

Informal EB Briefing

Management Plan 2018-2020

4th May 2017



World Food Programme

Agenda

1 Management Plan timeline & structure

2 Strategic & financial context

3 Building the Management Plan

- A. Key principles for developing the Plan
- B. Overall approach and preliminary numbers
- C. PSAEA and possible uses

4 Capital Budgeting Facility

1. Management Plan timeline and structure

Key Dates for Management Plan (2018-20)

4 May ▼ EB Informal Briefing

6-7 June ▼ SRAC Meeting

17 July ▼ EB 1st Informal Consultation

22 August ▼ Key extracts to EB

4 September ▼ EB 2nd Informal Consultation

XX October ▼ ACABQ

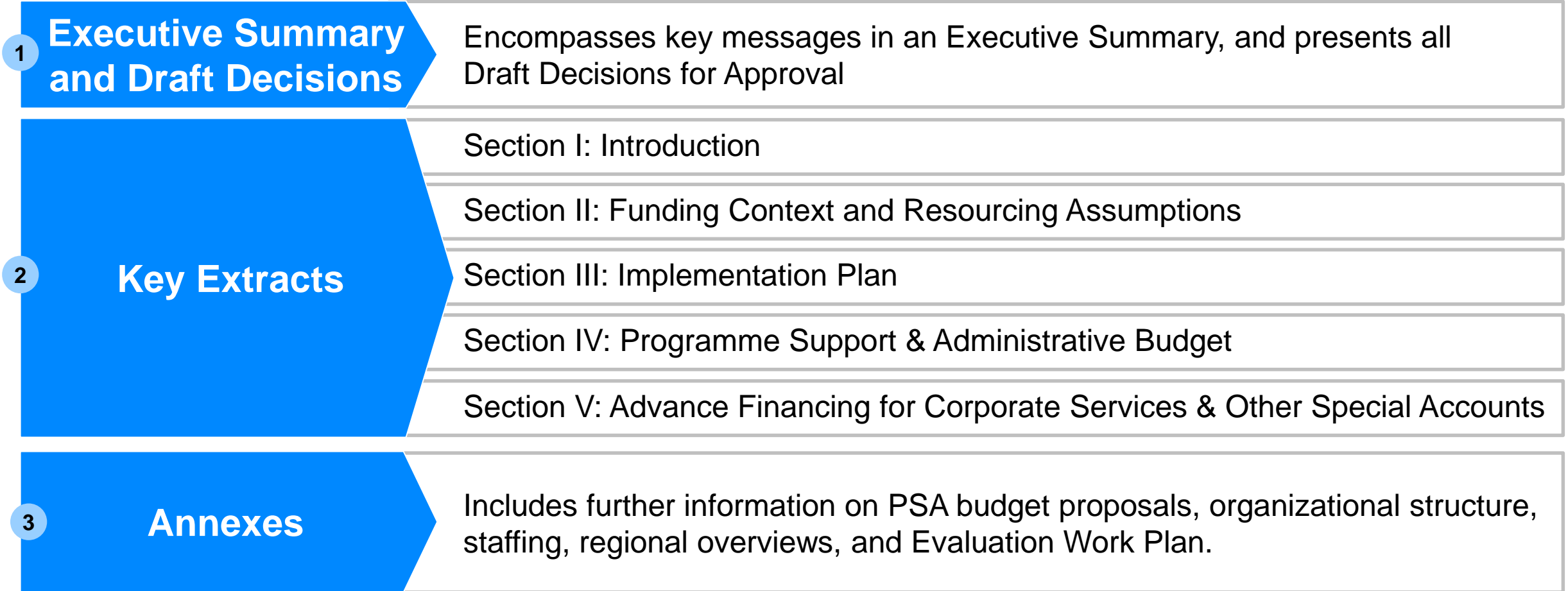
XX October ▼ FAO Finance Committee

13-17 November ▼ Executive Board

Objective

Present for approval the Management Plan 2018-20 for the Second Session of the Executive Board

Proposed Management Plan Structure



Detailed information on needs-based operational requirements and implementation plan to be provided on-line

2. Strategic & Financial Context

2.1. Key External Challenges for the Management Plan

Operational Conditions

- Continuation of **large scale emergencies**
- Four countries facing famine – an unprecedented situation requiring an unprecedented response
- **Protracted conflicts** in the Middle East, South Sudan, West Africa

