KEY EXTRACTS OF THE DRAFT MANAGEMENT PLAN (2018–2020)

Informal Consultation

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World Food Programme
Rome, Italy

Section I: Introduction

Reader's guide

1. The three-year Management Plan is among WFP's principal governance documents, intended for internal and external oversight and accountability purposes.
2. The starting point for the Management Plan (2018–2020) is the level of resources anticipated to be received during the first year of the Plan period. The resources anticipated in 2019 and 2020 are also included.
3. The document presents an implementation plan aggregating all planned activities of all countries based on their individual funding projections. The funding projections for each country are the result of detailed donor discussions. These projections are matched with assessed needs through a prioritization process to produce the country-level implementation plan.
4. Programme Support and Administrative (PSA) activities are presented in a separate budget, set consistently below the forecasted level of indirect support cost (ISC) income for the forthcoming year. Departmental budget levels have been subject to internal reprioritization to keep PSA expenditure focused on corporate priorities.
5. The executive summary, draft decisions and introduction to each section explain the flow and logic of the Plan. The body of each section contains the detailed provisions of the Plan.

Structure of the document

6. The Management Plan (2018–2020) comprises an Executive Summary, draft decisions and:
   - *Section I: Introduction*. This section contains a discussion of the global economic and political context of WFP's management proposals.
   - *Section II: Funding Context and Resourcing Assumptions.* This section provides details of the resourcing assumptions underlying projected income for 2017 and an overview of the financial context and assumptions supporting WFP's 2018 revenue forecast.
   - *Section III: Implementation Plan for 2018.* This section presents information following the structure of the approved Strategic Plan 2017–2021 and Corporate Results Framework (CRF) based on inputs from all country offices. Since 2018 will be a year of transitions, the implementation plan contains a mix of scenarios, including country strategic plans (CSPs) and interim country strategic plans (ICSPs) begun in 2017; CSPs, ICSPs and transitional ICSPs (T-ICSPs) starting in 2018; and information on those countries where existing projects will continue in 2018.
   - *Section IV: Programme Support and Administrative Budget*. This section sets out the proposed 2018 PSA budget, proposed at a level below the anticipated ISC income for the year. The section also contains background on the proposal to reduce the corporate ISC rate from 7 percent to 6.5 percent effective from 2018. A further change proposed for 2018 is to adjust the appropriation lines under which the Executive Board approves the PSA budget.
   - *Section V: Corporate Services and Business Services; Special Accounts.* This section presents the status and proposed use of the USD 82 million corporate services financing mechanism and other special accounts established by the Executive Director.[1]

Global economic and political context

7. WFP's presence in over 80 countries combined with its low level of softly earmarked or unearmarked funding – 6.4 percent of total funding in 2016 – create a situation whereby its plans can be affected by circumstances over which it has little or no control.

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

8. The following paragraphs outline the exacerbating factors that could further intensify the challenges and requirements of today characterized by protracted large-scale conflicts with regional spill-over effects and increased inflexibility and unpredictability in donor funding.

9. More positively global developments, such as the emergence of new powers in the global South, expanding markets, changing relationships between States and markets, and technological innovation, offer new opportunities to end hunger and achieve sustainable development.

Climate

10. Climate and natural hazards are significant drivers of malnutrition and food insecurity. One of the longest and most intense El Niño events on record resulted in one of the most severe multi-season droughts in Southern Africa for a generation. The weak La Niña that followed significantly improved crop production across the region despite the emergence of new pests in some countries. However, serious concerns remain in Angola and, especially, Madagascar, where drought conditions persisted throughout most of the growing season, adding further stress to poor and vulnerable households already affected by drought over the previous two growing seasons.

11. The extreme drought during the final growing season of 2016 led to the inclusion of Somalia as one of four looming famines. That drought also affected parts of Kenya, southeastern Ethiopia and wider areas across East Africa. Drier-than-average conditions persisted until the early stages of the growing season from March to May 2017. In Somalia, relatively better rains from mid-April onwards prevented yet another consecutive severe drought, which would have led to a humanitarian disaster worse than 2010/11. Still, the late start to the growing season, combined with occasional intense rainfall and the potential recurrence of dryness late in the season, may result in only a modest recovery and continuing elevated humanitarian assistance needs in Somalia, Kenya and parts of Ethiopia.

12. While WFP, based on the current data and forecasts available, does not expect significant climatic events, vigilance and constant monitoring continue. WFP remains aware of a possible El Niño event later in 2017. WFP’s enhanced preparedness includes participation in an inter-agency global El Niño unit that will provide a unified view on the likelihood and possible impacts of such an event and identify countries where early action should be prioritized. Should an El Niño materialize, WFP expects the most immediate impacts to occur during the subsequent growing seasons in Southern Africa, with likely drought, and East Africa, with heightened flood risk.

Political instability and conflict

13. Four looming famines, multiple protracted large-scale conflicts and increasing geopolitical risks mean that the challenges and requirements of 2018 are significant. Recent political developments, inward-looking policies and acts of terror around the world signal a backlash against globalization and reflect changing relationships among States.

14. The number of people experiencing food crises and emergencies has risen from 80 million to 108 million in 48 countries over the last 12 months – a 35 percent increase. Ten of the thirteen largest food-insecurity crises are driven by conflict. Forced displacements continue at a record rate, with 65 million people, or 1 in every 113 people, displaced, approximately two thirds of them internally. The acute and far-reaching effects of conflict left significant numbers of food-insecure people in need of urgent assistance in Yemen (17 million), the Syrian Arab Republic (7 million), South Sudan (4.9 million), Somalia (2.9 million), northeast Nigeria (4.7 million), Burundi (2.3 million) and Central African Republic (2 million). The immediate outlook suggests worsening conditions in most of these locations.

Economic outlook

15. Global economic growth is expected to pick up pace in 2017 and 2018, at 3.5 percent and 3.6 percent, respectively. Growth in emerging markets and developing economies is projected at 4.5 percent in 2017.[2] However, there is a high degree of uncertainty. Notable negative risks include a possible shift towards inward-looking policies and protectionism, whereby increased restrictions on global trade and migration would constrain productivity and incomes; and continue to increase geopolitical tensions.

16. Prospects differ sharply among countries. As extreme poverty declines globally, the regional poverty profile has been changing. This is a direct result of uneven progress, mainly at the expense of sub-Saharan Africa, which has the world's highest poverty headcount ratio (41.0 percent) and houses the largest number of poor people (389 million), more than all other regions combined.

17. Many emerging economies are experiencing high depreciation of their currencies against the United States dollar, heralding serious trouble. The currencies in greatest turmoil are those of Egypt, South Sudan and the Syrian Arab Republic, while the Democratic Republic of the Congo, Nigeria, Sierra Leone, Uzbekistan and Turkey are also facing problems.[3]

18. Many oil export dependent countries continue to face significant economic challenges as the international crude oil prices have remained stubbornly low over the last couple of years. In 2017, Brent crude oil prices have fluctuated between USD 42.7 and USD 54.42 per barrel.[4] Put into historical context, these prices are less than half the average price between 2011 and mid-2014, and actual prices in 2017 have remained slightly below International Monetary Fund (IMF) near-term projections. Many oil-exporting poor countries cannot therefore expect a quick and substantial reduction in their current account deficits and end up sharply reducing social sector spending.

19. Metal prices have recovered considerably since January 2016. The IMF Metal Price Index in May 2017 was up 18 percent compared to May 2016, improving the competitiveness of some countries, such as Zambia with regard to copper exports. However, developing economies still face significant challenges in adjusting to low primary commodity export revenues which add to their financial vulnerabilities in the near-term.

20. Global food prices are generally low but rising. The Food Price Index of the Food and Agriculture Organization of the United Nations (FAO) averaged 172.6 points in May 2017, up 10 percent from May 2016. This trend is largely attributable to steep global price increases for dairy and meat products. Conversely, the FAO Cereals Price Index has declined by about 25 percent since May 2013 as a result of abundant production and ample stocks.

21. Despite the positive outlook at the global level, local food prices remain under pressure in countries affected by El Niño, conflict or economic turmoil. Most domestic markets in Southern Africa, including Malawi, Mozambique, the United Republic of Tanzania and Zambia, exhibited abnormally high maize prices in the first quarter of 2017, driving up the cost of the basic food basket almost everywhere in the region compared to the five-year average. The cost of the basic food basket increased sharply (by more than 10 percent) in the first quarter of 2017 in Burundi, the Democratic Republic of the Congo, Egypt, the Gambia, Somalia, the United Republic of Tanzania, Viet Nam and Yemen.

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[2] IMF, World Economic Outlook, Gaining Momentum, April 2017.

[3] Source: WFP Vulnerability Analysis and Mapping (VAM), Economic Analysis – Currencies, Hotspots. Accessed June 2017.

[4] Source: www.tradingeconomics.com. West Texas Intermediate crude oil.

International humanitarian assistance

22. An estimated 164.2 million people in 47 countries required international humanitarian assistance in 2016 as a result of crises. International humanitarian assistance rose for a fourth consecutive year to a record of USD 27.3 billion – an increase of 6 percent from 2015, which was less significant than in previous years, indicating a slowdown in the pace of growth. Despite the increase, there was still a shortfall in funding for the United Nations Consolidated Appeals Process of 40 percent. That funding gap affected the 43 appeals unevenly, with a 95-percentage-point difference in funding levels between the best- and worst-funded appeals. More than half of all crisis-specific humanitarian assistance was concentrated among five crises – those in Ethiopia, Iraq, South Sudan, the Syrian Arab Republic and Yemen. Multilateral development banks are increasingly prominent providers of crisis-related financing, with their humanitarian assistance financing increasing by 65 percent in 2015.

23. Humanitarian access is severely constrained and presents increasingly complex challenges in countries including Iraq, northeast Nigeria, South Sudan, the Syrian Arab Republic and Yemen, preventing humanitarians from carrying out their work and leaving those affected without basic services or protection.

Organizational context

24. The Integrated Road Map (IRM) charts the way for organizational transformations that will enable WFP to contribute to achieving the goals of the 2030 Agenda for Sustainable Development. Following approval by the Executive Board of the IRM and its four components[5] in November 2016, 2017 will see WFP go through a major transformational shift, with 13 CSPs, 4 ICSPs and 40 T-ICSPs scheduled to begin in January 2018. Together these plans, and the 14 approved Wave 1A and Wave 1B CSPs/ICSP, account for 66 percent of the estimated programme of work for 2018.

