talent developed and managed by committed and capable leaders. The People dimension covers the whole of WFP. Senior staff costs reflect their role as leaders in promoting a culture of commitment, communication and accountability.



Partnerships

155. The Partnerships dimension accounts for 9 percent of total PSA investments. It reflects the shift of focus in the Corporate Partnership Strategy approved by the Board at its 2014 Annual Session whereby WFP aims to build strong partnerships with governments, regional organizations, other United Nations agencies and operational and academic institutions to provide food assistance and build resilience. The Partnership dimension includes support for the Board in its governance role and coordination with United Nations agencies and cluster leadership.



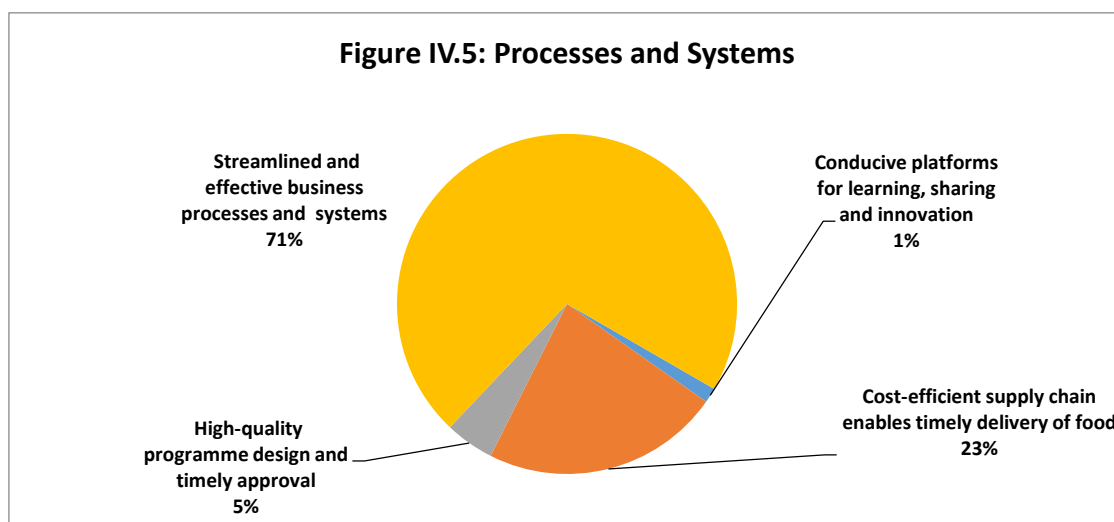
Processes and Systems

156. The Processes and Systems dimension accounts for 31 percent of total investments. It focuses on providing the right quantity and quality of food assistance at the right time, in the right place and in the most cost-efficient and effective way. This requires:

- sound project designs that meet corporate quality standards and are approved in a timely manner;
- a cost-efficient supply chain supported by streamlined business processes and efficient systems and performance-monitoring mechanisms; and
- effective systems for learning, sharing and innovation.

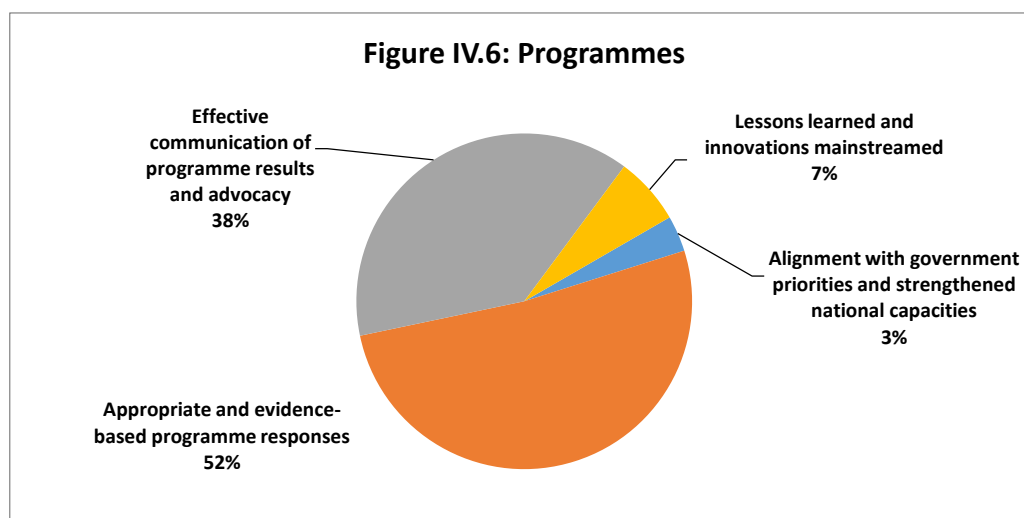
157. This dimension encompasses support for:

- corporate systems – information technology infrastructure, maintenance and support; payroll and staff contract processing and payments; and Headquarters expenses;
- the programme design and approval processes; and
- supply-chain activities – logistics, procurement and food safety, and management of the FPF.



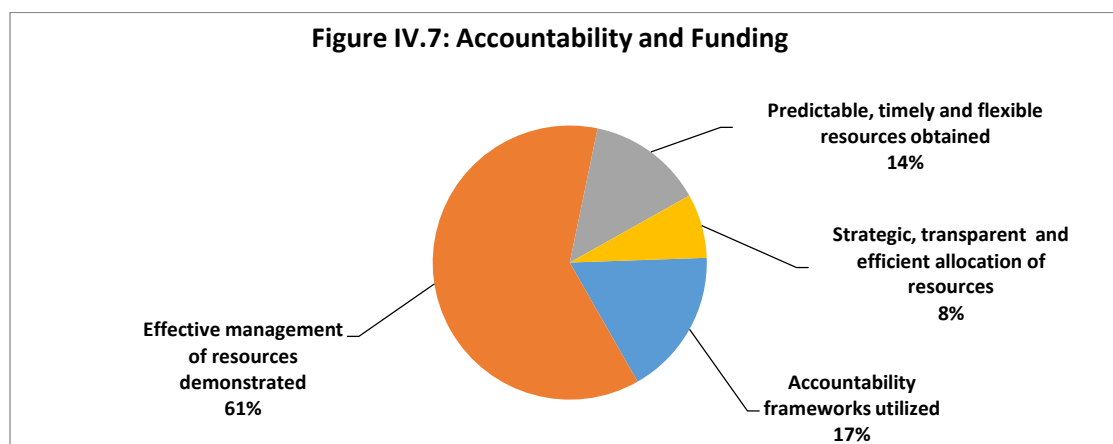
Programmes

158. The Programmes dimension, accounting for 12 percent of total investments, promotes innovative, appropriately targeted and evidence-based interventions at the regional bureau and Headquarters levels to address food and nutrition needs, build national capacities and ensure that programmes are in line with policy. The dimension covers WFP's ability to respond to complex emergencies, enhance capacities, move programmes to national or local ownership and evaluate the results, carry out effective evaluations, mainstream lessons and innovative approaches, communicate results and advocate hunger solutions; it includes external communications to convey the WFP brand and generate visibility and support.



Accountability and Funding

159. The Accountability and Funding dimension, accounting for 29 percent of total investments, aims to generate the funding required for WFP's operations, to maintain high standards of governance, internal control and stewardship, and to promote accountability. The objective is to ensure flexible, predictable and timely resources that are effectively managed and accounted for. The oversight functions at Headquarters, the regional bureaux and country offices ensure that accountability and reporting systems are utilized effectively.



Summary of 2015 Regular PSA Budget by Appropriation Line

160. In accordance with Financial Regulation 9.3, the regular PSA budget is presented under three appropriation lines: i) programme support at the regional bureaux and country offices; ii) programme support at Headquarters; and iii) management and administration.

161. Table IV.5 shows the regular PSA budget by appropriation line from 2013 to 2015. The total cost column reflects staff and non-staff costs; the total post count includes national staff. The appropriation lines remain as they were in the previous Management Plan. Additional details are provided in Annex I.