Economic Considerations

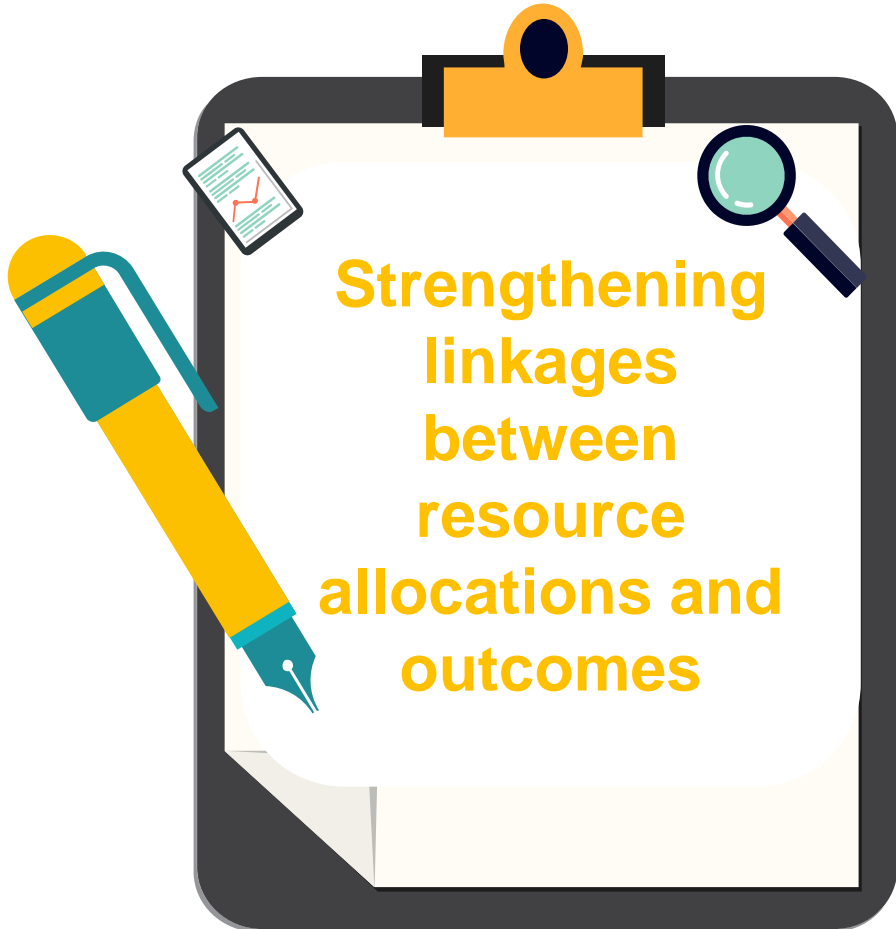
- Modest global **economic growth** anticipated
- Impact of elections in key OECD countries
- Uncertain funding environment

Changes in the UN Operating Environment

- SDG implementation
- United Nations reform initiatives and new approaches, including reflecting on overlaps in the UN system, humanitarian/development/peace nexus, and new approaches to financing

2.2. Key internal considerations for the Management Plan

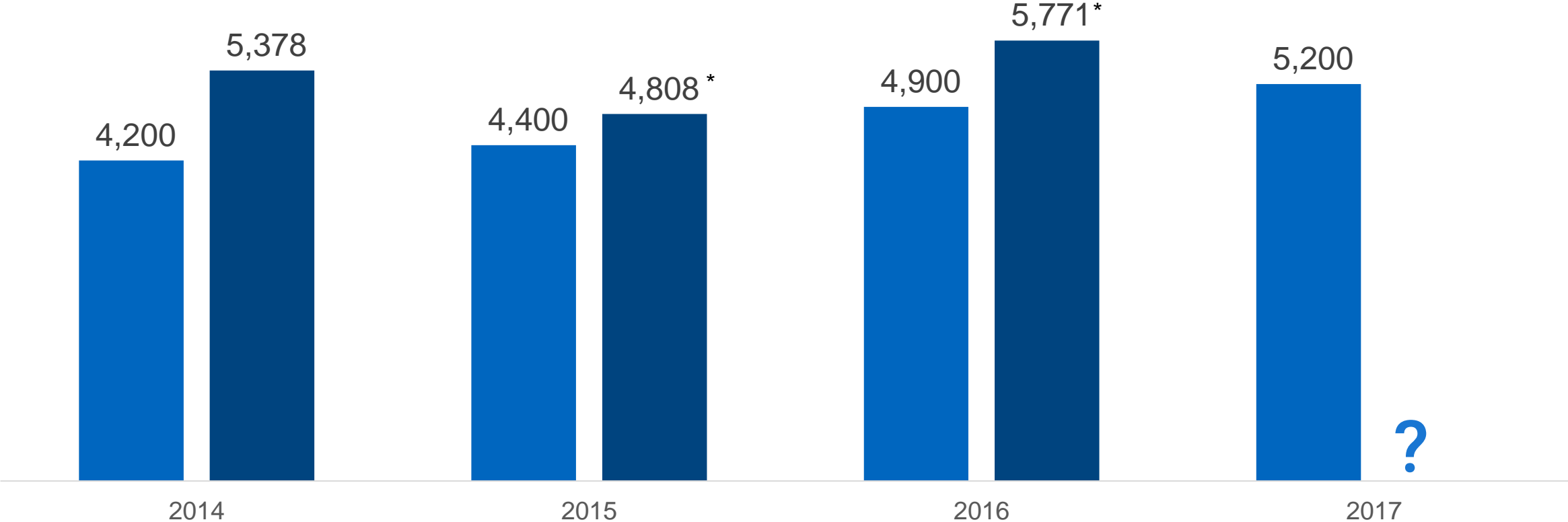
Supporting operations in 2018 while implementing strategic change:



- Directions from the Executive Director
- Integrated Road Map – **maximize operational effectiveness**
- Value for Money – implementing and measuring economy, efficiency and effectiveness
- Further **simplify** the Management Plan process and embed it in a resource management cycle

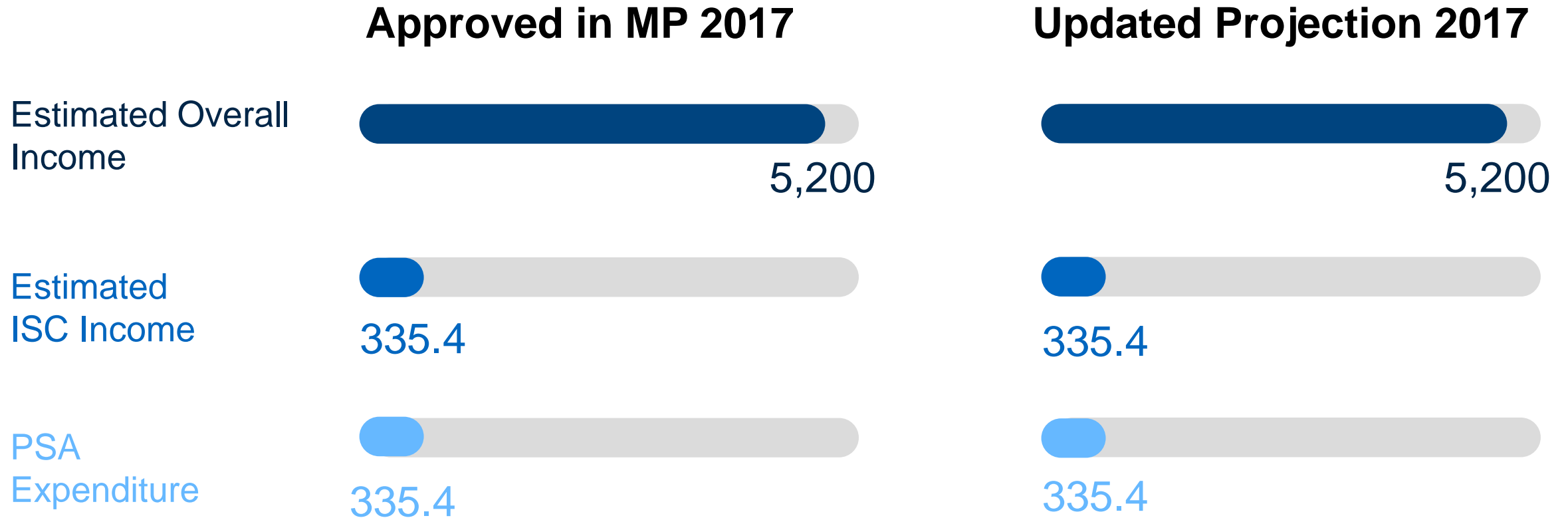
2.3. Updated 2017 Income Forecast: MP Forecast vs. Actual Contributions

■ Forecast Contributions MP ■ Actual Contributions FS



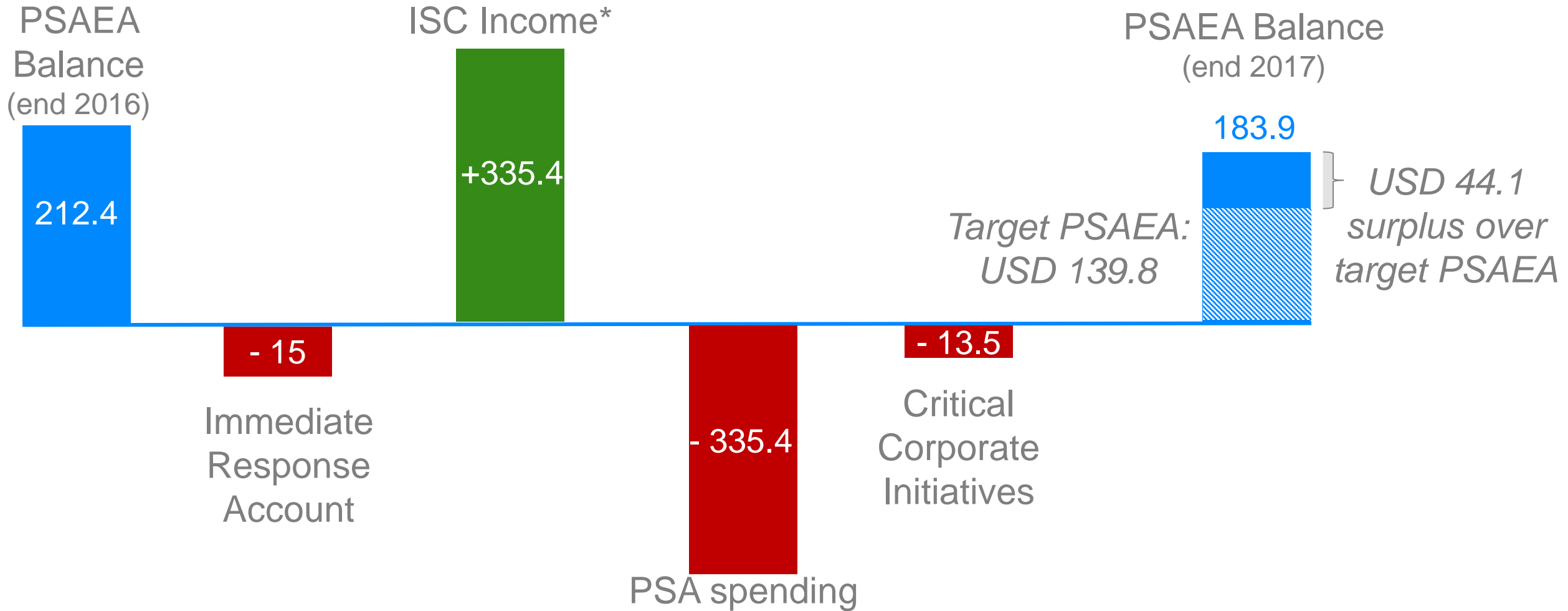
**Actuals for 2015 and 2016 have been restated based on policy change for revenue recognition on multi-year contributions*

