

# WFP Executive Board

*1<sup>st</sup> Informal Consultation  
WFP Management Plan (2018-2020)*

13 July 2017



**World Food Programme**

# Agenda for 1<sup>st</sup> Informal Consultation

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- 1. Resourcing and Financial Context for the 2018-2020 Management Plan**
- 2. Indirect Support Cost rate for 2018**
- 3. PSA and PSAEA Approach and Proposed Budget**
- 4. Improving Programme Support and Administration (PSA) transparency**
- 5. Operational Requirements and Implementation Plan**

# Key dates for Management Plan 2018-2020

## Objective

Present for approval the 2018-2020 Management Plan for the Second Regular Session of the Executive Board

## Timeline

1<sup>st</sup> Informal Board Consultation

2<sup>nd</sup> Informal Board Consultation

*Informal Consultations:*

Jul 13<sup>th</sup>  
**TODAY**

Sep 6<sup>th</sup>

May

June

July

August

September

October

November

December

May 4<sup>th</sup>

1<sup>st</sup> Informal Briefing

Aug 22<sup>nd</sup>

Key extracts of the Management Plan

Oct

ACABQ

Oct

FAO Finance Committee

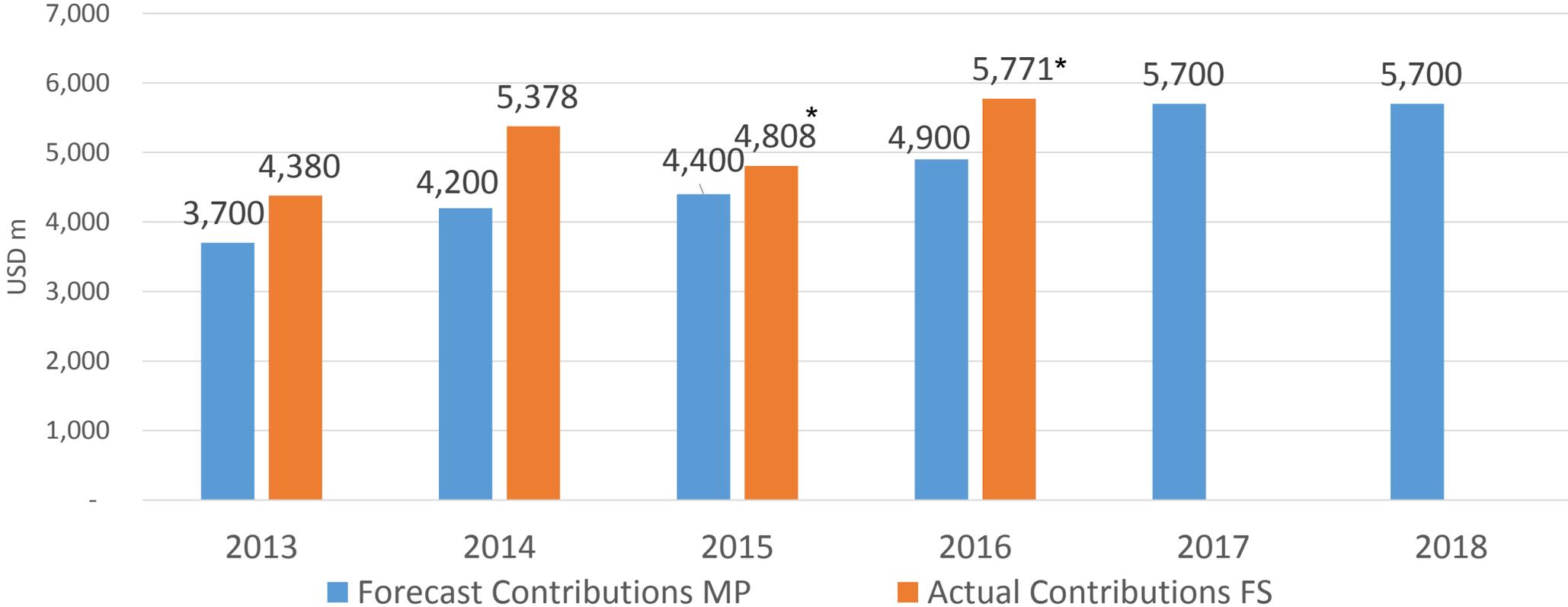
Nov 13 -17

Executive Board

# 1. Resourcing and Financial Context for the 2018-2020 Management Plan

1. Updated Income Forecasts: 2017 and 2018
2. 2017 PSA income versus expenditure
3. PSA Equalisation Account projection at year end 2017

# 1.1 Updated Income Forecasts: 2017 and 2018



***Projected income to end of 2018 continuing growth trend***

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

## 1.2 2017 PSA Income versus Expenditure

	<i>USD M</i>	
	<i>Approved in MP 2017</i>	<i>Updated Projection 2017</i>
Estimated Overall Income	5,200.0	5,700.0
<b>Estimated ISC Income</b>	<b>335.4</b>	<b>367.9</b>
PSA Expenditure	335.4	335.4
<b>ISC Income minus PSA expenditure</b>	<b>0</b>	<b>32.5</b>

**Updated projection for 2017 income will create a healthy surplus to be transferred to the PSA Equalization Account**

## 1.3 Projected PSAEA balance end 2017

Project Balance	USD M
PSAEA balance at 1 January 2017	197.4
Estimated ISC income 2017	367.9
PSA recurring expenditure	(335.4)
2017 Critical Corporate Initiatives [approved Feb 2017]	(13.5)
<b>Projected PSAEA balance end 2017</b>	<b>216.4</b>
PSAEA reserve (Equivalent 5 months of PSA expenditure)	139.8
<b>Excess over target PSAEA balance</b>	<b>76.6</b>

WFP is anticipating a very healthy PSAEA balance, exceeding the 5-months reserve target

<b>Original projected PSAEA balance</b>	<b>44.1</b>
ISC from revised income forecast	32.5
<b>TOTAL</b>	<b>76.6</b>

## 2. Indirect Support Cost rate for 2018

1. ISC at 7%: the background
2. Options for change: short-term

## 2.1 Indirect Support Cost at 7%: the background

- 1 | ISC rates are **governed by WFP's General Regulations, General Rules and Financial Regulations** and approved annually by the Executive Board in the Management Plan
- 2 | Current **flat rate [7%] applicable to most contributions** has been **welcomed by the Executive Board** as easy to implement, equitable and simple to understand
- 3 | ISC **policy as currently stated lacks flexibility** in application because of the governance decisions. **Opportunities to diversify** from the “corporate” rate are mainly **limited to trust funds**
- 4 | Current **policy is proving a hindrance** in negotiating contributions. Other Agencies have greater flexibility to propose lower ISC rates because of the regulatory framework and funding streams

**The revised income projections for 2017 and 2018 provide an opportunity for WFP to consider a reduction in its corporate indirect support cost rate in 2018**



## 2.2 Options for change: short-term

A change in the ISC rate can be implemented through decision of the EB in the Management Plan.