Strategic plan and Corporate Results Framework

25. The Strategic Plan and the CRF have been in effect since January 2017. The Strategic Plan creates a framework for strengthening WFP's ability to engage in emergency and logistics activities and to contribute to the fight against hunger and chronic malnutrition. The Strategic Plan draws on WFP's traditional strengths in humanitarian response and recovery, identifying opportunities to apply them across the spectrum from emergency relief to development in support of achieving the Sustainable Development Goals (SDGs).

26. The CRF has informed the design of the CSPs, ICSPs and T-ICSPs, which represent the programmatic tools through which the vision of the Strategic Plan is being implemented. The CSP framework will enable WFP to engage ever more closely with governments in developing programmes geared towards achieving the SDGs. The CSP framework comprises CSPs, ICSPs, T-ICSPs and limited emergency operations.[6]

27. The CRF has informed the design of the CSPs, ICSPs and T-ICSPs already approved or being developed, ensuring that activities under the plans are aligned with the Strategic Plan and the relevant SDGs.

Financial Framework Review

28. Each CSP, ICSP, T-ICSP and limited emergency operation is supported by a country portfolio budget (CPB), which presents the activities and required resources for implementation in a single document. In line with the CSP framework and the Strategic Plan, the CPB provides a holistic view of WFP's operational portfolio at the country level and ensures optimal use of resources.

[5] Strategic Plan (2017–2021), Policy on Country Strategic Plans, Financial Framework Review and Corporate Results Framework.

[6] In the event of an unforeseen and sudden-onset emergency, limited emergency operations – which may include service delivery or capacity-strengthening support, as required – may be implemented in countries where WFP does not have a presence. Limited emergency operations, planned for an initial period of up to six months, are approved by the Executive Director and, if required, the Director-General of FAO.

29. As the implementation of the CSP framework transforms WFP, the CPB budget structure will gradually replace the existing project-based model to support a country-portfolio approach to strategy, planning, implementation, budgeting and reporting to enhance results-based management.

Governance

30. The kind of organizational change under way in WFP through the CSPs and the Financial Framework Review demands a review of the Programme's corporate governance documents with regard to the application of full-cost recovery and the introduction of new cost categories, delegations of authority for the approval of activities, and terminology.

31. Interim guidance is in place for 2017 and will be expanded for 2018. Lessons learned during these two years of implementation will inform final guidance to be submitted to the Executive Board at its second regular session of 2018.

Summary

32. IRM implementation represents once-in-a-generation transformational change on a scale not seen since the Resourcing and Long-Term Financing Policy was approved in 1995. WFP is undertaking this transformation at the same time as it responds to four famines and addresses the need for greater contributions to enable it to assist the growing number of people in need. This is a major opportunity to improve the way WFP works and better demonstrate results, but delivering the change will require great effort across WFP. The Management Plan (2018–2020) describes how WFP will implement this change through programming and the prioritization of resources.

Section II: Funding context and resourcing assumptions

Overview

33. This section provides an overview of the financial context and assumptions supporting WFP's 2018 revenue forecast of USD 5.7 billion, including trust fund and Immediate Response Account (IRA) income. The forecast is based on donor positions and trends and reconciled with local funding projections for each project in each country, which are aggregated to form the basis of the Management Plan.

34. Given the importance attached to flexible and predictable funding, the present section presents a detailed trend analysis in respect of such funding.

35. As WFP responds to unprecedented global humanitarian needs, including through emergency operations, changes are likely to occur with respect to the anticipated funding trends and resourcing requirements presented in the present Management Plan, prepared six months in advance of the budget period.

Keeping pace with global trends

36. In November 2016, taking account of global commitments reached in summits and conferences, the Executive Board approved the Strategic Plan (2017–2021). The supporting financial architecture and related planning and programming instruments have been established to optimize the efficiencies and increased effectiveness that come from predictable, multi-year, flexible funding.

37. CSPs are part of this effort and are in the spirit of the "New Way of Working": spanning up to five years, they outline the outcomes, outputs and activities that WFP plans in a given country. This planning tool provides a sound basis for donors to commit resources over multi-year periods. Country Portfolio Budgets (CPBs), which accompany CSPs, present WFP's operational portfolio in a holistic fashion and enable country-based management to ensure optimal use of resources and demonstrate value for money.

38. To meet operational requirements in the light of changing donor priorities, WFP continues to partner with a broader range of supporters. Efforts include strengthening partnerships with financial institutions, the private sector and individuals, with a view to more effectively and efficiently using capacities and resources to address root causes, build resilience and reduce humanitarian needs.

WFP funding trends: 2017–2019 forecast

39. Available donor intelligence and a review of funding trends suggest that resources for 2017, including trust funds, could reach USD 5.9 billion. While political changes in several of WFP's largest donors have led to a potential downturn in support from 2018 onwards, the critical need to address food insecurity, coupled with significant access challenges, means that WFP will continue to play a key role in efforts to address many of the largest global challenges. While leading donors realign their anticipated contributions, WFP remains confident that funding will continue at the slightly lower level of USD 5.7 billion per year over the period 2018–2020.

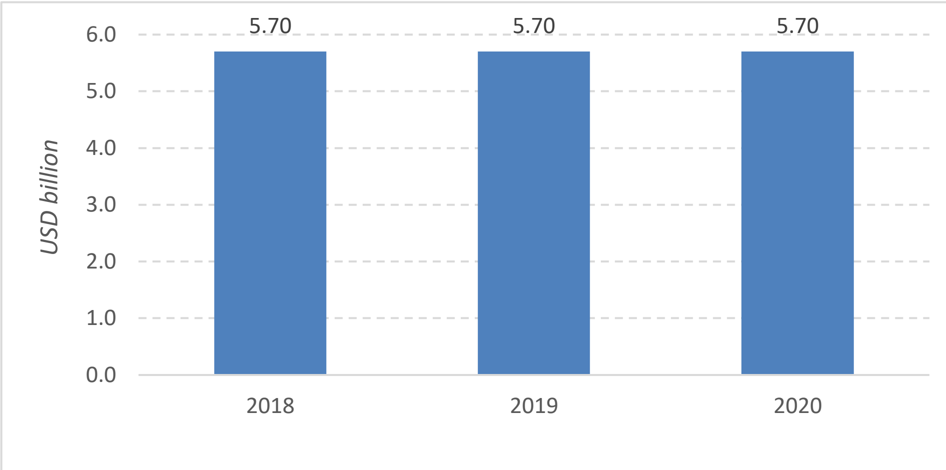
Possible effects of changing political landscapes on WFP income

40. In 2016, the United States of America, WFP's largest donor, contributed USD 2.02 billion to WFP, a USD 17 million increase from 2015. The recent change of administration and new federal budgetary proposals signal a potential shift in its funding priorities. However, the gravity of the humanitarian situation in those countries threatened by famine has stimulated a positive response and a widening recognition of the critical role that food assistance plays in stabilizing populations and building resilience.

41. Ongoing global political developments affecting leading WFP donors may also affect future humanitarian budgetary allocations. With growing domestic demands on national budgets,

several donors of the Development Assistance Committee of the Organisation for Economic Co-operation and Development are experiencing increasing political challenges to maintaining their official development assistance budgets.

Figure II.1: Three-year funding forecast, 2018–2020



Effects of currency fluctuations on WFP income

42. Income forecasts are underpinned by prevailing exchange rates for contributions in currencies other than United States dollars. Forecasts in other currencies may therefore be under- or over-estimated depending on the movement in exchange rates between the time of the forecasts and confirmation of actual contributions. While a realized gain or loss will only materialize from exchange rate movements between the date of confirmation of a contribution and its actual receipt, income forecasts for future years contain estimates of income in currencies other than United States dollars based on projected exchange rates.

Keeping pace with needs – WFP contribution trends

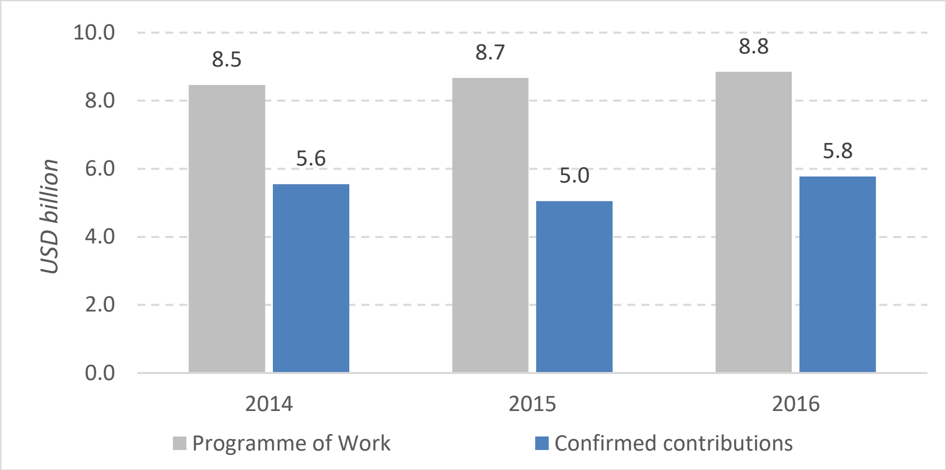
43. While WFP continues its efforts to optimize operational efficiency in responding to crises it also faces increasing demand. Assessed operational requirements for 2017 are currently at USD 9.0 billion, 4 percent above the record high set in 2016. The operational funding gap for 2017 is estimated at 40 percent, compared with 46 percent in 2016.[7] The continued high level of operational needs is a result of unchanged requirements for Level 3 emergency responses, which account for approximately half of WFP's Programme of Work.

44. WFP received its highest annual level of confirmed contributions in 2016, at USD 5.77 billion.[8]

[7] Based on data as at 18 June 2017.