2.4. 2017 PSA Income versus Expenditure



2017 projections show that WFP continues to live within its means

2.5. Projected PSAEA balance end 2017



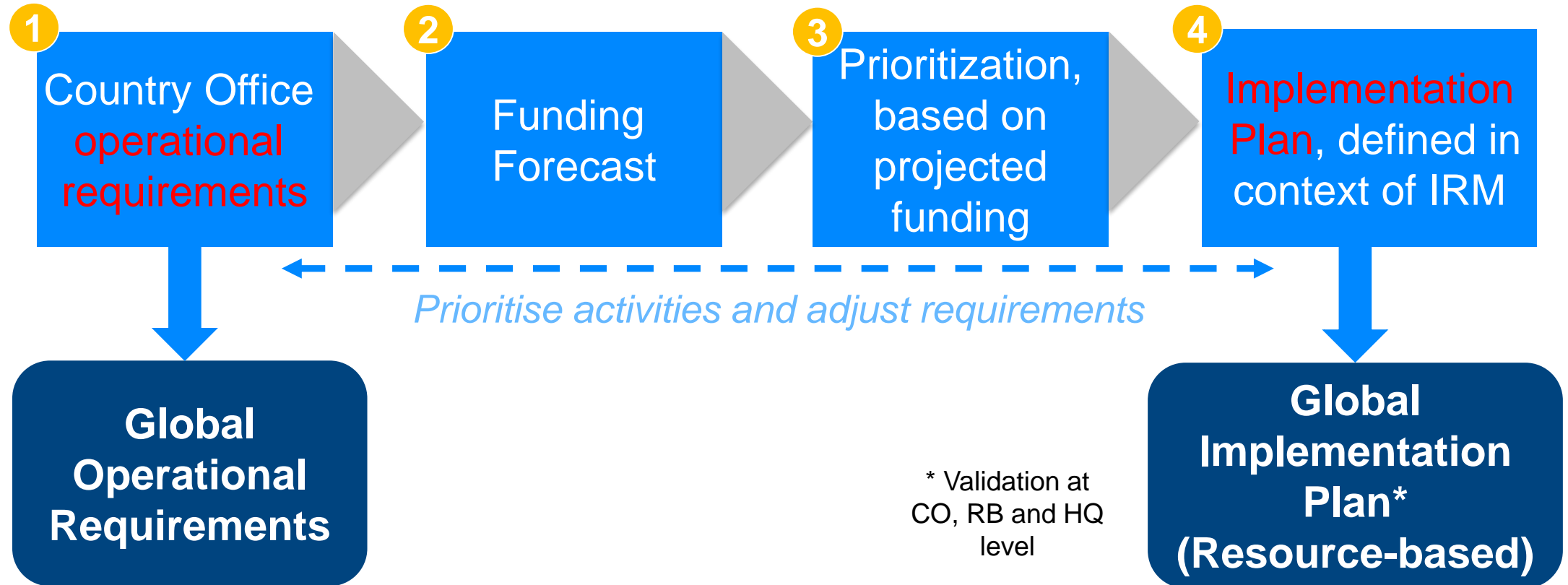
WFP is expecting to maintain a very healthy PSAEA balance, exceeding the 5-months reserve target

3. Building the Management Plan (2018-2020)

- **Part A:** Key principles for developing the Plan
- **Part B:** PSA Approach and Preliminary Numbers
- **Part C:** PSAEA and possible uses

3A. Key principles for developing the Plan

3A.1. Key principles: continuing move towards Resource-Based Budgeting



Operational requirements

All foreseen operational needs related to approved CSP, planned (I)CSP, approved projects and their logical extensions

Implementation Plan

Sets out utilization of anticipated funding on the basis of project funding forecasts

3A.2. Key Principles: Funding and PSA setting

Building on Management Plan 2017 recall...