**WFP can utilize a competitive ISC rate of 6.5% while maintaining a healthy proposed PSA budget of USD 335.4 M**

2018 Original	2018 Revised
<b>Projected Total Income</b>	
\$5,200	<i>Revised</i> \$5,700
<b>Proposed ISC rate:</b>	
7%	6.5%
<b>Projected ISC income:</b>	
<i>Original (7%)</i> \$335.4	<i>Revised (6.5%)</i> \$342.9
<b>Proposed PSA Budget</b>	
<i>Original</i> \$335.4	<i>Revised</i> \$335.4

### 3. PSA and PSAEA Approach and Proposed Budget

1. What is the Programme Support and Administrative (PSA) budget?
2. Key financial considerations for Management Plan (2018-2020) PSA planning
3. 2018 PSA planning proposal
4. Departmental re-prioritization stores
5. Reductions in standard staff costs and other investments generate funds for re-allocation
6. Preliminary summary of PSA budget breakdown for 2018
7. PSA Equalisation Account: Projection 2018
8. Proposed uses of the PSA Equalization Account in 2018: USD 44.1 million

## 3.1a 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 ISC charge on each contribution \*

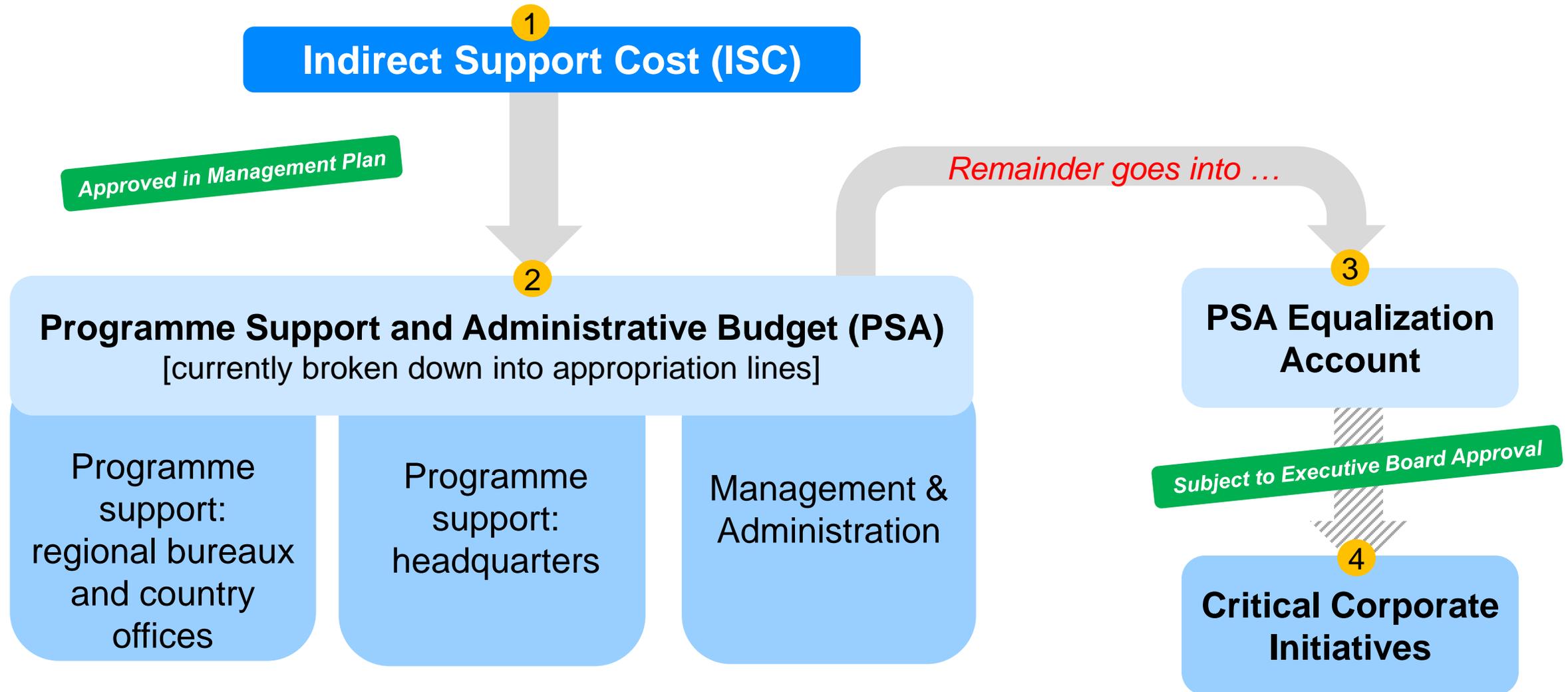
### What does it cover?

- 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

## 3.1b What is the Programme Support & Administrative (PSA) budget? [cont]



## 3.2 Key financial considerations for Management Plan 2018-20 PSA planning

### Budget Envelope



- **Ensure PSA budget remains within our means**
- No growth for overall PSA
- Consider reducing **Indirect Support Cost (ISC)** rate to **6.5%**
- Maintain **PSAEA at minimum 5-month PSA spend level**

### Resource Allocation



- **PSA targets set by Department at 2017 approved levels**
- Re-prioritization carried out at Departmental and Regional Bureaux levels
- PSAEA allocations supported by Investment Cases

### 3.3 2018 PSA Planning proposal

	<i>USD M</i>
	<b>2018 Planning</b>
Estimated Overall Income	5,700.0
<b>Estimated ISC Income (at 6.5%)</b>	<b>✓ 342.9</b>
<b>Proposed PSA level</b>	<b>✓ 335.4</b>

No growth from 2017

**WFP continues to keep the PSA budget level at or below estimated ISC income for the year**

## 3.4 Departmental re-prioritisation stories (Illustrative)

RM

- **Finance and Treasury:** Invoice tracking system reduces time and number of staff involved in payment processes, generating savings across WFP. Expected to be implemented in over 50 Country Offices in 2018
- **Information Technology:** Working on harmonised dashboard and corporate data management policy to reduce staff time spent on gathering information

OED

- **Human Resources:** Digitalisation of processes (self-service, e-Recruitment) leading to reductions on staff time per process, and cost reductions thanks to paperless processes and better traceability

OS

- **Supply chain:** Expected savings on supply chain costs across WFP in three years thanks to process improvements including innovative contracting of food, NFIs and logistic services, and strategic procurement.
- **Nutrition:** Development of Fill the Nutrient Gap tool, which enables optimised targeting of beneficiary needs, potentially leading to savings and increased quality of operations.