	2013 expenditures			2014 estimated			2015 projected		
	Post count		Total cost	Post count		Total cost	Post count		Total cost
	Prof.	Total		Prof.	Total		Prof.	Total	
Programme support – regional bureaux and country offices	193	736	85.7	227	789	96.7	244	825	99.3
Programme support – Headquarters	166	276	54.4	160	255	55.5	154	242	52.9
Management and administration	254	515	107.2	288	551	129.6	291	546	129.6
TOTAL	613	1 527	247.4	675	1 595	281.8	689	1 613	281.8

162. The 2014 post count reflects 16 unassigned post reductions at Headquarters that had not been identified in the Management Plan (2014-2016).¹⁹ The reduction in Headquarters post count from 2014 to 2015 of 18 positions (on top of the 16 positions that have since been

¹⁹ WFP Management Plan (2014–2016), paragraphs 180 and 182

identified) is shown in table IV.6 below. At Headquarters, the Management Services Division and the Logistics Division in particular have both reduced their positions as a result of the forced savings and the review of processes and structures to maximize efficiency. In the regional bureaux, significant increases are proposed in the Regional Bureaux of Cairo and Johannesburg.

	2014 post count		Proposed changes in 2015		2015 projected post count	
	Prof.	Total	Prof.	Total	Prof.	Total
Regional bureaux and country offices	227	789	17	36	244	825
Headquarters	460	822	-3	-18	445	788
Unassigned Headquarters positions	-12	-16				
TOTAL	675	1 595	14	18	689	1 613

Central Appropriations

163. Central appropriations cover statutory requirements and other centrally controlled appropriations, which are budgeted under management and administration. These appropriations are expected to be slightly below the 2014 level (see Table IV.7). The most significant movement from 2014 is the increase in inter-agency support for bodies such as the United Nations Development Operations Coordination Office, the Executive Office of the Secretary-General and the United Nations Renewed Efforts Against Child Hunger and Undernutrition (initiative) (REACH).

	Estimated 2014	Proposal 2015
Reassignment costs	3 000 000	3 000 000
Insurance fees	1 182 500	1 284 000
Joint Inspection Unit	870 000	870 000
International Civil Service Commission	600 000	600 000
External Audit	400 400	400 400
Chief Executives Board	315 000	315 000
Emergency medical evacuation	300 000	150 000
Audit Committee	194 000	194 000
Services from other agencies	1 635 000	1 798 633
Inter-agency support	1 051 700	1 372 320
Resident Coordinator contribution	1 234 000	1 301 554
Global management meeting	265 000	265 000
Provision for Euro/USD currency movements	700 000	350 000
Other	751 357	460 050
TOTAL	12 498 957	12 360 957

Institutional Improvements

164. These corporate trust fund activities promote innovation and major changes to operations, systems and processes in an evolving operational context, and support WFP's institutional improvements and capacity development initiatives.
165. Experience shows that donors are willing to fund activities focused on innovation and change in the way WFP works: building procedures, processes and platforms for scaling up C&V programmes across country offices, or strengthening performance and risk management and monitoring are cases where new ways of working have been piloted with non-PSA resources. In some areas, change has been driven by donor interest and willingness to fund activities; in others, WFP has sought funding for prioritized needs.
166. In the past, the process for generating additional funding for change was not linked to the PSA budgeting process, with the risk that the allocation of PSA and trust fund resources was not aligned with priorities.
167. This Management Plan therefore integrates information on actual and potential investments into the PSA budget process. Investment cases made by departments for activities that could not be funded through the regular PSA budget (see Annex II) were prioritized for reallocations of recurring PSA resources, non-recurring PSA funding or corporate trust funds. The decisions took into account corporate priorities and the potential to attract donor funding and the extent to which some level of future funding could be assured. This ensures that PSA resources are directed to areas of highest need.
168. For 2015, 75 investment cases totalling USD 38.9 million were submitted for PSA funding, and 87 investment cases totalling USD 93.3 million for funding from extra-budgetary sources.
169. The reallocations summarized above resulted in the prioritization of 17 investment cases for funding in the regular PSA budget, with allocation in 2015 of USD 8.1 million. Ten other investment cases were recognized as critical corporate initiatives, with 2015 projected costs of USD 9.7 million and an allocation of USD 9.2 million. The remaining 135 investment cases, totalling USD 114.4 million, constitute an estimate of corporate trust fund needs for 2015 and may therefore be considered for future funding.

Analysis of Corporate Trust Funds by Management Result Dimension

170. Table IV.8 shows corporate trust fund needs by MRD for 2015; all are based on a common investment template to assist the SRAC in recommending allocations of multilateral resources. The Processes and Systems and Programmes dimensions account for 75 percent of requirements; 28 percent of requirements are field-based.