Funding

- More detailed and engaged process for estimating funding
- Inputs from operational managers on funding projections at country level
- Need for more flexible resources, including from individuals, corporations.



PSA Setting

- PSA level sustainable and within our means
- Fully integrated with the strategic resource allocation process
- Value for Money focus

3B. Overall Approach and Preliminary Numbers

3B.1. What is the Programme Support & Administrative (PSA) budget?

What is the PSA?

- Portion of the WFP budget providing indirect support to WFP activities
- An indirect support cost is “a cost which supports the execution of projects and activities but cannot be directly linked with their implementation”

How is it funded?

- Funded from standard 7% ISC charge on each contribution *

What does it cover?

- Covers the majority of Headquarter and Regional Bureaux costs, as well as ‘backbone’ structure of country offices

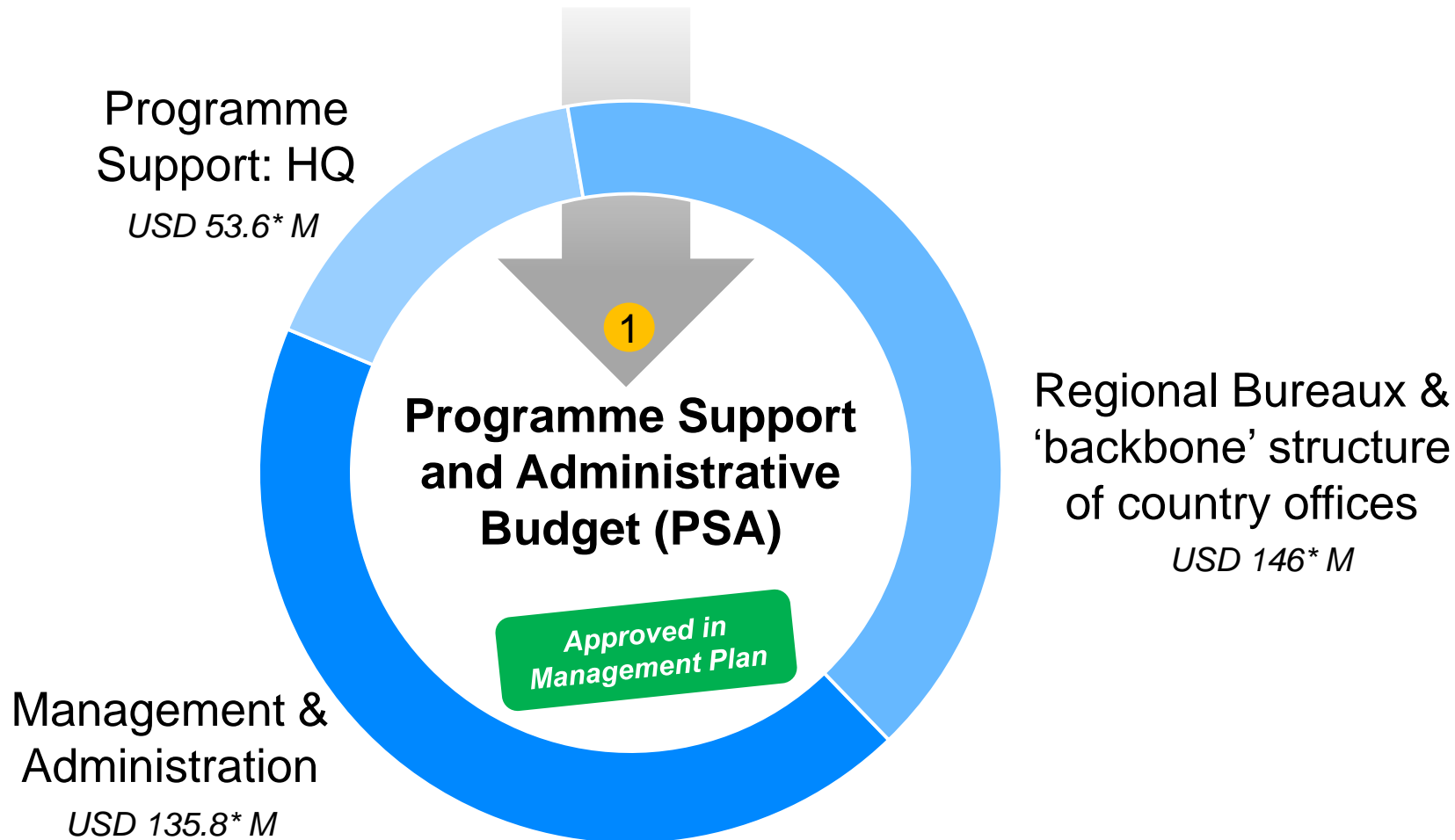
How is it approved?