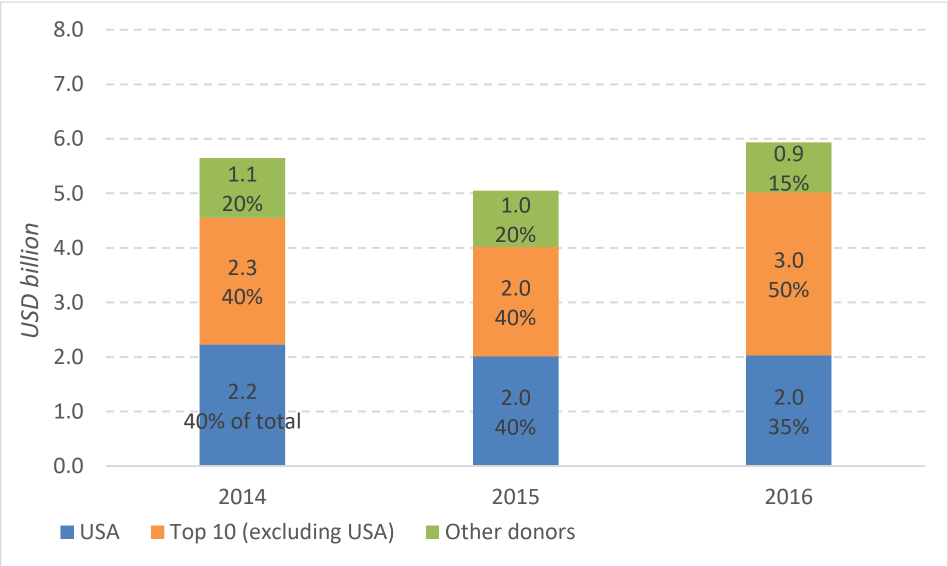
[8] WFP's financial statements currently recognize contributions, including multi-year contributions, as revenue for the year or years stipulated by the donor when the contributions are confirmed in writing.

Figure II.2: Programme of Work and confirmed contributions, 2014–2016



45. The proportion of contributions from the top 10 donors increased from 80 percent in 2014 and 2015 to 85 percent in 2016, due mainly to the significant increase in support provided by the European Commission and Germany. Contributions from donors outside of the top 10 dropped to their lowest level in 2016 in absolute and proportional terms alike, signalling WFP's greater dependence on a smaller number of donors.

Figure II.3: Donors to WFP by value of contributions and percentages of total, 2014–2016[9]



Host governments and expanding the donor base

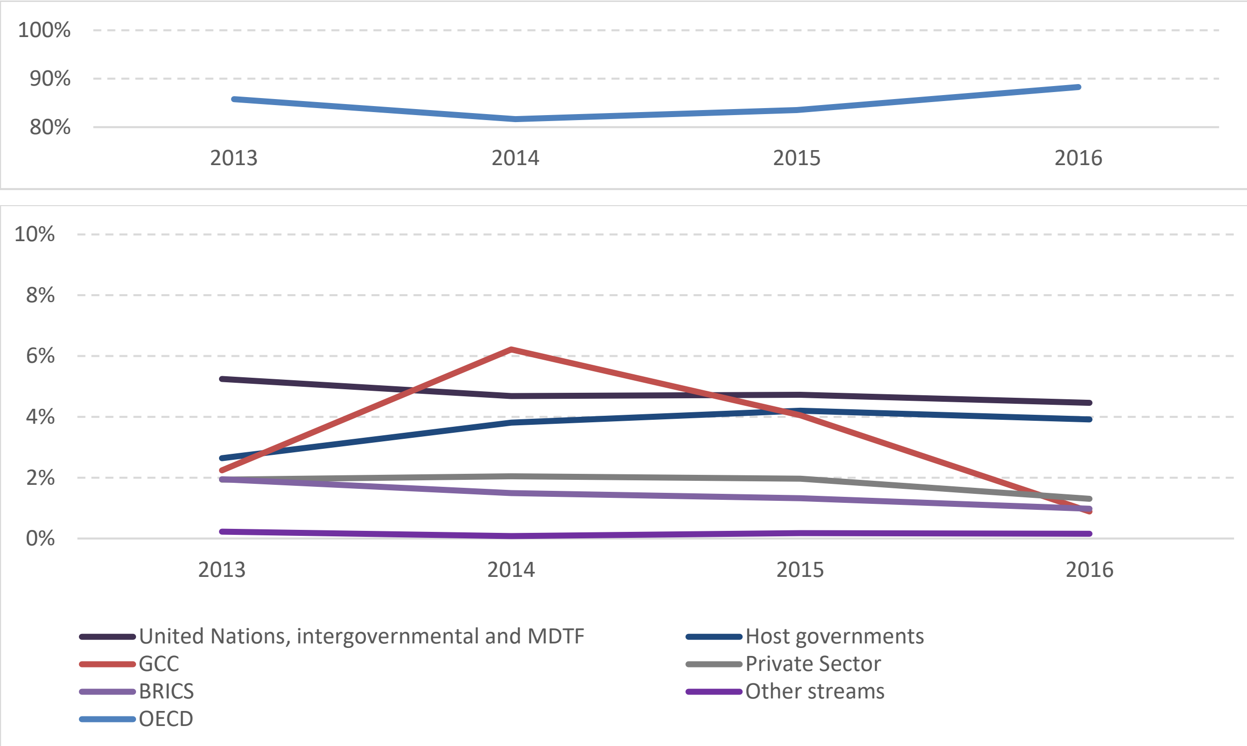
46. Host government contributions reached a record high in 2016 at USD 236 million, an increase of 7 percent from 2015. WFP's strategic alignment with SDGs 2 and 17 will provide greater opportunities for collaborative financing of mutually agreed action. Regular donations are encouraged from host governments through twinning in the short term, with a view to meeting full-cost recovery from their own resources in the long term.

[9] The difference between the 2016 contribution revenue of USD 5.8 billion in the annual accounts (fig. II.2) and the 2016 contribution revenue disclosed by the Government Partnerships Division of USD 5.9 billion (fig. II.3) is due to the exclusion of accounting adjustments (write-downs, adjustments for contribution unspent balances) from numbers disclosed by the Division.

47. There are opportunities for Gulf Cooperation Council (GCC) member States to enhance their support for WFP operations. Confirmed contributions from the GCC and the broader Middle East region declined by 85 percent, from USD 345 million in 2014 to USD 53 million in 2016.

48. Contributions received from international financial institutions (IFIs) increased significantly in 2016, accounted for primarily by an increase in the World Bank's contribution by USD 48.6 million from 2015. WFP continues to step up its partnership with IFIs as key financing partners as well as source donors for host government contributions.

Figure II.4: Contributions, by donor category, 2013–2016



BRICS = Brazil, Russian Federation, India, China and South Africa; GCC = Gulf Cooperation Council and Middle East; MDTF = multi-donor trust funds; OECD = Organisation for Economic Co-operation and Development.

49. WFP continues to develop innovative approaches to resource mobilization, including microdonations and individual giving, although investment is needed to strengthen them. WFP's ShareTheMeal mobile application is the world's first such application to support the fight against global hunger, enabling people to donate cash quickly and easily through their mobile phones.

Flexible and predictable funding

50. Softly earmarked contributions to WFP decreased by 10 percent from 2015 to 2016, from USD 422 million to USD 380 million, accounting for 6.4 percent of total contributions – the lowest level of softly earmarked and unearmarked contributions received since 2011.

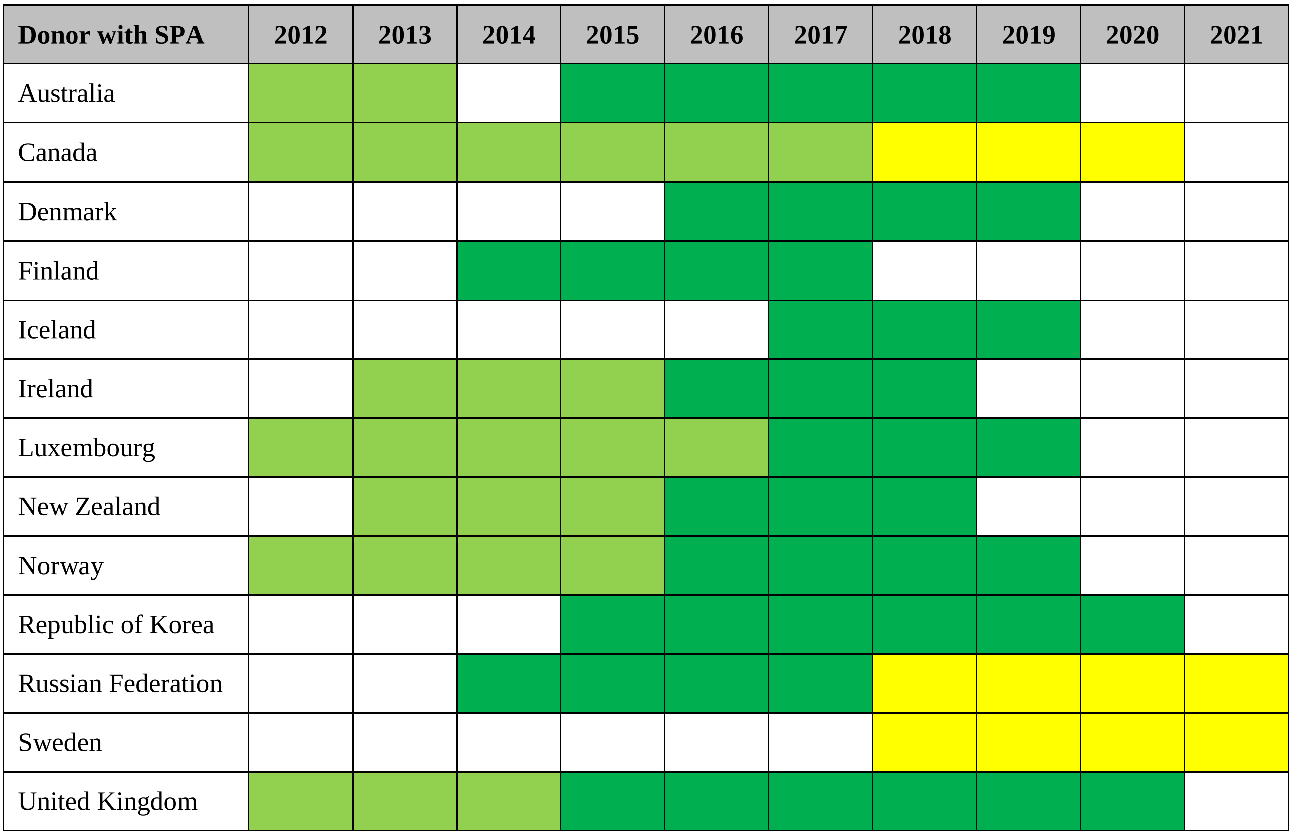
51. The rise in the value of the United States dollar had a significant negative effect on WFP's softly earmarked contributions and multi-year revenue since most such contributions were made in non-USD denominations. The effect was noticeable in 2016: WFP would have received an additional USD 40 million in softly earmarked contributions and USD 36 million in multi-year contributions had the revenue from those contributions been confirmed when the average exchange rate was similar to that of 2015.