	WFP projections		Designated for regional bureaux/country offices
	<i>USD million</i>	%	<i>USD million</i>
MRD 1: People	7.8	7	1.0
MRD 2: Partnerships	12.4	11	5.5
MRD 3: Processes and Systems	36.9	32	6.4
MRD 4: Programmes	49.0	43	16.0
MRD 5: Accountability and Funding	8.3	7	3.4
TOTAL	114.4	100	32.3

171. Resources for MRD 1 will be used to optimize staff capacities for emergency responses and administration, to support logistics career and capability development and enhance logistics cluster capacities. The learning and development framework to be established in response to requests from senior managers and staff will be complemented by a PSA investment for specific learning programmes.
172. The MRD 3 allocation will support process improvements for rolling out technical systems for cash and voucher programmes, monitoring and reporting systems and work on financial framework review component 2 – flexibility.
173. Resources for MRD 4 will be used to enhance WFP's emergency preparedness capacities and to build resilience for food and nutrition security in recurrent crises.
174. The allocations for MRDs 2 and 5 will help to reinforce inter-agency partnerships, particularly in nutrition, and to improve financial risk management and forecasting with a view to increasing country office access to advance financing.

Gender

175. UN SWAP envisages common measures to promote gender equality. It sets out 15 standards for United Nations entities, with indicators, timetables and areas of responsibility to be achieved by 2017. WFP is committed to meeting these standards. Senior management and staff are working to mainstream gender at all levels, and 2014 is a year of renewed momentum and institutional commitment to gender equality and women's empowerment.
176. In 2014, WFP established business owners in Headquarters divisions to accelerate gender mainstreaming and implement UN SWAP, supported by multilateral resources. For 2015, these divisions are required to include this support in their PSA budgets, thereby mainstreaming capacity for implementation of all the standards by 2016.
177. The 2015 PSA budget allocates USD 4.7 million for gender mainstreaming in Headquarters divisions and the regional bureaux; a further USD 4.1 million is available from corporate trust funds in 2015. These resources will support the Gender Office staff and costs for implementing UN SWAP. The Gender Special Account of USD 2.2 million will support the development of a new gender policy, gender-sensitive programming at the regional bureaux and country offices, and capacity development at all levels.

Hedging

178. At EB.A/2008, the Board approved a policy for hedging the Euro component of PSA expenses incurred at Headquarters to increase PSA funding stability. The Secretariat has accordingly made a forward purchase of the Euro amounts required under the 2015 PSA budget. Hedging for 2015 was implemented in July 2014, when the average exchange rate was EUR 1 = USD 1.35. The 2015 standard position costs incorporate this rate, providing certainty as to the US dollar value of Euro-denominated PSA expenditure. The Secretariat will continue to report regularly on the impact of hedging arrangements.

Financial Management Initiatives

⇒ *ISC rate review*

179. In line with WFP/EB.A/2006/6-C/1, which described a method for setting the ISC rate for the forthcoming financial period, the rate for 2015 was calculated as shown in Table IV.9.

2014 baseline	6.84
Increase for higher indirect expenditures for 2015	+0.62
Decrease for higher funding forecast	-0.35
Decrease for higher PSA Equalization Account balance	-0.47
Proposed ISC rate for 2015	6.63

180. The Secretariat recommends that the current 7.0 percent ISC rate be maintained for 2015, pending the results of the ongoing review of the ISC methodology.

⇒ *ISC update*

181. At EB.1/2014, the guidance of the Board was sought with regard to issues affecting ISC:

- WFP is a 100 percent voluntarily funded organization: should core funding or different funding approaches to cover indirect variable costs be considered?
- Should WFP continue with a single indirect support cost recovery rate, or should the rate vary according to the type of intervention?
- Could WFP incentivize resource mobilization through preferential or variable ISC rates, for example for South–South cooperation, or for the private sector?
- Recognizing that some costs related to support and administration are covered from sources other than the ISC recovery rate, WFP should undertake and present a detailed cost analysis of its indirect costs and review the workings of the PSA Equalization Account, which serves as a safety net to cushion unplanned fluctuations in ISC recovery. Should WFP continue to consider multiple sources for funding costs such as security and non-recurring investments?