- Board approval of the PSA appropriation within the Management Plan gives authority to the Executive Director to spend

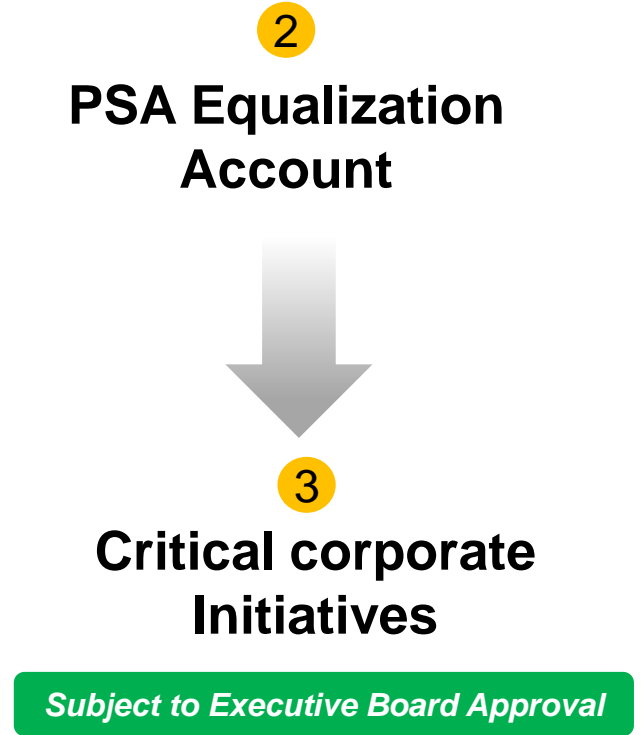
* See 2016 brochure on ISC

3B.2. What is the Programme Support & Administrative (PSA) budget?

7% Indirect Support Cost (ISC)

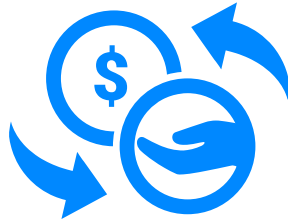


Difference between ISC income and PSA expenditure goes into...



3B.3. PSA planning parameters

Budget Envelope



- **Annual PSA budget** respects the commitment to live within available resources

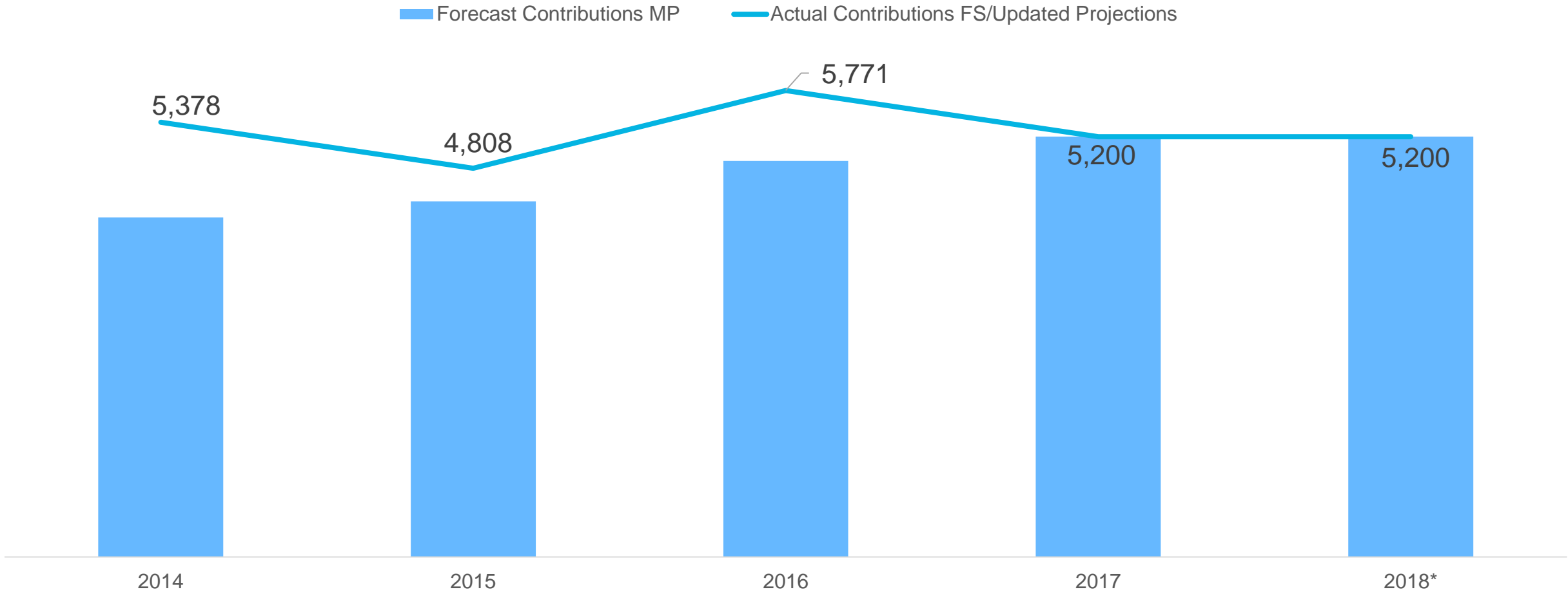
- Maintain **7% Indirect Support Cost (ISC)** rate