52. Multi-year funding decreased by 3 percent in 2016, when WFP received USD 497.5 million compared to USD 514 million in 2015.

53. WFP continues to encourage the establishment of strategic partnership agreements (SPAs) with donors to provide for predictable and flexible funding for a set of jointly agreed, relatively long-term objectives. At present, WFP has 12 SPAs with donors, including Canada and Luxembourg, who renewed their SPAs in 2017.

54. Donors are increasingly attaching conditions to contributions with the aim of supporting aid effectiveness while satisfying domestic constituents and national accountability mechanisms. Donor conditions affect WFP's ability to respond rapidly and to operate in the most efficient and effective manner.

Figure II.5: Strategic partnership agreement donors, 2012–2021



* To be confirmed.

Light green = past SPAs.
Dark green = current SPAs.
Yellow = under negotiation.

55. Contributions with long duration also enable WFP to plan and procure food more effectively and flexibly. The proportion of contributions with a duration of more than a year, including multi-year contributions, decreased from 73 percent in 2015 to 62 percent in 2016. WFP will continue to monitor this trend. Tight timelines on contributions significantly reduce flexibility and increase transaction costs.

56. Contributions eligible for use in internal project lending[10] increased from USD 2.1 billion in 2015 to USD 3.2 billion in 2016 – 53 percent of all contributions. The advantages of utilizing such contributions during project lifecycles, particularly in the early stages, are essential for efficient planning and implementation. Such flexibility enables WFP to buy food at optimal times, prevent disruptions in the provision of food and cash-based transfers, and reduce transaction costs, thereby ensuring that beneficiaries receive maximum support.

[10] Internal project lending provides budget authority for projects using forecast contributions to the projects as collateral for loans.

Immediate Response Account

57. Total contributions to the IRA in 2016 of USD 47.6 million were significantly lower than the annual income target of USD 200 million, continuing the pattern of recent years. The Secretariat proposes that USD 9 million be transferred from the Programme Support and Administrative Equalization Account to the IRA to boost its ability to mitigate pipeline breaks in life-threatening situations or in sudden-onset emergency responses.

Section III: Implementation Plan for 2018

(under development)

Section IV: Programme Support and Administrative Budget

Overview

58. This section sets out the proposed 2018 Programme Support and Administrative (PSA) budget of USD 335.4 million. The budget reflects the prioritization exercise carried out by all departments in headquarters and by regional bureaux to ensure that WFP continues to work on behalf of the people it serves to end hunger everywhere, in accordance with the challenges of implementing the 2030 Agenda for Sustainable Development, particularly Sustainable Development Goal (SDG) 2, which focuses on zero hunger and SDG 17 focusing on partnership.

59. The Management Plan (2017–2019) contains contribution forecasts for 2017 and 2018 of USD 5.2 billion. These forecasts have now been increased to USD 5.9 billion for 2017 and USD 5.7 billion for 2018.

60. Despite the increased forecast levels, the proposal for 2018 is to maintain a "zero nominal growth" level of USD 335.4 million in the PSA budget as WFP continues to "live within its means".

61. The 2018 PSA budget utilizes savings arising from: i) reductions in standard staff costs; ii) reductions in the projected cost of security services provided by the United Nations Department of Safety and Security (UNDSS); and iii) an earmarked reprioritization of USD 2.5 million from the 2017 PSA budget, bringing the total of PSA funding for targeted allocations in 2018 to USD 5.3 million. This funding will be used to support regional bureaux and country offices with additional resources for training and for enterprise risk management, to provide further resources for oversight functions, to assist WFP in further developing partnerships, and to address other internal priorities. Other priorities will be addressed by reallocating resources within the budgets of WFP departments and regional bureaux.

62. The PSA budget for 2018 is being prepared on the basis of a revised set of appropriation lines, designed to provide a better "line of sight" between PSA resources allocated at the divisional level and corporate outcomes that focuses on intended results rather than the geographical location of the PSA spending.

63. Based on the very healthy balance projected for the PSA Equalization Account (PSAEA) at the end of 2017, the Secretariat is proposing a separate appropriation of USD 44.1 million from the account. The proposed non-recurring investments comprise transfers to reserves and special accounts to provide additional support for the Immediate Response Account, the Wellness Fund and critical corporate initiatives such as the Integrated Road Map (IRM), risk management, cash-based transfers (CBTs) and other corporate priorities including additional support for oversight and field operations. Also included is a proposed allocation to support the mobilization of private-sector donors, focusing on fundraising from individuals.

64. Appropriations from the PSA budget and the PSAEA are supplemented by corporate trust funds dedicated to institutional strengthening.

65. WFP's principle of "living within its means" coupled with the healthy state of the PSAEA also provide an opportunity for WFP to propose a reduction in the support cost rate to be applied to contributions, from the current rate of 7 percent to 6.5 percent from 2018.

Purpose of the PSA budget

66. The PSA budget covers the indirect support costs (ISC) that support WFP's operations. It is funded from the ISC recovered from contributions in accordance with the full-cost recovery policy. The ISC rate is approved by the Executive Board on an annual basis.

67. The PSA budget supports changes in operational needs and the implementation of policy commitments made to the Board; there are a large number of requests for PSA funding. The regular PSA budget may be supplemented by funding from the PSAEA for critical corporate initiatives and from donors providing resources for institutional strengthening initiatives through corporate trust funds.

PSA appropriation lines

68. Financial Regulation 9.3 states that "the proposed Management Plan ... shall show proposed appropriations for programme support and administrative services in such separate main appropriation lines as may be decided by the Board". The current PSA appropriation lines – which focus on geographical location rather than linking resources to results – have not changed for more than two decades.

69. This Management Plan presents a new set of appropriation lines to be used by the Executive Board when approving the PSA budget. The proposed appropriation lines better reflect the role of regional bureaux and headquarters offices in supporting country offices in achieving their objectives and continuously improving their performance. The proposed appropriation lines thus demonstrate the link between headquarters and regional bureau activities and the achievement of WFP's Strategic Results. In this way, the proposed appropriation lines are aligned with the Corporate Results Framework (2017–2021).

70. The new appropriation lines:

- Strategy and direction;
- Services to operations; and
- Governance, independent oversight and fundraising.

71. The appropriation lines are disaggregated into five outcome pillars that summarize the main results jointly delivered by headquarters, regional bureaux and country offices. These pillars are:

A. Strategy and direction: WFP leadership guides the organization with robust and transparent decision-making that is continuously improving to fulfil WFP's mandate in the best way possible.

B. Direct services to operations: WFP implements processes and procedures in ways that balance decentralization and segregation of duties with the advantages of economies of scale to support operations in the most effective, efficient and economical way possible.

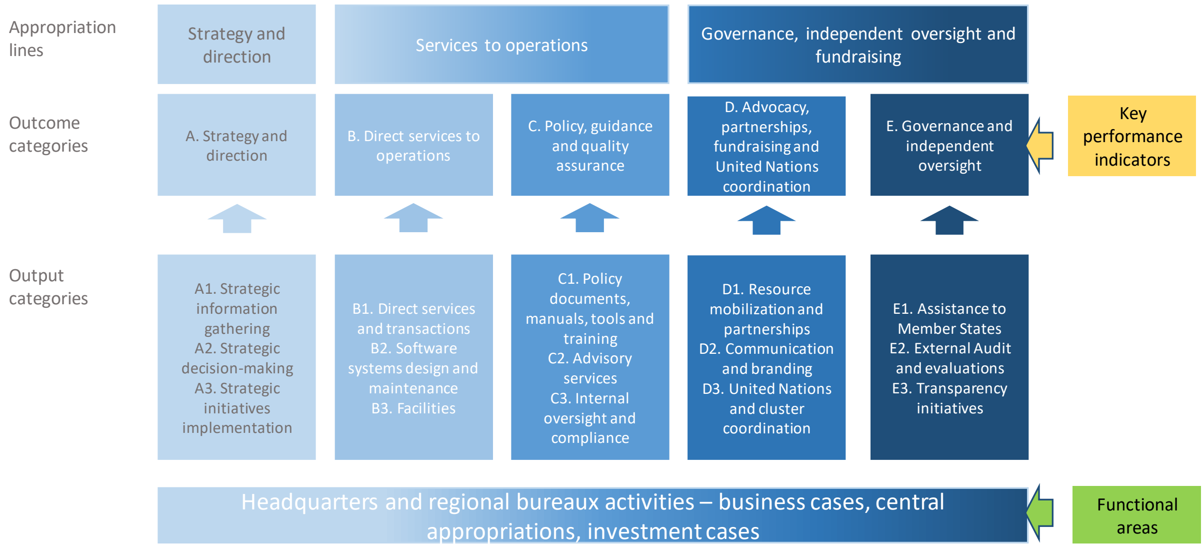
C. Policy, guidance and quality assurance: WFP maintains high standards in its internal norms, policies and tools and has capable staff who ensure that its operations are designed and implemented to meet the needs of the people it serves.

D. Advocacy, partnerships, fundraising and United Nations coordination: WFP collaborates with host and donor governments, non-governmental organizations (NGOs) and the private sector to align priorities and mobilize resources, advocate for zero hunger and partner with United Nations agencies, including the Rome-based agencies (RBAs), in contributing to the achievement of the Sustainable Development Goals (SDGs).

E. Governance and independent oversight: WFP applies good governance, provides assurance to donors and disseminates information on performance.

72. Supporting each outcome pillar are outputs that capture the main services and products produced by each organizational entity. The financial plan is prepared in the form of business and investment cases, which describe and quantify the budget for the activities that each organizational unit undertakes. These activities are then classified according to the output categories and the outcomes to which they contribute.

Figure IV. 1: Management Plan appropriation lines, outcome pillars and outputs



73. Each activity is also linked to a functional area, such as supply chain, information technology or human resources, to facilitate performance management at the unit level. The use of functional areas, which are also applied in the country offices, allows cross-organizational aggregation of budgets and performance management.

74. The key performance indicators (KPIs) employed to measure performance against the five outcomes are used to capture the effectiveness, efficiency and economy of WFP's support and administration by providing clearer links between resources and results. These KPIs will be monitored during 2018, will be used for decision-making and reprioritization, and will be reported in the Annual Performance Report 2018.[11]

75. The revised PSA structure in the 2018–2020 Management Plan is expected to enhance WFP's ability to plan, achieve and demonstrate results. This approach will produce more strategic information for decision-making and funding according to priorities, for example decentralization or centralization of functions, allocation of resources to new policies and initiatives.