## 3.5 Reductions in standard staff costs and other investments generate funds for re-allocation

### **[A]: Support to Field Operations**

Country Director & Head of Sub-office training: development and initial delivery	1.40
Regional Bureaux supporting 1st and 2nd Lines of Defence	0.50
Improving FASTER trainings and alignment to the IRM	0.37

### **[B]: Support for Oversight**

Restoring centralised evaluation coverage	0.60
Supplementary allocation for strengthening of Inspector General function	0.40

### **[C]: Support for Partnerships**

World Bank relationship strengthening	0.50
Implementation of the Rome-based Agencies joint paper	0.10

### **[D]: Other priorities**

2018 Human Resources division structural requirements	1.00
Cash-based transfers (CBT)	0.43

**5.29**

**Despite zero growth in the PSA budget, some limited scope exists for funding key priorities**

### 3.6 Preliminary summary of PSA budget breakdown for 2018

Overview of Figures						
	2017 Approved			2018 Proposal		
	Staff Cost	Other Cost	Total PSA	Staff Cost	Other Cost	Total PSA
HQ	131.5	57.9	189.4	130.5	58.4	188.8
RBx	39.7	27.5	67.2	39.9	26.7	66.5
COs	29.2	49.6	78.8	29.4	50.7	80.1
<b>PSA budget</b>	<b>200.4</b>	<b>135.0</b>	<b>335.4</b>	<b>199.7</b>	<b>135.7</b>	<b>335.4</b>

## 3.7 PSA Equalisation Account Projection 2018

	USD m
Projected PSAEA balance at 1 January 2018	216.4
<b>Add:</b>	
<b>Estimated ISC Income 2018</b>	<b>342.9</b>
<b>Deduct:</b>	
<b>Proposed PSA budget for 2018</b>	<b>-335.4</b>
<b>Proposed transfers to reserves and special accounts</b>	<b>-17.0</b>
<b>Proposed Critical Corporate Initiatives</b>	<b>-27.1</b>
<b>Projected PSAEA Balance at 31 December 2018</b>	<b>179.8</b>
<b>PSAEA Target Level</b>	<b>139.8</b>
<b>PSAEA balance in excess of target</b>	<b>40.0</b>

**The projected balance on the PSA Equalization Account affords the opportunity for investment in critical corporate initiatives**

## 3.8a Proposed uses of the PSA Equalization Account in 2018: USD 44.1m

<b>A. Transfers to Reserves and Special Accounts</b>	
Immediate Response Account (IRA)	9.0
Staff Wellness	8.0
	<b>17.0</b>

<b>B. Proposed Critical Corporate Initiatives</b>	
<b>(i) <u>Corporate priorities</u></b>	
Resource mobilisation	3.0
Integrated Road Map	9.0
Enterprise Risk Management (ERM) and strengthening internal controls	5.0
CBT (including SCOPE)	5.0
<b>(ii) <u>Other Investment Cases</u></b>	
<b>[A]: Support to Field Operations</b>	
Regional Bureaux priorities	1.6
Create Country Director and Head of Sub-Office Learning Programme	1.2
COMET monitoring module	1.2
<b>[B]: Support for Oversight</b>	
Restoring Centralised Evaluation coverage	0.4
<b>[C]: Support for Governance</b>	
Expansion of Executive Board website	0.4
Ensuring effective documents/information management	0.3
	<b>27.1</b>

## 3.8b Proposed uses of the PSA Equalization Account in 2018 [cont]

### Transfers to Reserves and Special Accounts

- **Immediate Response Account** Further injection of funds for mitigation of pipeline breaks in life-threatening situations or in sudden-onset emergency responses
- **Wellness** Implementation of the 5 pillars of the WFP Wellness Strategy: Medical/Psychosocial, Living Conditions, Safety and Human Resources Stewardship

### Corporate Priorities

- **Resource mobilization** Initial allocation for enhancement of WFP's capacity to engage with the private sector
- **Integrated Road Map** Investment supporting IRM incremental budget for 2018
- **Enterprise Risk Management** Strengthen regional capacity on internal controls to reinforce ownership and accountability

**Cost Excellence:** No provision is made for Cost Excellence in 2018, with mainstreaming of cost excellence culture being implemented through existing internal funding sources

## 4. Improving Programme Support and Administration (PSA) transparency

# 4.1 Programme Support & Administrative (PSA) budget

## Current model:

The current PSA structure was designed over 25 years ago, and is focused largely on geographic divide, rather than outputs or outcomes for our beneficiaries

*“We would first of all like to see more management results and management indicators as well and we also expect that the final framework will be able to measure very clearly results”*

*“WFP’s commitment to attaining the highest standards of accountability and transparency is a priority for our governments”*

*“WFP and its membership should exercise as much transparency as possible”*

*“We welcome enhanced transparency and accountability in resource management; it is important to improve the decision-making process and to increase alignment between resources and results”*

*“We would very much hope that the new model will bring some more transparency”*



## 4.2 Current presentation of the Management Plan

Presented in three lines:

Programme Support: RB & CO  
146.0 USD million

Programme Support: HQ  
53.6 USD million

Management & Administration  
135.8 million USD

TABLE A.I.4: PROGRAMME SUPPORT—HEADQUARTERS (USD million)

	2015 expenditures			2016 estimated			2017 projected		
	Post count		Total cost*	Post count		Total cost*	Post count		Total cost*
	Prof.	Total		Prof.	Total		Prof.	Total	
<b>Operations Services</b>									
Office of the AED – OS	2	4	1.0	2	4	0.9	2	4	0.9
Chief Adviser's Office	2	3	1.1	2	3	1.3	2	3	1.3
Policy and Programme Division	24	34	7.8	27	39	7.8	37	49	10.6
Emergency Preparedness and Support Response Division	10	13	2.7	10	13	3.0	12	15	3.5
Nutrition Division	7	9	2.0	7	9	1.9	7	9	1.9
Gender Office	4	5	1.2				-	-	
Supply Chain Division	52	96	16.7	52	96	15.8	52	96	15.5
Subtotal OS	101	164	32.5	100	164	30.7	112	176	33.7
<b>Chief of Staff</b>									
Regional bureau support	4	8	1.4	4	8	1.3	4	8	1.3
Subtotal OED	4	8	1.4	4	8	1.3	4	8	1.3
<b>Resource Management</b>									
Information Technology Division	44	61	17.1	45	62	14.8	52	71	17.7
Field Security Division	3	4	0.9	3	4	0.9	3	4	0.9
Subtotal RM	47	65	18.0	48	66	15.8	55	75	18.6
<b>TOTAL</b>	<b>152</b>	<b>237</b>	<b>51.9</b>	<b>152</b>	<b>238</b>	<b>47.8</b>	<b>171</b>	<b>259</b>	<b>53.6</b>