- Actual and projected **PSAEA respects target levels noted by EB in 2015 (5-month PSA spend level, 2-month spend floor)**

- **Cost savings** have been identified to generate funding for reprioritized initiatives

3B.4. Management Plan Income forecast versus Actual Contributions



Tentative 2018 income forecast for Management Plan (2018-2020) is USD 5.2 billion

3B.5. 2018 PSA Planning proposal

Living within our means for 2018	USD M
	2018 Planning
Estimated Overall Income	5,200.0
Estimated ISC Income	✓ 335.4
Proposed PSA level	✓ 335.4

WFP is living within its indirect support cost (ISC) means, and matching its PSA to its income levels

Tentative PSA level for 2018 proposed at zero growth level of USD 335.4 million

3C. Proposed PSA approach: PSAEA and possible uses

3C.1. What is the PSA Equalization Account?

Established in 2002 to manage surpluses or deficits between ISC revenue and PSA expenditures:

- to cover any **difference between indirect support cost income and approved PSA expenditure**
- as a reserve to **underwrite the risk of decreases in indirect support cost income or underfunding of the PSA budget**

With EB approval the PSAEA may be used:

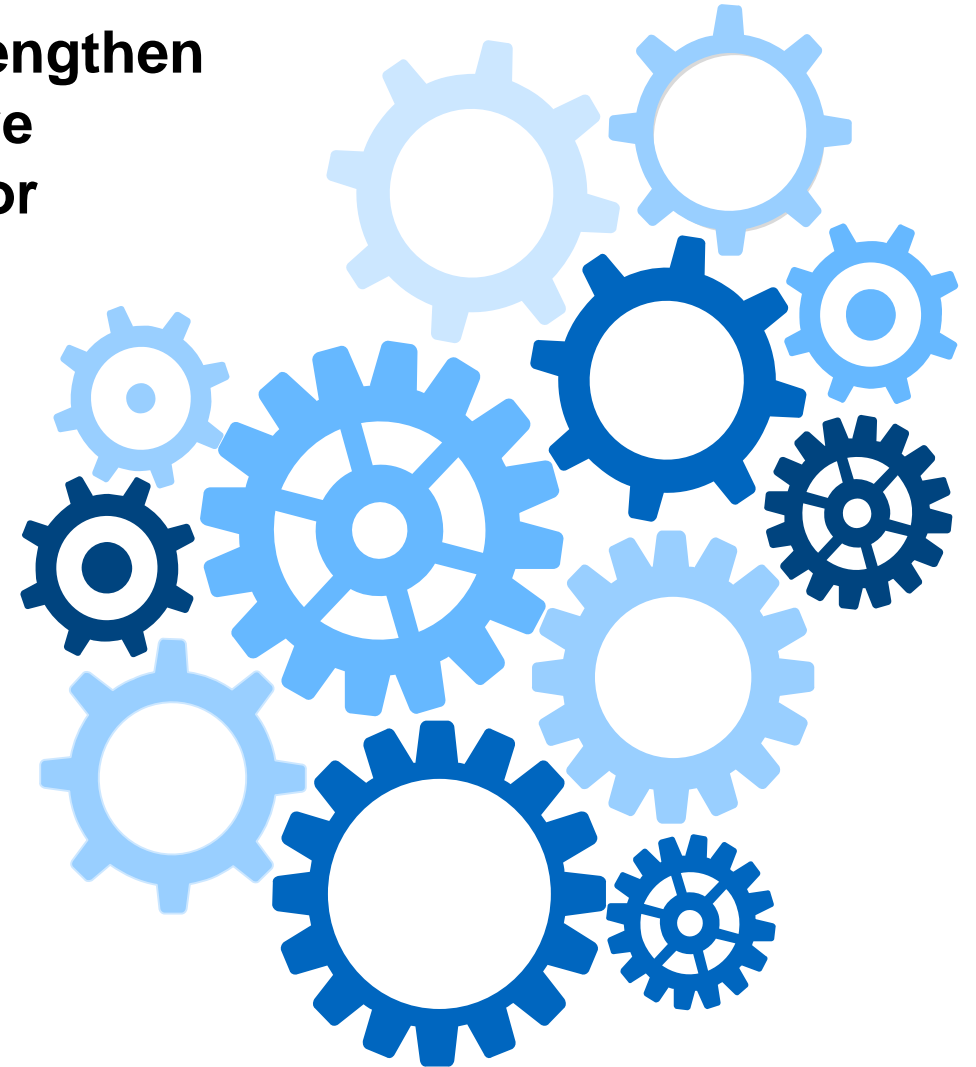
- ① **for critical corporate initiatives or thematic support funds**
- ② **for maximizing WFP's reserves**