76. In addition, as a result of the revised structure, all levels of WFP will have a comprehensive view of services and products delivered: for example, a country office can monitor the services provided by regional bureaux and headquarters offices in each functional area, and the budget associated with these. This will facilitate strategic decision-making throughout WFP, promote the embedding of value-for-money considerations into all operations, and contribute towards greater transparency and accountability. Internally, the new structure simplifies the planning processes, reducing redundant and duplicated efforts.

77. The change in approach also represents a further step in the implementation of results-based management, by aggregating financial information in a new way and complementing it with KPIs. Consideration of past performance, trends and cost drivers will inform better decision-making on budget allocation and support better implementation and monitoring.

[11] Targets and baselines for all indicators are provided in this Management Plan when available and relevant; baselines that are not already available will be calculated in the Annual Performance Report 2017.

The 2018–2020 Programme Support and Administrative Budget

78. The proposed PSA budget for 2018 is USD 335.4 million,[12] which is the same level as in 2017.

79. The limitations of a "zero nominal growth" budget required departments to reprioritize their activities for 2018 so as to better meet emerging demands with their existing resources. In addition, overall decreases in standard staff costs and other reductions freed up USD 5.3 million for targeted priorities, as tabulated in Table IV.1.

TABLE IV.1: MAIN AREAS OF CHANGE IN THE PSA BUDGET *(USD million)*

2017 base		**335.4**
Reductions in standard staff costs and other investments		
Decrease in staff position costs net of statutory increases	(2.5)	
Reduction in security costs payable to UNDSS	(0.3)	
Reallocation of 2017 investment case for staff skills	(2.5)	
		(5.3)
Pillar A: Strategy and direction		
Training for country directors and heads of sub-offices: delivery of training programme	0.8	
		0.8
Pillar B: Business services to operations		
Support from regional bureaux to the first and second lines of defence	0.5	
Improving FASTER trainings and alignment with the IRM	0.4	
2018 Human Resources Division (HRM) structural requirements	1.6	
		2.5
Pillar C: Policy, guidance and quality assurance		
Cash-based transfers (CBTs)	0.4	
		0.4
Pillar D: Advocacy, partnerships fundraising and United Nations coordination		
Strengthening relations with the World Bank	0.5	
Implementation of the Rome-based agencies joint paper	0.1	
		0.6
Pillar E: Governance and independent oversight		
Restoring centralized evaluation coverage	0.6	
Supplementary allocation for strengthening of the Inspector General function	0.4	
		1.0
2018 proposed PSA		**335.4**

FASTER = Functional and Support Training for Emergency Response; IRM = Integrated Road Map.

[12] This includes USD 34.8 million for centralized services for country offices. The reduction of USD 0.3 million from 2017 is a result of a reduction in WFP's share of UNDSS costs.

Reductions in standard staff costs and other savings generate funds for providing additional PSA support in important areas – USD 5.3 million

80. WFP uses standard rates to budget and account for standard position costs (SPCs). These rates are re-calculated each year to reflect: i) the actual costs of employing a staff member at 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.

81. The SPCs for 2018 have been calculated based on 2016 actual costs adjusted for inflation, after-service costs and – at headquarters – currency exchange rates. They also include some charges for security, staff wellness and termination indemnities.

82. A comparison between the total budgeted costs of staff for 2017 based on 2017 SPCs and the corresponding budgeted costs of staff for 2018 based on 2018 SPCs showed a reduction of USD 2.32 million between 2017 and 2018. This was augmented by USD 0.17 million arising from a reduction in the provision for corporate requirements pertaining to the funding of exceptional situations such as long-term medical leave or special leave. For the euro component of these costs incurred at headquarters, WFP makes a forward purchase of the euro amounts to provide certainty regarding the US dollar value of euro-denominated expenditure.

83. The Secretariat is also proposing that USD 2.5 million, previously allocated to staff skills development and acquisition in the 2017 PSA budget, be used for targeted PSA priorities in 2018. This proposal derives from the review of an allocation of USD 2.62 million in the 2017 Management Plan, which was originally set aside for staff skills. This allocation was included in the reprioritization in 2017 to provide funding for the IRM but has not been included in the base budget submission of any unit for 2018.

Allocation of resources generated within PSA base (USD 5.3 million)

a) Pillar A: Strategy and direction

84. **Training for country directors and heads of sub-offices: delivery of training programme (USD 767,000):** The main objective is to provide newly appointed country directors and heads of sub-offices, within six months of their appointment, with an overview of technical and procedural knowledge relevant to their new roles, creating a strong network with former country directors acting as mentors for sharing challenges and solutions. The country director and head of sub-office learning programme will use a blend of face-to-face training and online modules in a four-month course to be delivered twice a year for each target audience, concurrent with reassignment cycles. The programme will comprise preparation activities delivered online; a main face-to-face instructor-led section delivered by experts in specific subjects and complemented with one-to-one sessions tailored to the individual needs of each participant; and follow-up calls with selected senior mentors.

b) Pillar B: Business services to operations

85. **Support from regional bureaux to the first and second lines of defence (USD 500,000):** WFP should continue ensuring the adequate and efficient oversight of country and regional operations. To that end, resources will be allocated to implement relevant recommendations of the Report of the External Auditor on Decentralization.

86. **FASTER training (USD 370,000):** Functional and Support Training for Emergency Response (FASTER) is a corporate training that simulates a major emergency response. FASTER simulation allows WFP to test and/or roll out new tools and mechanisms including IRM tools for responding to a Level 3 emergency.

87. So far, 261 participants have been trained in nine sessions. However, the demand for training is greater than the FASTER programme can currently accommodate. FASTER is therefore being revised to reflect the evolving global context and WFP's need to be ready to respond to any type of emergency. The new FASTER strategy will simulate the complex environment in which WFP works and be an essential element in improving staff skills for improved surge capacity.

88. Four emergency surge teams will be selected – two at headquarters and two in the field – to be the first responders in corporate emergencies or when the capacity in the field is overstretched. Surge team members who are fully operational in their respective functional areas will be invited to take part in a six-day FASTER simulation of a complex emergency environment. Members will be evaluated using a professionally prepared assessment tool to validate their ability to apply all the skills for their functional areas and perform in a highly stressful environment.

89. **HRM structural adjustment (USD 1,630,000):** WFP's capacity to deliver results depends on having the right people – with the necessary skills and commitment to its mandate – in the right place at the right time. Emergencies are becoming increasingly numerous and protracted, requiring the longer-term presence of WFP. Security threats, along with pressure on donors to justify their spending choices, are rising. WFP is aligning its strategic direction with the 2030 Agenda by adopting new programme strategies in the IRM, requiring adjustment of the structure and staffing of the majority of country offices, to demonstrate improved efficiency and effectiveness. These adjustments will involve attracting staff with new profiles, and in many cases, country offices will need to adjust their sizes as they restructure. This evolving situation requires HRM at headquarters to increase its support to the country offices undergoing these changes. HRM's capacity has remained largely static for the last ten years, in spite of an overall increase in the WFP workforce and significant additional administrative responsibilities associated with the movement of national staff on regular contracts from the UNDP to the WFP/FAO contractual framework.

c) Pillar C: Policy, guidance and quality assurance

90. **Cash-based transfers – (USD 430,000):** A senior position of Global Coordinator, Cash Transfers will be created to ensure continuous management oversight of the corporate cash portfolio and to coordinate the alignment of the portfolio and the work of its many stakeholders with the overall Strategic Plan.

d) Pillar D: Advocacy, partnerships, fundraising and United Nations coordination

91. **Strengthening relations with the World Bank (USD 500,000):** WFP and the World Bank are increasingly working together on fighting hunger and ending extreme poverty in diverse contexts. In the past ten years, WFP and the Bank have collaborated on more than 50 projects in 25 countries, with more than USD 360 million in World Bank funds provided to WFP via national governments. In the first half of 2017 alone, a dozen country offices were developing projects for emergency response, nutrition, social protection, school feeding and community resilience activities, with funds of up to USD 100 million from the Bank under discussion. In addition to resource mobilization, WFP's strategic engagement with the Bank has also strengthened over the past year, with joint studies on bridging humanitarian assistance and social protection systems, and WFP has engaged with other United Nations agencies to develop a broader United Nations relationship with the World Bank in crisis-affected situations. These positive developments are complemented by the Bank's recent accelerated support to fragile states, which provides a unique opportunity to maximize joint efforts to address ongoing and prevent future humanitarian crises.

92. In light of the current momentum of this strategic engagement and resource mobilization, WFP aims to strengthen its relationship with the World Bank further by developing a partnership framework such as a Memorandum of Understanding (MOU) that enables both organizations to commit to engagement and guides their field and headquarters teams. The objective of this framework is to capture the cooperation efforts of WFP and the Bank within a clear vision directed towards the 2030 Agenda for Sustainable Development and achieving zero hunger, and firmly embedded in the principles of humanitarian and development cooperation. This will articulate the respective comparative advantages of the two organizations while remaining flexible enough to promote cooperation in other areas such as data analytics and technical cooperation. The MOU should reflect agreement on the ISC rates to be applied, with the aim of reducing exceptions. To realize the full potential of a comprehensive partnership with the World Bank, WFP will require an internal structure that is relevant and well coordinated and has clear lines of engagement.

93. **Implementation of agreed actions in the RBA joint paper (USD 95,000):** Enhanced synergies among the RBAs are paramount to achieving SDG 2. WFP is committed to working with FAO and IFAD by capturing all available synergies and complementarities and avoiding overlaps in contributing to collective results in both humanitarian and development contexts, and in enhancing RBA advocacy on food security and nutrition at the global level and within the broader United Nations system. The paper presents actions that will facilitate enhanced collaborative efforts by the RBAs and require continuous efforts within WFP and externally with FAO and IFAD at the national, regional and global levels. The actions in the paper will be implemented according to a road map and a results matrix, including a set of performance indicators that is being prepared by the RBAs.

e) Pillar E: Governance and independent oversight

94. **Evaluation (USD 600,000):** WFP's Evaluation Policy, approved in November 2015 by the Board, reaffirmed WFP's commitment to evidence-based decision-making and sets the normative framework for a strengthened evaluation function in WFP. The model combines centralized evaluation with demand-led decentralized evaluation. This allocation will facilitate delivery of components of the policy implementation strategy that need to be put in place during 2018 in order to meet the policy goals by 2021 and maintain the minimum levels of centralized evaluation coverage established in the policy norms.