**Focus on geography** presenting budget by Headquarters, Regional Bureaux and Cos and central services

**Shows staff positions** in each of the different offices and organisational units

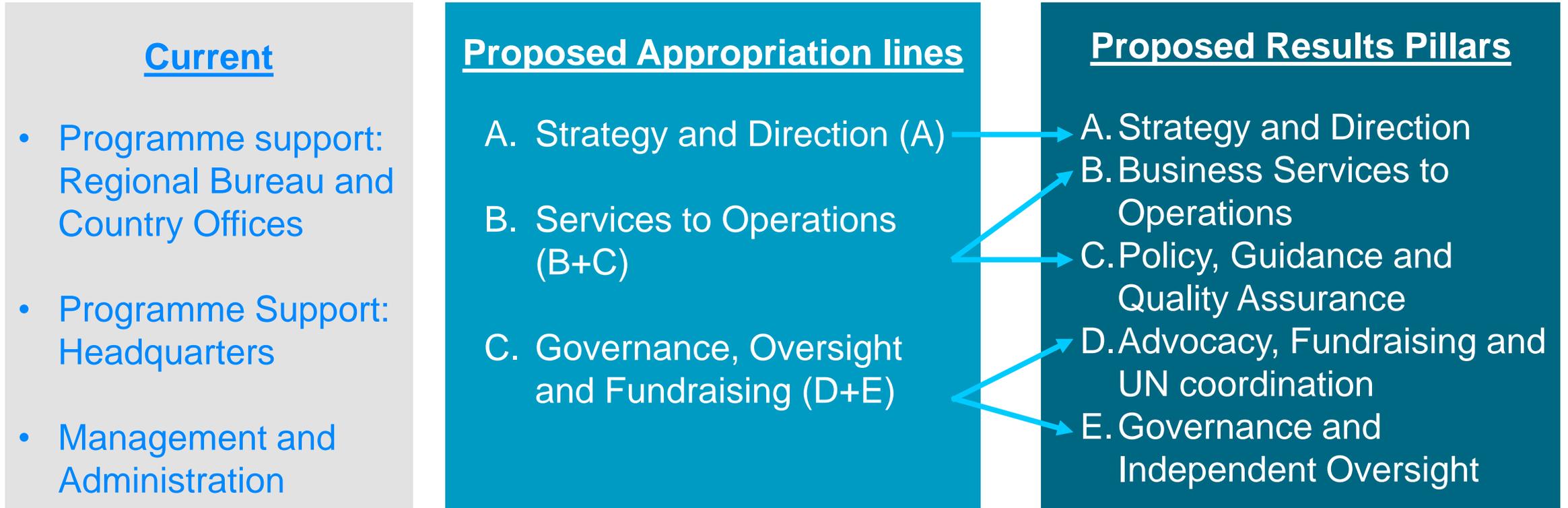
**Presented by divisions** for headquarters budgets

**No linkages to performance** the model does not easily link up budget to results

X

The current presentation of the Management Plan provides relevant information which will continue to be provided. However, it does not provide sufficient information to link to management results and indicators

## 4.3 Five pillars to better plan and demonstrate PSA results



- To fully achieve Results Based Budgeting and Results Based Management
- To enable better demonstration of Value for Money across WFP

## 4.4 Illustration of Products and Services under each Pillar

### A. Strategy and Direction

- A1. Strategic Decision Making
- A2. Corporate Initiatives Implementation and Knowledge Management
- A3. High level Consultations and Corporate Products
- A.4 Facilities

USD 71 million

% of achievement of IRM milestones

### B. Business Services to Operations

- B1. Direct Services and Transactions
- B2. Design of Systems
- B3. Systems Roll out and Maintenance

USD 156 million

% sudden on-set emergencies responded timely Average Cost per Ration

### C. Policy, Guidance and Quality Assurance

- C1. Board Approved Documents
- C2. Manuals, Toolkits and Instructions (staff capacity)
- C3. Advisory Services
- C4. Oversight and Compliance

USD 42 million

% of outcome indicators achieved or on track across all operations

### D. Advocacy, Fundraising and UN Coordination

- D1. Resource Mobilization and Partnerships
- D2. Communication and Branding
- D3. UN and Cluster Coordination

USD 45 million

% QCPR indicators for which WFP has achieved targets

### E. Governance and Independent Oversight

- E1. Assistance to Member States
- E2. Identification and Analysis of Systemic Trends
- E3. Transparency Initiatives

USD 21 million

% of Enterprise Risk Management system in place

## 4.5 Worked example

### B. Business services to Operations

#### Result statement:

WFP processes, procedures and systems support operations in the most effective, efficient and economical way possible, balancing decentralisation and segregation of duties, and taking advantage of economies of scale



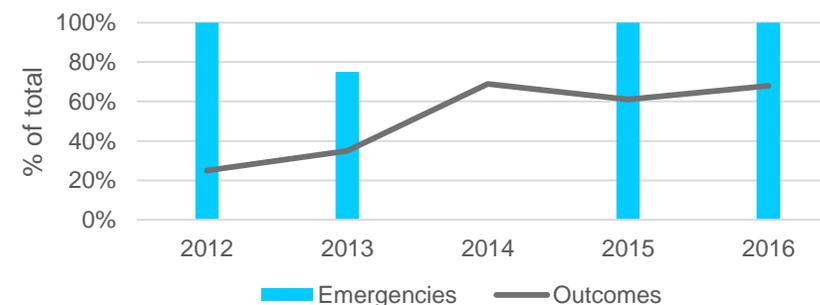
#### Services and products:

- Direct services provided to COs
- Software systems design
- Software system roll out and maintenance

	HQ Divisions	RBx	CO	Corporate	Total
Staff cost	USD 45.5 M	USD 21.8 M	USD 5.8 M	-	USD 73.1 M
Non staff cost	USD 12.0 M	USD 14.4 M	USD 49.3 M	USD 7.6 M	USD 83.3 M
Total	USD 57.5 M	USD 36.2 M	USD 55.1 M	USD 7.6 M	USD 156.4M

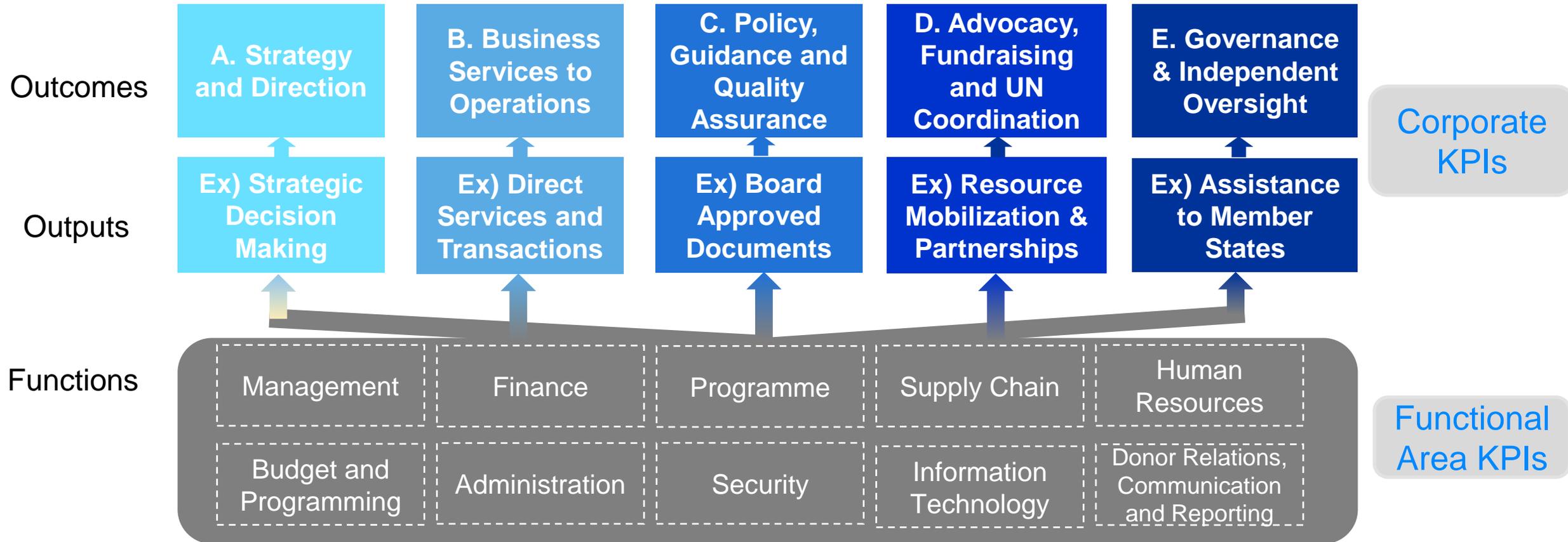
#### Key Performance Indicators:

- % of outcomes achieved or on track across WFP programmes
- % of sudden onset emergencies responded in less than 72 hrs.