A target level of five months with a floor equal to 2 months PSA expenditure

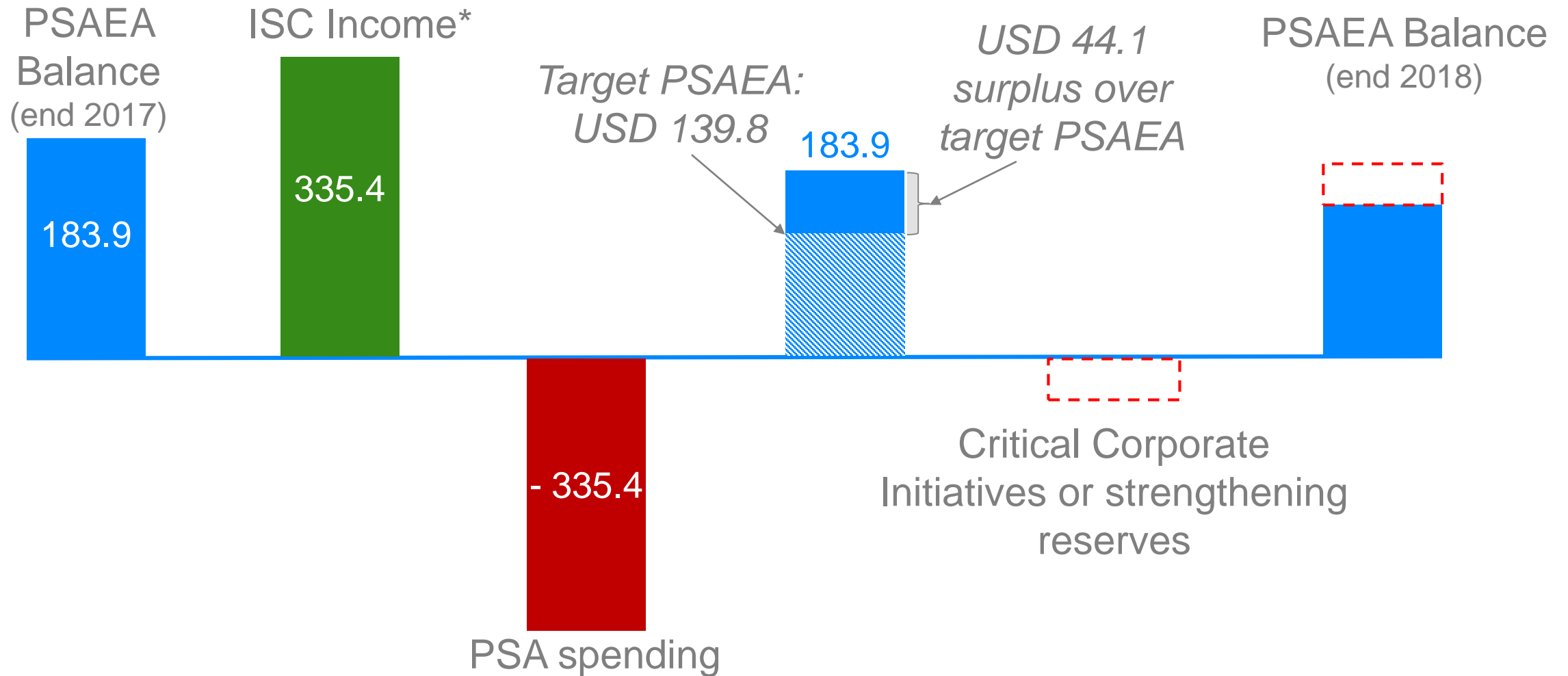
3C.2. Critical Corporate Initiatives

Definition (*WFP/EB.A/2015/6-C/1*): an activity to strengthen WFP's programming, operational and administrative capacity to fulfill its mission and delivering value for money

- One-off in nature
- Focused on organizational change
- Require predictable funding
- Unlikely to generate sufficient additional investments from donors
- No recurring or regular PSA-type cost
- No benefiting a single operational project



3C.3. Impact of proposed PSA budget and drawdown on 2018 PSAEA



WFP can invest in CCIs while maintaining a healthy PSAEA balance, exceeding the 5-months reserve target

3C.4. Potential Critical Corporate Initiatives and transfers to reserves

- Integrated Roadmap implementation
- New resource mobilization models
- Enterprise risk management
- Cash-Based Transfers
- Macro-Advance Financing (MAF)
- Immediate Response Account (IRA)
- Staff wellness fund

**Illustrative potential priority areas for
2018**



4. Capital Budgeting Facility

4.1. Proposed capital budgeting activities



Current Commitments for 2017

- LESS success story:
 - Now at 100% of food requirement coverage
 - Repaying CBF allocation in all countries
 - Full repayment projected by **October 2018**
- Continued funding for field-based schemes approved in 2015 and 2016

2018 Proposed Funding levels

- Current CBF is USD 47m (increased from USD 40m in February 2017)
- Usage for IT, housing, office security
- **No increase in the CBF for 2018**



Thank you!