182. A separate document submitted to EB.2/2014 summarizes progress to date and initial feedback on the first three issues, offered by members through informal consultations.

183. A document to be submitted to EB.A/2015 following further informal consultations will cover the fourth issue, and will include a review and analysis of the ISC methodology.

⇒ *Working Capital Financing Facility*

184. WFP's working capital instruments were considered by the Board at EB.A/2014.²⁰ The Board approved proposals to recognize internal project lending, global commodity management and corporate services, which are now being implemented; corporate services are considered further in Section V of this Management Plan. The Secretariat will update the Board regularly as to the use of these facilities.

²⁰ WFP/EB.A/2014/6-K.

⇒ *Financial Framework Review*

185. The Financial Framework Review covers three components:

- i) improving the predictability of funding for WFP's country operations so that operations can be planned with greater certainty – considered at EB.A/2014;
- ii) increasing flexibility and alignment to results by reducing funding fragmentation, standardizing budget practices and improving tracking of implementation costs; and
- iii) enhancing accountability by identifying cost drivers and improving cost management.

186. The Financial Framework Review will be the subject of further discussions with the Board during 2015.

SECTION V: ADVANCE FINANCING FOR CORPORATE SERVICES AND OTHER SPECIAL ACCOUNTS

Overview

187. Special accounts may be established by the Executive Director under Financial Regulation 5.1 for purposes consistent with the policies, aims and activities of WFP. Special accounts manage special contributions or funds earmarked for programme, corporate or cost-recovery purposes, or to support long-term activities. The volume of special account business estimated for 2015 is USD 223 million.

188. Special accounts are the vehicle used for two types of service:

- i) corporate services, including fee-for-service activities; and
- ii) non-profit business services for internal purposes and for partners.

Corporate Services

189. The corporate services financing mechanism enables WFP to invest in large-scale initiatives to provide house-wide services economically and efficiently. Within corporate services WFP currently has three different types of financing:

- the Global Vehicle Leasing Programme (GVLP);
- the Capital Budgeting Facility (CBF); and
- fee-for-service activities.

The Board approved a 2014 ceiling for corporate service advances of USD 70 million. No change is proposed to the ceiling for 2015.

Global Vehicle Leasing Programme (USD 22 million)

190. The GVLP is a revolving credit line for centralized procurement of vehicles that generates value for money, improves asset management and ensures that country offices have immediate access to standard security-compliant vehicles. Lease charges are included in project budgets to ensure that costs are recovered and that the service is cost-effective. A review of anticipated business for 2015 led to the proposal to reduce the GVLP credit line to USD 22 million, which is sustainable.

Capital Budgeting Facility (USD 28 million)

191. The CBF was established in the Management Plan (2014–2016) as a revolving fund with an initial capitalization of USD 20 million to enable WFP to implement large-scale corporate initiatives that improve efficiency by reducing costs in the long term. It is being used currently to support the completion and roll-out of the Logistics Execution Support System (LESS): the first two countries will go live in 2014, with others expected to follow from 2015. The CBF advance will be repaid through a tonnage-based landside transport, storage and handling charge once LESS is fully operational.

192. WFP proposes in this Management Plan to retain a CBF level of USD 20 million for LESS in 2015, but to expand the CBF ceiling to USD 28 million so as to include USD 8 million for field-based capital schemes to finance improvements to premises.

193. In the past WFP invested in leased or donated properties for short periods related to the lifespan of projects, but WFP is usually present in a country for longer than the duration of individual projects. While this is an appropriate approach in some circumstances, the current model of planning capital expenditure for office or secure residential premises in relation to project duration is inefficient: it frequently requires repeated reinvestment in inadequate properties to keep them operational or to upgrade security. Investing in premises for long-term use, where a longer term WFP presence is foreseen, will improve returns on investments, ensure security and improve operational efficiency. The specific premises requiring investment through the CBF in 2015 have not yet been determined, and the proposed breakdown of the CBF improvements to premises will be reviewed as proposals for use of the CBF are received and evaluated. Two kinds of locations are under consideration:

- vulnerable locations such as Baghdad, where accommodation is dictated by operational and security requirements and costs have to be allocated to rent facilities owned by third parties; and
- locations where WFP is supporting governments in the shift to food assistance and where there is a business case for investing in facilities at an early stage in emerging economies: examples include the Djibouti humanitarian logistics base and the country office facilities in Ethiopia and Mozambique.