# 4.6 “Impact Pathway”

From Functional Area Processes to High Level Appropriation Lines



**Mainstreaming and simplifying internal tools to facilitate management, enhance accountability and lead to better results**

## 5. Operational Requirements and Implementation Plan

## 5.1 2018-2020 Management Plan under the new Country Budget Portfolio Structure

In context of the Integrated Roadmap the 2018-2020 Management Plan includes 84 countries with:

- CSP/ICSP starting in 2017 (14 countries)
- CSP/ICSP/T-ICSP starting in 2018 (54 countries)
- Projects continuing in 2018 (16 countries)

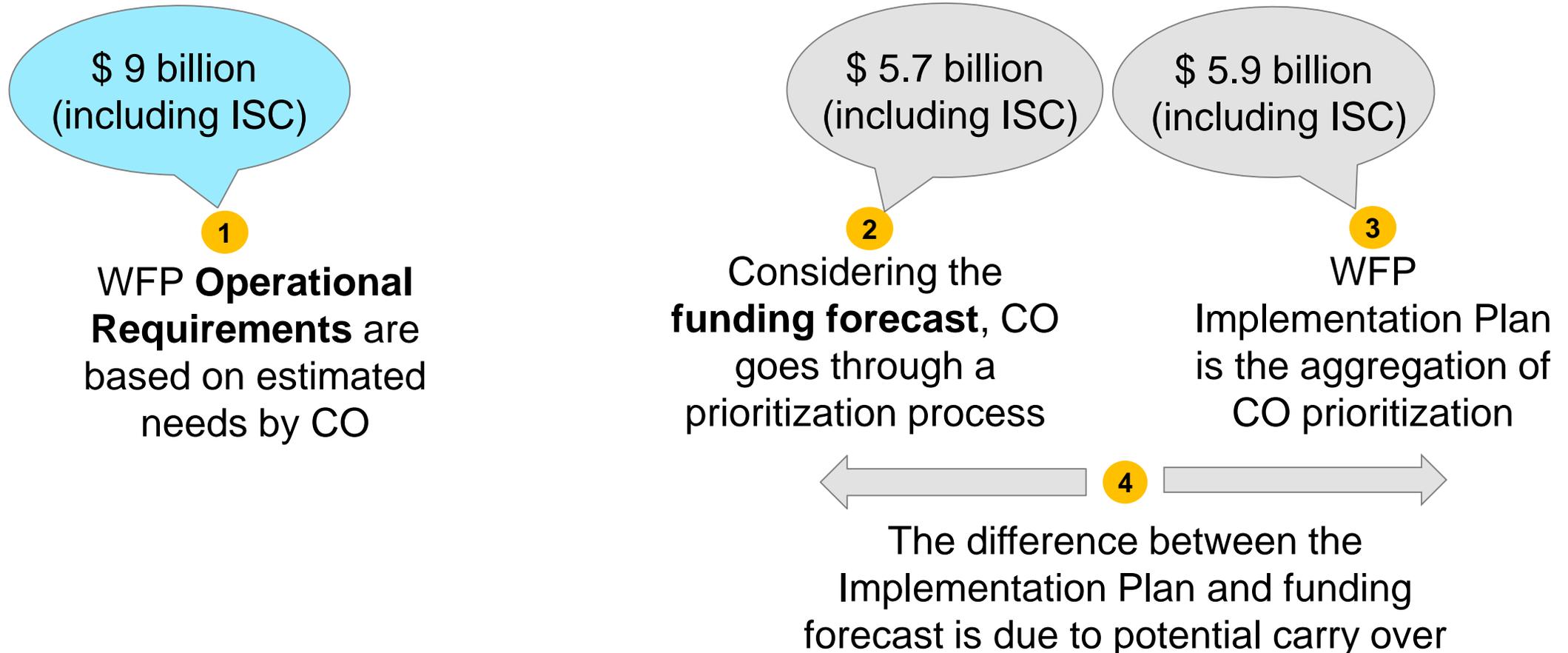


All countries follow the new **Corporate Strategic Framework**



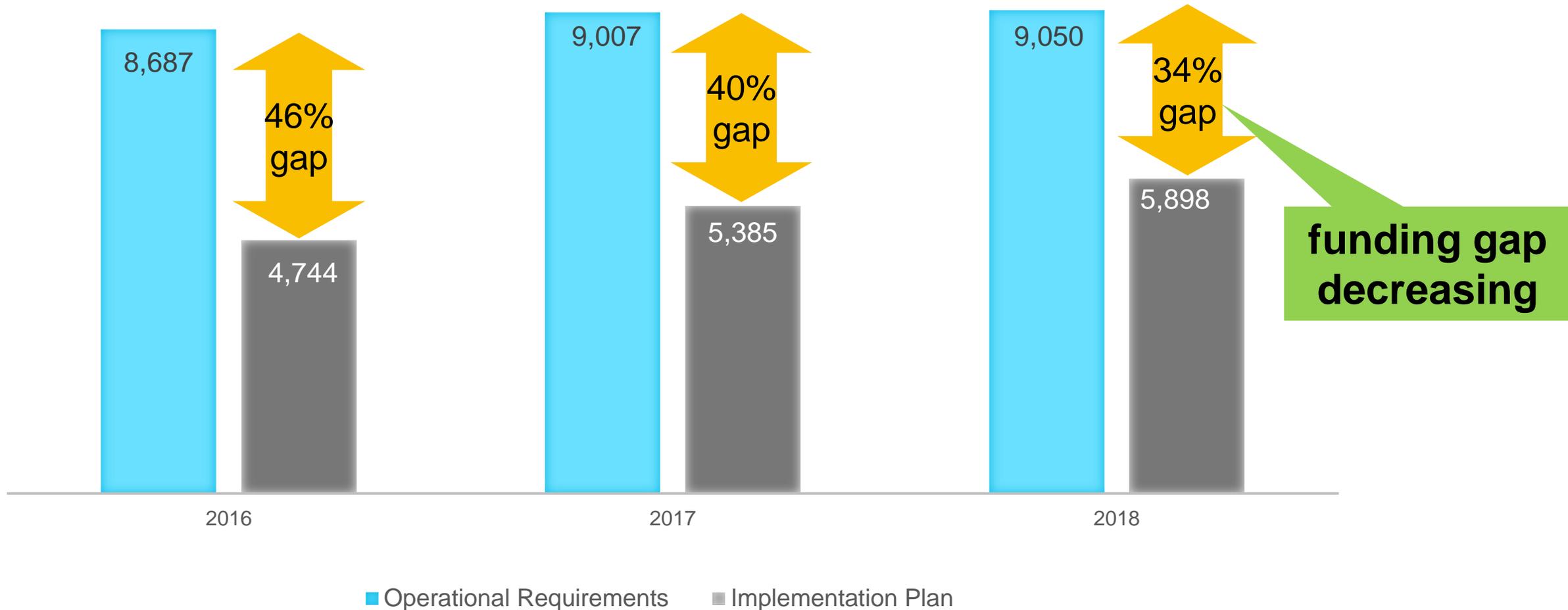
## 5.2 Implementation Plan prioritisation process