95. **Office of the Inspector General (USD 400,000):** The Office of the Inspector General (OIG) plans to adapt to recent developments and immediate needs for assurance coverage and advisory and investigative services for WFP by strengthening OIG's capacity to engage in and communicate more proactively and dynamically on OIG issues and conclusions and to develop its outreach and engagement with the Member States. The Office of Internal Audit also requires staff with more senior audit profiles to cover the increasing complexity of WFP's risks, including by accompanying WFP in strengthening its second line of defence, risk management, and data analytics as it develops its performance data and automated monitoring capacity.

96. The Office of Inspections and Investigations (OIGI) is conducting an increasing number of complex high-profile fraud investigations that also require specific expertise. OIGI will hire a consultant to meet the increasing demand for the skills required for this type of investigation. This will have direct effects on OIGI's KPIs in conducting high-profile fraud cases within the designated timeframe while adhering to legal requirements.

Analysis of the PSA budget by pillar

97. Table IV.2 presents a summary of the PSA budget by new appropriation lines and outcome pillars, and the organizational level of the allocation – country office, regional bureau, headquarters, or corporate; allocations at the corporate level are managed centrally on behalf of all of WFP. As 2018 is the first year for which this analysis is presented there are no comparative figures from previous years.

98. The largest PSA allocation is in pillar B Business services to operations, which brings together activities performed at all levels of WFP and represents 50 percent of the total budget. In contrast, the smallest allocation is in pillar E Governance and independent oversight, which comprises activities that are performed only at headquarters and represents about 7 percent of the total budget. With 17 percent of total allocations, pillar D supports WFP's funding model based on voluntary contributions and advocacy, in which United Nations coordination is increasingly important. In terms of organizational levels, the highest allocation is to headquarters, with 56 percent of the budget, while allocations to regional bureaux and country offices represent 20 and 24 percent of the budget respectively.

TABLE IV.2: ANALYSIS OF PSA BUDGET BY APPROPRIATION LINE AND PILLAR *(USD million)*						
Appropriation line	**Pillar**	**Country offices**	**Regional bureaux**	**Headquarters**	**Corporate**	**Total**
Strategy and direction	A. Strategy and direction	12.5	4.7	28.4	1.3	**47.0**
Services to operations	B. Business services to operations	55.1	40.3	62.7	7.6	**165.8**
	C. Policy, guidance and quality assurance of operations		11.6	28.7		**40.3**
	Subtotal	55.1	51.9	91.4	7.6	**206.1**
Governance, oversight and fundraising	D. Advocacy, partnerships, fundraising and United Nations coordination	11.8	10.2	31.7	3.5	**57.2**
	E. Governance and independent oversight			23.5	1.7	**25.2**
	Subtotal	11.8	10.2	55.2	5.2	**82.3**
Total		**79.4**	**66.8**	**175.0**	**14.2**	**335.4**

Pillar A: Strategy and direction

99. The outcome statement for pillar A is: “WFP leadership guides the organization with robust and transparent decision-making that is continuously improving to fulfil WFP’s mandate in the best way possible.”

100. To achieve this, WFP gathers the information necessary for decision-making through consultations and corporate documents; has well-informed senior staff with the appropriate profiles who participate in internal and external decision-making forums; and monitors the implementation of corporate change management initiatives.

101. Table IV.3 presents the overall PSA budget for pillar A, including the corporate appropriations budget line.

TABLE IV.3: ANALYSIS OF PILLAR A. STRATEGY AND DIRECTION *(USD thousand)*					
Type	**Country offices**	**Regional bureaux**	**Headquarters**	**Corporate**	**Total**
Staff costs	11 781	1 866	21 516	-	**35 164**
Non-staff costs	768	2 819	6 912	1 339	**11 837**
Total	**12 549**	**4 685**	**28 428**	**1 339**	**47 001**

102. The main type of costs allocated to this pillar are staff costs, which account for 75 percent of the budget, because the pillar includes the majority of WFP’s senior and executive management and their recruitment and development costs. Under non-staff costs, the pillar includes the budget lines allocated to internal meetings, such as the Global Management Meeting and regional meetings, and exercises such as the Global Staff Survey.

103. In terms of the organizational level of cost allocations, the pillar comprises senior and executive management at headquarters, regional directors and part of the budget allocated to country directors who participate and are responsible for WFP strategic functions. In addition, some corporate initiatives that affect the entire organization, such as modernization of information technology (IT) and implementation of the IRM are also budgeted in pillar A.

104. To measure progress against implementation of the activities in pillar A, the following KPIs will be used:

A.i. *Category II KPIs*: In the Corporate Results Framework,[13] these are short-term, corporate-level indicators that reflect priorities set by WFP's leadership or relate to specific WFP commitments and that can be replaced by other indicators when no longer necessary or when their targets have been met. As such, they are a clear reflection of performance in the Strategy and direction function:

i) *Percentage of achievement of IRM milestones*: The IRM has been granted priority by senior management so the path of its implementation will be carefully monitored and will be adapted regularly to reflect strategic decision-making. Detailed information on milestones achieved and progress in implementation is provided regularly to the Board and will be included in the Annual Performance Report 2018.

ii) *Percentage of implementation of policies approved by the Board in 2017*: Based on the Compendium of Policies relating to the Strategic Plan,[14] this indicator measures the path of implementation of different approved policies, including the Environmental Policy, the Climate Change Policy and the Nutrition Policy. Detailed information on progress in implementation will be included in the Annual Performance Report 2018.

Pillar B: Business services to operations

105. The outcome statement for pillar B is: "WFP implements processes and procedures in ways that balance decentralization and segregation of duties with the advantages of economies of scale to support operations in the most effective, efficient and economical way possible."

106. To achieve this, WFP headquarters and regional bureaux perform direct transactions on behalf of operations and develop and maintain software systems used in the daily management of operations. The pillar also includes budget lines for facilities management, allocated to the offices that provide these services.

107. The intervention of regional bureaux and headquarters divisions in processes and in certain functions related to the maintenance of systems, such as granting permission for access to corporate systems or monitoring segregation of duties, constitute an essential part of internal controls, along with the country offices own systems in place.

108. Table IV.4 presents the overall PSA budget for pillar B, including the corporate appropriations budget line.

TABLE IV.4: ANALYSIS OF PILLAR B. BUSINESS SERVICES TO OPERATIONS
(USD thousand)

Type	Country offices	Regional bureaux	Headquarters	Corporate	Total
Staff costs	5 814	24 753	48 635	-	**79 202**
Non-staff costs	49 267	15 592	14 090	7 650	**86 599**
Total	**55 082**	**40 345**	**62 725**	**7 650**	**165 801**

[13] WFP/EB.2/2016/4-B/Rev.1*.

[14] WFP/EB.1/2017/4-D.

109. The staff and non-staff budget is balanced in this pillar, with 48 percent of the budget being allocated to staff and 52 percent to non-staff costs. This reflects the fact that a substantial part of business services to operations consist of staff time, supported by systems for gathering and processing information. The highest non-staff costs are budget lines allocated to underfunded country offices to ensure that they can cover some recurrent costs.

110. In terms of the organizational level of fund allocations, most headquarters offices provide direct services to country offices, either as part of a process that is designed to involve headquarters, such as approval or release of documents, or when matters are passed on to higher organizational levels, such as in resolution of disputes. In some cases, headquarters serves as a central hub providing services from experts in specific subjects, such as the transactional work performed by the Finance and Treasury, Budget and Programming and Human Resources divisions; in other cases, the services are provided by headquarters to achieve economies of scale, as in the case of shipping services or provision of certain IT services. Finally, despite WFP's high level of decentralization, delegations of authority and segregation of duties require the intervention of headquarters in certain processes, such as commodity procurement or programme approval.

111. For these reasons, most of the activities of regional bureaux are in this pillar, as regional bureaux constitute the first point in the reporting line for country offices. The budget lines allocated to this pillar therefore include experts in specific subjects based in regional bureaux and their functioning costs, as all the funding for regional bureaux is through PSA allocations. Although all regional bureaux have comparable structures, the volume of activities and the related budget in each functional area depend on the profile of the specific operations and offices under their oversight; for example, all regional bureaux devote a relatively high proportion of the budget to supporting the programme function, whereas support to the supply chain is greater in the regions with ongoing Level 3 operations. Implementation of the recommendations in the Report of the External Auditor on Decentralization is likely to have an impact on the budget allocations to this pillar in the future.[15]

112. Design and maintenance of software systems is carried out only at the headquarters level, and concerns the development of new modules or improvement of existing systems, their roll-out to field offices and their maintenance after roll-out. The current budget for these activities is allocated to more than ten divisions that are custodians of systems, and to the Information Technology Division, which provides technical support and safeguards the coherence and integrity of the overall system.

113. To measure progress against implementation of the activities in pillar B, the following KPIs will be used:

B.i. *Percentage of the staff deployed to emergencies who were selected from internal rosters*: This quantitative indicator reflects the effectiveness and efficiency of WFP's emergency staff deployment system. Ultimately, the indicator reflects the results of different streams of work: the provision of FASTER training, the selection of staff for the emergency roster, and the actual deployment of staff in an emergency. The target for the indicator is 100 percent; the baseline will be published in the Annual Performance Report 2017.

B.ii. *Percentage of tonnage delivered in the right quantity, of the right quality and on time:* This quantitative indicator measures the extent to which the supply chain provided inputs for operations effectively, reflecting the combined work of country offices, regional bureaux and headquarters in several functions. The target and baseline will be defined by November 2017.

[15] WFP/EB.A/2017/6-G/1*.

B.iii. *Percentage of CBTs delivered on time*: This quantitative indicator, calculated as a percentage of the planned CBTs, reflects both the effectiveness and the efficiency of the transfer modality, which is increasingly important in WFP operations. The target for this indicator is 90 percent, and baseline will be defined by November 2017.

Pillar C: Policy, guidance and quality assurance of operations

114. The outcome statement for pillar C is: "WFP maintains high standards in its internal norms, policies and tools and has capable staff who ensure that its operations are designed and implemented to meet the needs of the people it serves."