Fee-for-Service Activities (USD 20 million)

194. The fee-for-services mechanism may advance up to USD 20 million for information technology (IT), security and evaluations of single WFP operations. While the ceiling for fee for services is set at USD 20 million because the amount of outstanding advances will at no time exceed USD 20 million during 2015, the business volume may exceed that ceiling in total owing to the nature of the services which require periodic advances and subsequent recoveries.

- The central management, procurement and maintenance of IT services promotes efficiency, and a per-capita IT cost-recovery fee is applied for all users (USD 26 million).
- The security special account is used to enable the Field Security Division to ensure the safety and security of WFP staff and assets, to coordinate field security through the security emergency fund (USD 8.5 million) and to pay mandatory United Nations Department of Safety and Security (UNDSS) costs (USD 11.5 million). Where possible the costs are charged to project DSC. For 2015, a charge is included in standard staff costs to cover expenses that cannot be funded by operations, especially in small country offices.
- The Office of Evaluation receives an advance to facilitate planning and implementation. Costs are recovered from projects being evaluated.

195. Table V.1 shows the estimated level of activity across the corporate services special accounts in 2015, showing both the advance financing ceiling and the estimated expenditures during 2015.

	Advance financing ceiling		Estimated expenditures		%
GVLP		22		16	20
CBF		28		15	18
LESS	20			15	
Improved premises	8				
Fee for service		20		50	62
IT field-based recovery			26		
Security			20		
Evaluation			4		
TOTAL		70		81	100

Other Special Accounts

196. Other special accounts provide non-profit business services internally and for partners. The estimated level of activity for business service special accounts is USD 142 million, of which 64 percent is allocated to the three largest accounts – the United Nations Humanitarian Response Depot (UNHRD), aviation and self-insurance.
197. The UNHRD special account manages donor contributions and revenue from services provided through its six-hub network. The UNHRD hubs, which hold food products and equipment to support emergency preparedness and response, are supported by 59 partners and provide services for 90 countries.
198. The self-insurance special account is used to minimize the economic effects of food losses; it also enables WFP to negotiate insurance premiums below normal market levels. WFP will expand self-insurance in 2015 to include both pre-delivery and post-delivery food losses.
199. The aviation special account supports WFP's ability to transport relief supplies by air to locations that are inaccessible by any other means because of natural disaster or lack of infrastructure.
200. The gender special account was established in 2014 by the Executive Director with an initial allocation of USD 2.2 million to: i) accelerate gender mainstreaming; ii) formulate a new gender policy; iii) implement the United Nations System-Wide Action Plan on Gender Equality and the Empowerment of Women (UN SWAP); iv) support gender-sensitive programming in the regional bureaux and country offices; and v) support related capacity development.

Outlook for Special Accounts, 2015–2017

201. The special accounts are expected to remain at the 2015 level of USD 223 million in 2016 and 2017. If unforeseen requirements emerge, the volume of business services provided through special accounts may increase.

ACRONYMS USED IN THE DOCUMENT

ASG	Assistant Secretary-General
C&V	cash and vouchers
CAP	Consolidated Appeal Process
CBF	Capital Budgeting Facility
CP	country programme
DEV	development project
DOC	direct operational costs
DSC	direct support costs
EMOP	emergency operation
FFA	food assistance for assets
FFT	food assistance for training
FPF	Forward Purchase Facility
GVLDP	Global Vehicle Leasing Programme
IRA	Immediate Response Account
ISC	indirect support cost
IT	information technology
LESS	Logistics Execution Support System
MRD	Management Result Dimension
MRF	Management Results Framework
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
P4P	Purchase for Progress
PRRO	protracted relief and recovery operation
PSA	Programme Support and Administrative (PSA) budget
SRAC	Strategic Resource Allocation Committee
SRF	Strategic Results Framework
UNDSS	United Nations Department of Safety and Security
UNHAS	United Nations Humanitarian Air Service
UNHRD	United Nations Humanitarian Response Depot
UN SWAP	Empowerment of Women