The **2018-2020 Management Plan** focuses on the Implementation Plan (resource based plan): The utilisation of anticipated funding based on realistic project funding forecasts:



## 5.3 Operational Requirements vs. Implementation Plan, 2016-18 (including ISC)

All figures in USD million



## 5.4 2018 10 Countries - Operational Requirements *(including ISC)*

All figures in USD million

	2018 MP	2018 MP %
Syria Crisis**	2,132	24%
Yemen**	1,089	12%
South Sudan**	1,064	12%
Ethiopia	429	5%
Sudan	403	4%
Somalia	345	4%
Nigeria**	285	3%
Iraq**	198	2%
Niger	227	3%
Uganda	221	2%
<b>Sub Total</b>	<b>6,394</b>	<b>71%</b>
Total Other	2,655	29%
<b>Total</b>	<b>9,050</b>	<b>100%</b>
<b>% of L3 emergencies</b>	<b>53%</b>	

## 5.5 2018 Operational Requirements and Implementation Plan: Key Figures

### NEEDS

**USD 9.0 B**

**86 M** beneficiaries

**21 B** rations



### IMPLEMENTATION PLAN

**USD 5.9 B**

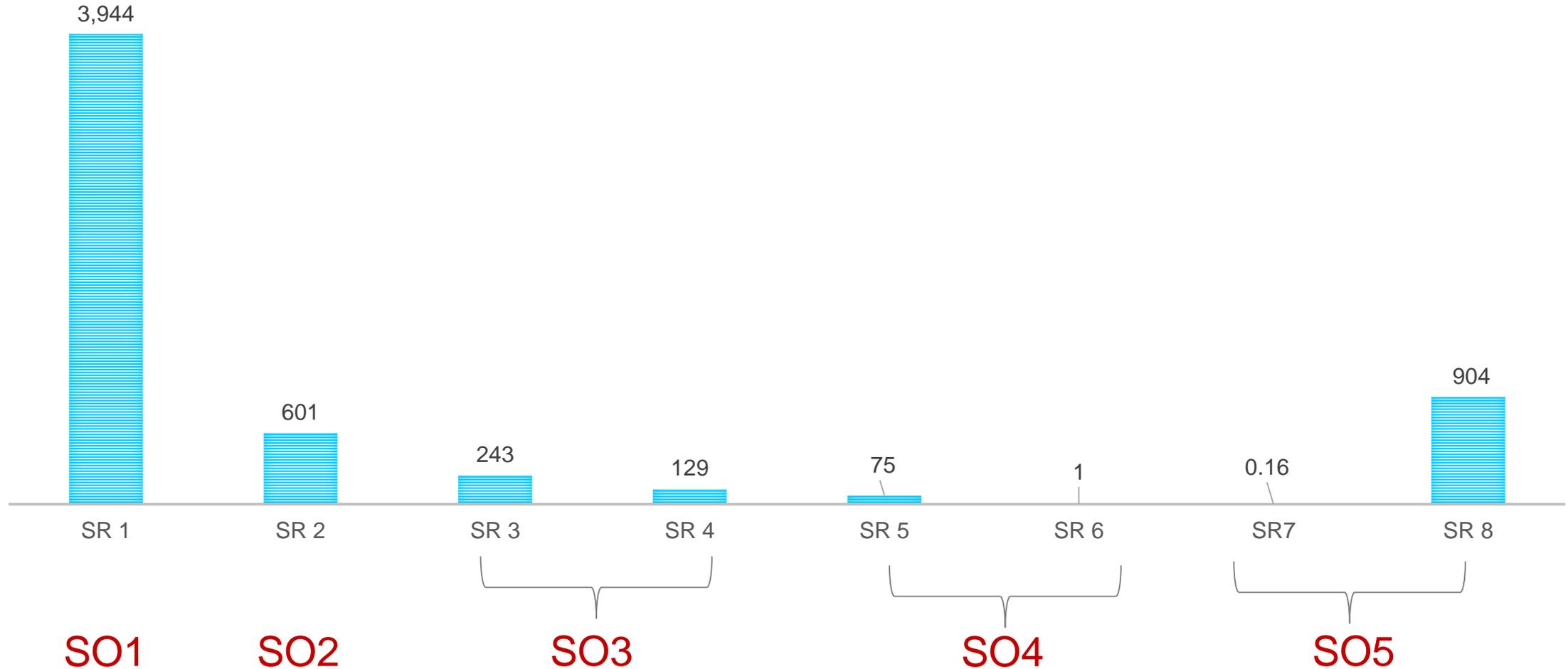
**66 M** beneficiaries

**15 B** rations

**84 Countries**

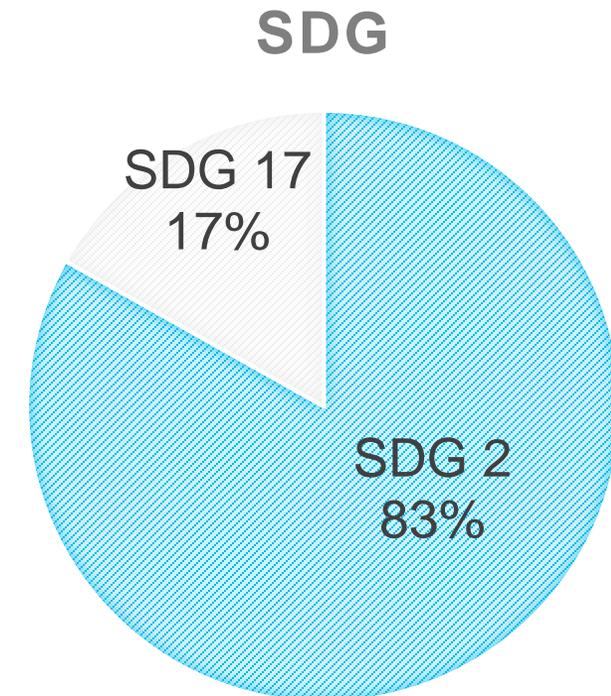
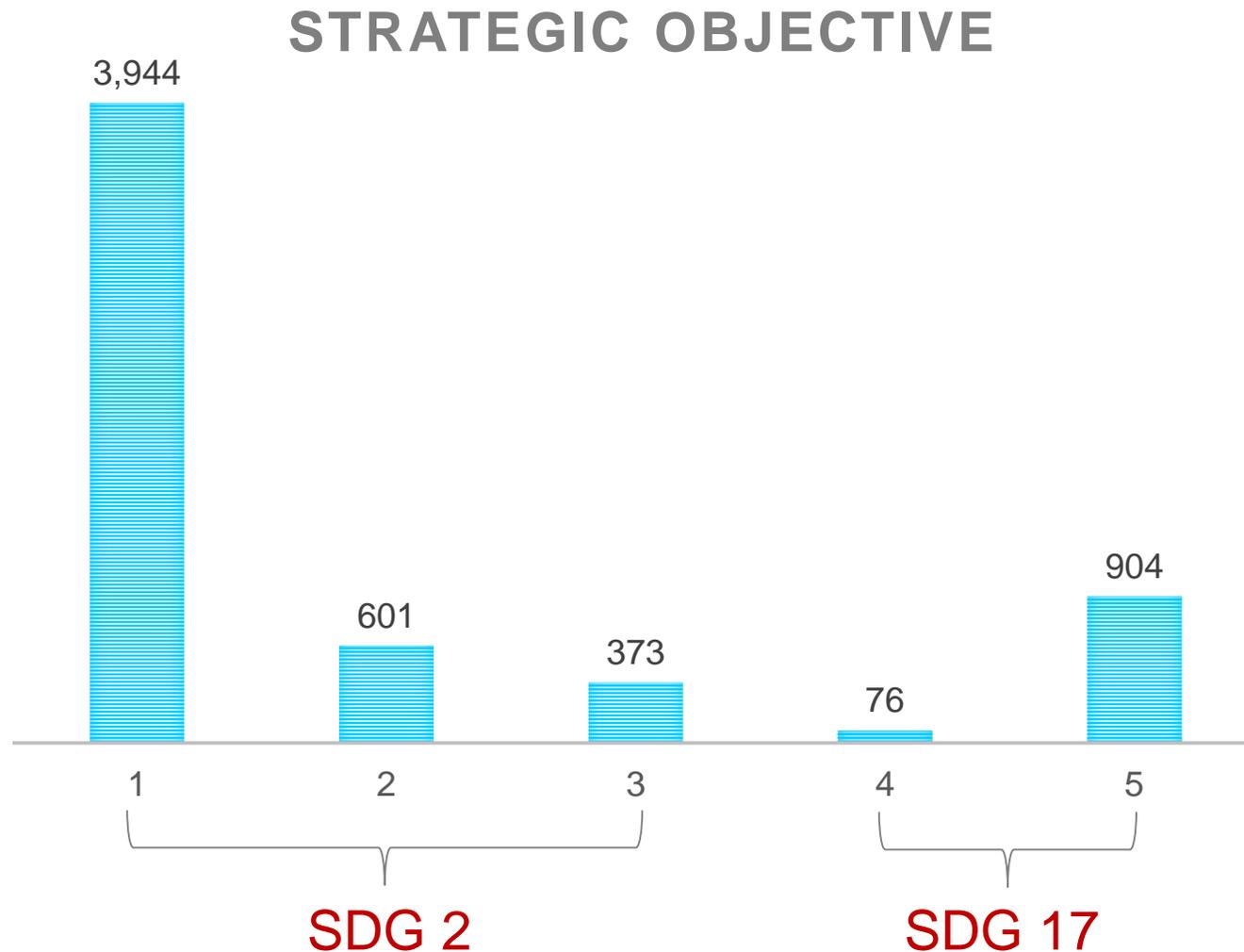
## 5.6 2018 Implementation plan by Strategic Result

All figures in USD million



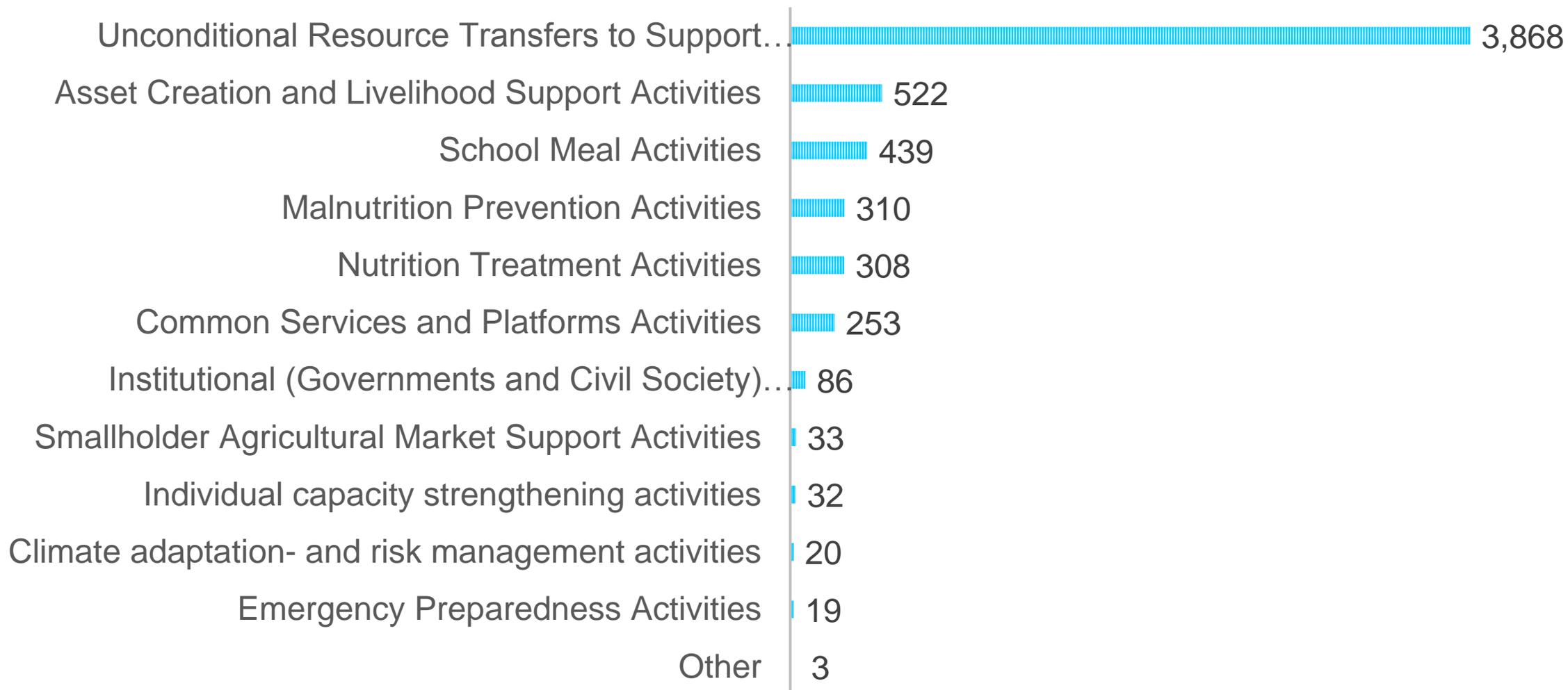
## 5.7 2018 Implementation plan by Strategic Objective and SDGs