115. To achieve this outcome, the pillar includes top-down activities such as policy design and implementation, bottom-up interventions such as when a country office requests guidance and support, and monitoring of compliance with policies. Activities included in the pillar constitute a critical second line of defence function and, by their nature, are implemented by headquarters offices and regional bureaux.

116. Table IV.5 presents the overall PSA budget for pillar C.

TABLE IV.5: ANALYSIS OF PILLAR C. POLICY, GUIDANCE AND QUALITY ASSURANCE OF OPERATIONS
(*USD thousand*)

Type	**Country offices**	**Regional bureaux**	**Headquarters**	**Corporate**	**Total**
Staff costs	-	7 110	21 575	-	**28 685**
Non-staff costs	-	4 468	7 103	-	**11 571**
Total	**-**	**11 579**	**28 678**	**-**	**40 256**

117. Staff costs represent 71 percent of the allocation, and 29 percent is for non-staff costs. This breakdown results from the nature of the activities involving staff costs, which are time-intensive, while other costs cover training, which is very often provided remotely, and publication of guidance and materials through internal information and knowledge management platforms.

118. In terms of the organizational level of these budget allocations, the majority of funds are allocated to headquarters and, to a lesser extent, regional bureaux. The policy, guidance and quality assurance function is not performed at the country office level.

119. At the headquarters level, budget allocations focus on the preparation, updating and approval of policy documents, which often require internal and external consultations; and the development of all materials for the implementation of policies, such as guidance, tools and training packages. Because of the impact of the IRM on WFP internal processes, the budget for 2018 includes numerous allocations for updating guidance and tools. Most of WFP's training[16] initiatives are included in this pillar – remote training based in WeLearn, face-to-face training organized by headquarters and regional bureaux or combinations of both.

120. The pillar also includes all advisory work provided by subject experts first in regional bureaux and second in headquarters offices; and internal technical oversight activities, which inform changes to policies and implementation and can also highlight issues for corporate attention. The budget for these activities is allocated to headquarters for central services such as the Legal and Ethics offices, and to regional bureaux for more decentralized functions such as the programme function. The activities included in the pillar complement the direct support provided by the technical units of regional bureaux and headquarters and budgeted in pillar B. As such, any decentralization of activities that decreases budgets allocated to pillar B may lead to increases in staff capacity building and advisory activities to ensure the quality of operations.

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[16] Except training related to the roll-out of software systems, which is included in pillar B, and training for country directors and heads of sub-offices, which is included in pillar A.

121. Finally, pillar C also includes advisory activities performed by OIG, and oversight and compliance activities performed mainly at regional bureaux, either by functional areas – typically Finance and increasingly Supply chain and Administration – or by specific compliance units in the West Africa, East and Central Africa and Middle East, North Africa, Eastern Europe and Central Asia bureaux. The strengthening of capacities for this function in regional bureaux is likely to have an impact on the budget allocations to this pillar in future budgets.

122. To measure progress against implementation of the activities in pillar C, the following KPIs will be used:

C.i. *Percentage of CSPs that meet quality standards*: This quantitative indicator reflects the extent to which CSPs submitted for approval fulfil standards in programmatic areas such as activity design, gender, nutrition, protection; incorporate risk management and take into account evaluation and audit recommendations; are supported by analyses of budgetary, supply chain and office capacities; and include specific commitments such as monitoring and evaluation. WFP's internal process for the development and approval of CSPs is based on the efforts of country offices with support provided by activities under this pillar. The target for this indicator is 80 percent, and the baseline value will be included in the Annual Performance Plan 2017, as the first CSPs are approved during the year.

C.ii. *Percentage of country offices with complaints and feedback mechanisms in place*: This quantitative and qualitative indicator measures WFP's performance in adhering to the five commitments on accountability to affected populations proposed by the Inter-Agency Standing Committee, for which effective mechanisms are required, and reflects WFP's implementation of its Humanitarian Protection Policy. The target for 2018 is 93 percent, and the baseline is 71 percent.[17]

C.iii. *Percentage of WFP offices using the emergency preparedness and response package*: This quantitative indicator reflects the extent to which WFP offices are equipped to conduct risk assessments and match their emergency preparedness and response capacity to identified risks, with the ultimate goal of providing more effective, efficient and – when possible – economical emergency responses. The target for 2018 is 100 percent, as the Emergency Preparedness and Response Package (EPRP) has been fully rolled out, and the baseline will be defined by November 2017.

Pillar D: Advocacy, partnerships, fundraising and United Nations coordination

123. The outcome statement for pillar D is: "WFP collaborates with host and donor governments, NGOs and the private sector to align priorities and mobilize resources, advocate for zero hunger and partner United Nations agencies in contributing to achievement of the SDGs."

124. To achieve this outcome, the pillar includes WFP's efforts to mobilize resources, communicate, advocate and coordinate with the RBAs, other United Nations agencies and the humanitarian response system; and establish and maintain strategic partnerships with NGOs, the private sector and academia, which can contribute to or facilitate partnerships at the country and operational levels.

125. Table IV.6 presents the overall budget for pillar D, including the corporate appropriations budget line.

[17] Reported in the Annual Performance Report for 2016: WFP/EB.A/2017/4*.

TABLE IV.6: ANALYSIS OF PILLAR D. ADVOCACY, PARTNERSHIPS, FUNDRAISING AND UNITED NATIONS COORDINATION
(*USD thousand*)

Type	Country offices	Regional bureaux	Headquarters	Corporate	Total
Staff costs	11 781	6 185	23 134	745	**41 845**
Non-staff costs	-	3 991	8 554	2 763	**15 307**
Total	**11 781**	**10 176**	**31 688**	**3 508**	**57 152**

126. Reflecting the time-intensive nature of activities in this pillar, the majority of costs are allocated to staff – 73 percent – with non-staff costs accounting for only 27 percent. Non-staff costs in this pillar include budget allocations to fund WFP offices located in donor capitals or fully dedicated to liaison with other United Nations agencies and regular participation in United Nations and NGO meetings and forums.

127. In terms of the organizational level of fund allocations, because of WFP's funding model, fundraising and advocacy activities are carried out at all organizational levels. At the headquarters level, most of the activities in this pillar fall into the remit of the Partnerships and Governance Department. At the regional level, activities also include advocacy and strategic work with governments to align priorities, such as in the Latin America and the Caribbean and Asia and the Pacific regions. At the country office level, resource mobilization is a central responsibility of country directors.

128. The budget allocated to leading and co-leading the food security, logistics and emergency telecommunications clusters, which is managed by the Emergency Preparedness and Support Response, Supply Chain and Information Technology divisions in headquarters, is included in this pillar. This budget is complemented by local funds and staff dedicated to local clusters where they are active, and reflected in country portfolio budgets.

129. The budget allocated to the corporate level includes contributions to United Nations initiatives, such as the Resident Coordinator System, inter-agency meetings and forums, and services provided by the United Nations. The pillar also includes WFP's participation in United Nations joint initiatives, such as the Committee on World Food Security or the Global Preparedness Partnership.

130. To measure progress in implementing the activities in pillar D, the following KPIs will be used:

D.i. *Percentage of cluster surveys achieving satisfactory targets*: This quantitative indicator measures the extent to which the clusters in which WFP plays a leading role fulfil the needs and expectations of partners, and therefore also provides an indication of the effectiveness and efficiency of the cluster mechanism. The target for the indicator is 100 percent and the baseline is 100 percent, as 92 percent of users were satisfied with logistics clusters, 95 percent with the global Food Security Cluster, and 86 percent with the emergency telecommunication cluster[18] in the latest measurement of this indicator.

D.ii. *Percentage of achievement of outputs in partner operations*: This quantitative indicator measures the effectiveness of WFP's operational partnerships in the field, which have a direct influence on the achievement of WFP outcomes. The target and baseline will be defined by November 2017.[19]

D.iii. *Percentage of gross funding needs met*: This quantitative indicator provides a sense of how funding received enables the achievement of operational objectives. WFP orients its resource mobilization efforts towards specific objectives such as increased multilateral,

[18] Reported on in the Annual Performance Report for 2016 –WFP/EB.A/2017/4*.

[19] Calculated as of 31 December 2016.

multi-year and private-sector contributions, which will be presented in more detail in annual performance reports. The target for this indicator will be defined by November 2017, and the baseline is 67 percent.[20]

D.iv. *Percentage of favourable messages in mainstream media*: This qualitative indicator reflects how WFP is portrayed in international and selected local news, with the aim of building a positive image and managing reputational risks. The target for this indicator is 99 percent, and the baseline is 96 percent.[21]

Pillar E: Governance and independent oversight

131. The outcome statement for pillar E is: "WFP applies good governance, provides assurance to donors and disseminates information on performance."

132. To achieve this outcome, the pillar includes activities related to the operation of the Executive Board; the independent functions of evaluation, investigations, internal and external audit; and initiatives promoting transparency and aiming to provide increasing information to stakeholders, while completing the internal cycle of accountability and performance management within WFP. This fifth pillar constitutes WFP's third line of defence.

133. Table IV.7 presents the overall budget for pillar E, including the corporate appropriations budget line.

TABLE IV.7: ANALYSIS OF PILLAR E. GOVERNANCE AND INDEPENDENT OVERSIGHT *(USD thousands)*

Type	Country offices	Regional bureaux	Headquarters	Corporate	Total
Staff costs	-	-	15 014	-	**15 014**
Non-staff costs	-	-	8 457	1 723	**10 180**
Total	**-**	**-**	**23 470**	**1 723**	**25 194**

134. Allocations to this pillar are divided between staff with 60 percent and non-staff costs with 40 percent. The budget allocated to staff costs covers the divisions in charge of coordination and management of the functions in pillar E: for example, the budget allocated to the evaluation function also covers support to decentralized evaluations and all the activities necessary to increase staff capacity to coordinate independent evaluations, in line with the Evaluation Policy (2016–2021). The budget for the pillar also includes allocations to internal and external transparency initiatives such as the Annual Conflicts of Interest and Financial Disclosure Programme managed by the Ethics Office, and the publication of WFP financial data in reports and the International Aid Transparency Initiative (IATI) platform, all of which are staff-intensive.

135. The non-staff costs include the organization of Board sessions and similar events for other advisory committees and bodies, other Board-related trips and activities, and the procurement of external services for these activities.

136. Because of the nature of the activities in this pillar, they are carried out exclusively at headquarters by a small number of dedicated organizational units managed centrally.