All figures in USD million



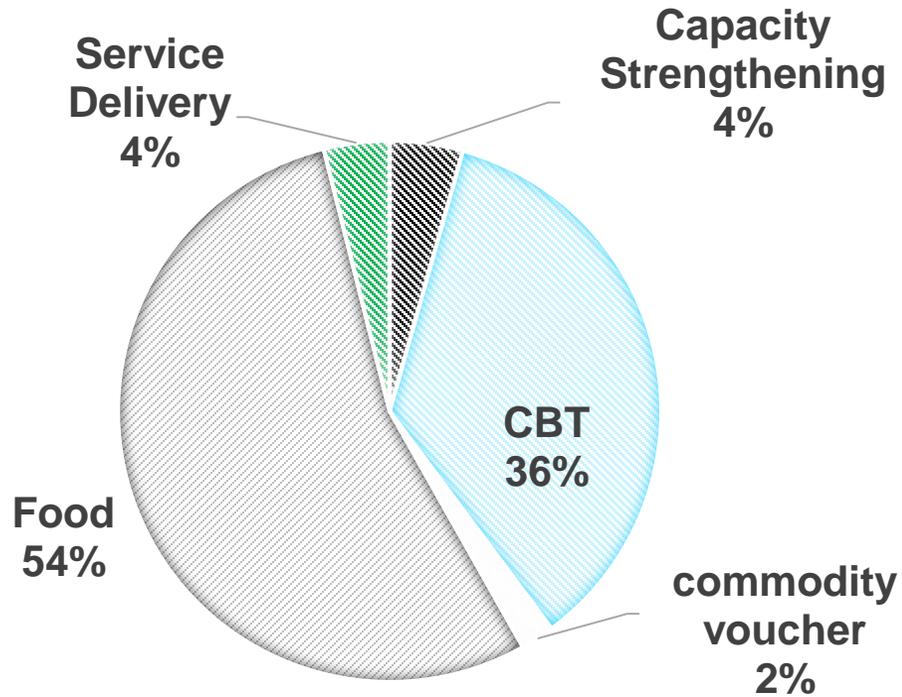
## 5.8 2018 Implementation Plan per Activity (including ISC)

All figures in USD million

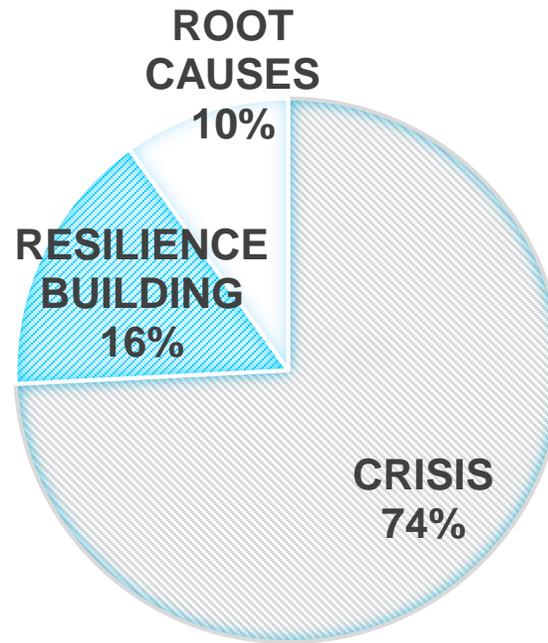


# 5.9 2018 Implementation Plan Analysis

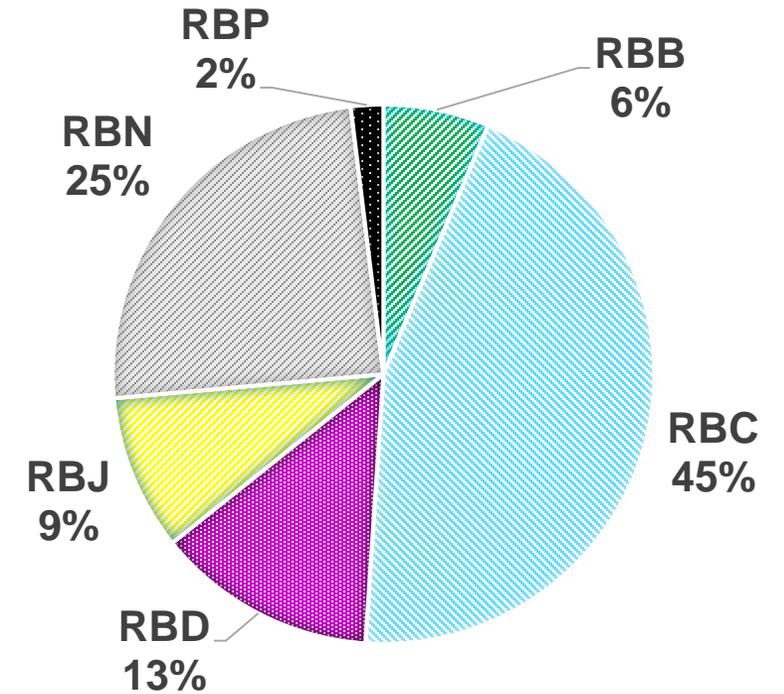
### TRANSFER MODALITY



### FOCUS AREA



### REGIONAL BUREAU



Thank You

## ISC 6.5% all years: PSA constant, income matches 2015 and 2016 levels

	Scenario 3			
	2017	2018	2019	2020
Projected Total Income	5,700	5,700	4,808	5,771
ISC Rate		6.5%	6.5%	6.5%
Projected ISC income		342.9	289.2	347.1
PSA budget		335.4	335.4	335.4
Surplus / (Deficit) of income over budget		7.46	(46.21)	11.73
Estimated PSAEA balance (before CCIs)		223.7	133.3	135.1
Proposed CCI		(44.1)	(10.0)	(15.0)
Estimated year end PSAEA balance (after CCIs)	216.20	179.6	123.3	120.1
PSAEA Target		139.75	139.75	139.75
Projected balance in excess of target		39.8	(16.4)	(19.7)

# Historic coverage of security and ICT costs

		Management Plan								
		2006-07	2008-09	2010-11	2012-14	2013-15	2014-2016	2015-2017	2016-2018	2017-2019
<b>Security costs</b>	DSC, PSA, PSAEA	PSA and General Fund	General Fund	General Fund and Projects	General Fund and Projects	General Fund and Projects	SPC and Projects	SPC and Projects	SPC and Technical Adjustment	
	ICT costs	PSA and Projects	PSA and Projects	PSA and Projects	PSA and Projects	Per Capita	Per Capita	Per Capita	Per Capita	Technical Adjustment