[20] Reported in Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

[21] Reported in Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

137. To measure progress in implementing activities in pillar E, the following KPIs will be used:

E.i. *Percentage of completion of the Executive Board Plan of Work*: The Executive Board Plan of Work is one of the main governance instruments in WFP, and its level of completion reflects the performance of WFP in facilitating the membership's oversight of the functioning of the organization, and the effectiveness of the oversight. The target is 100 percent and the baseline is 81 percent.[22]

E.ii. *Number of overdue high-risk audit recommendations*: This quantitative indicator measures the extent to which management at headquarters, regional bureaux and country offices is responding effectively to major audit recommendations, reflecting the importance of audit as a core component of WFP's internal control infrastructure and the critical role of management's engagement in providing assurances to the Executive Director and the Board. The target for this indicator is to reduce the number compared with the previous measurement; the latest measurement is 8 overdue recommendations out of 26 high-risk audit recommendations pending implementation.[23]

E.iii. *WFP's ranking in the IATI transparency index*: WFP has been an active participant in the IATI since 2012, and the quality of its published data is well recognized. The IATI dashboard assesses all IATI publishers by awarding scores in three dimensions – depending on how timely, forward-looking and comprehensive their publications are – and then adjusting these scores by the proportion (by value) of each publisher's activities covered in its IATI data (coverage) to rank the publishers according to their scores. The baseline for this indicator is number 1, with a score of 97, in 2016[24] and WFP intends to maintain this high ranking.

Organizational change: structure of the Secretariat

138. To fulfil WFP's mission of achieving zero hunger, a number of organizational changes effective from August 2017 have been made to facilitate further improvements in WFP's systems, structure and processes. WFP's structure and processes will remain under review during 2018 with a view to making further refinements and improvements.

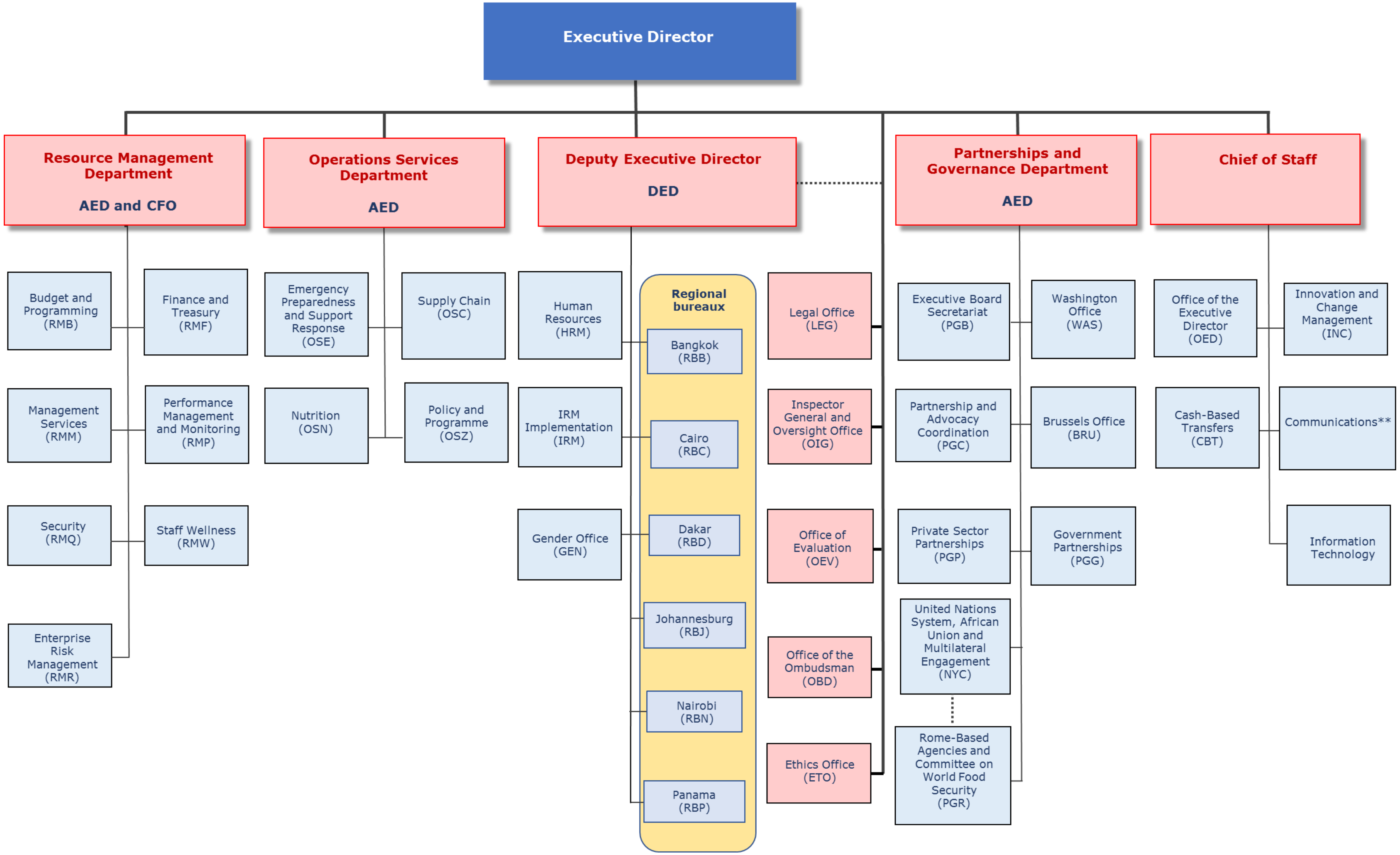
139. A revised structure is shown in Figure IV.2.

[22] Reported in the Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

[23] As of 11 August 2017.

[24] As published in IATI Publisher Statistics.

Figure IV.2: Organizational chart*



* Effective 1 August 2017.

** Advocacy will be added as of 1 January 2018.

140. Headquarters departments will report to the Executive Director. OIG, the Office of the Ombudsman, the Office of Evaluation, the Ethics Office and the Legal Office will also report to the Executive Director, with support provided by the Deputy Executive Director.

141. The new structure reinforces the core role of the Deputy Executive Director in overseeing WFP's operations. The Deputy Executive Director will directly supervise the regional bureaux and retain oversight of implementation of the IRM, to ensure seamless liaison with field operations as they transition to the new approach. The Deputy Executive Director will also oversee critical core functions including human resources and gender.

142. The Operations Services Department leads in emergency response and support to operational excellence. The department will play the main role in supporting operations, continuing to promote greater effectiveness and efficiency in the Policy and Programme, Nutrition, Supply Chain, and Emergency Preparedness and Support Response divisions.

143. The Resource Management Department remains central to the effective stewardship and financial management of WFP. The department is supported by the core functions of Budget and Programming, Finance and Treasury, Management Services, Performance Management and Monitoring, Field Security, and Staff Wellness. A new Enterprise Risk Management Division has been created, in recognition of WFP's responsibility to safeguard the resources entrusted to it while providing the strongest possible assurance to all stakeholders regarding the achievement of its objectives.

144. The Partnerships and Governance Department will focus on strengthening and increasing partnerships with government donors and private-sector organizations with the ultimate goal of increasing WFP's funding resources and maximizing the effectiveness of its mission. Collaboration with the private sector will be an increasingly important element in this approach. The department will also support engagement with the United Nations, particularly in the comprehensive United Nations reform process currently under way, and engagement with the RBAs. The department will continue to support the Board.

145. A new department led by the Chief of Staff will focus on enhancing and strengthening WFP's acknowledged expertise in humanitarian action and innovation. The department will contain a new function dedicated to CBTs, along with the established divisions of Information Technology, Innovation and Change Management, and Communications, and the Office of the Executive Director.

Contributions of functions by organizational unit

146. The five outcome pillars aim to capture all the potential ways in which regional bureaux and headquarters provide support to country offices. In this structure, different organizational units provide different and often complementary types of support. Nonetheless, the nature of some offices might prescribe certain functions: for example the offices of the Deputy Executive Director and Assistant Executive Directors will provide more services in pillar A Strategy and direction, while OIG provides services that are mostly in pillar E Governance and independent oversight, and the regional bureaux provide more direct services in pillar B Business services to operations.

147. Table IV.8 reflects the contributions of each department to the five outcome pillars. The majority of the activities performed by regional bureaux are in pillars B and C, as regional bureaux are the first point in the reporting line for country offices. Regional bureaux therefore carry out transactions and approvals on behalf of country offices and are the first point of contact for guidance on the implementation of policies. The regional bureau can also play a role in the standardization of practices within the region, as reflected in pillar C, when the roll-out of systems and initiatives and the development of specific guidance are carried out at the regional level. Finally, the regional bureaux are also the point of contact for the representatives of WFP partners in the region, such as regional organizations, other United Nations decentralized offices and NGOs; managing these relations accounts for most of the activities in pillar D.

148. The PSA allocations to country offices consist mainly of funds to cover country director positions – pillars A and D – and minimum additional resources for operating costs.

TABLE IV.8: ANALYSIS OF PSA BUDGET BY ORGANIZATIONAL UNIT AND PILLAR *(USD thousand)*						
	A. Strategy and direction	**B. Business services to operations**	**C. Policy, guidance and quality assurance of operations**	**D. Advocacy, fundraising and United Nations coordination**	**E. Governance and independent oversight**	**Total**
Executive Director and Chief of Staff	10 275.6	13 452.8	3 865.1	9 016.0	15 604.4	**52 213.9**
Office of the Deputy Executive Director	3 814.6	11 136.9	3 565.0	337.7		**18 854.2**
Resource Management	4 881.2	21 629.6	8 427.5		3 079.4	**38 017.7**
Operations Services	7 625.4	13 468.1	9 148.8	2 437.4		**32 679.7**
Partnerships and Governance	1 831.3	3 037.2	3 671.1	19 896.4	4 786.6	**33 222.8**
Corporate	1 339.4	7 649.9		3 507.7	1 723.3	**14 220.3**
Regional bureaux	4 684.9	40 344.7	11 578.6	10 176.3		**66 784.5**
Country offices	12 548.9	55 081.9		11 781.4		**79 412.2**
Total	**47 001.2**	**165 801.2**	**40 256.2**	**57 152.9**	**25 193.8**	**335 405.2**

Functional areas

149. The functional areas are linked to the activities of headquarters offices and regional bureaux, and therefore to outputs, outcomes and appropriation lines, as shown in Table IV.9. They are defined as the areas of expertise of the organizational units that manage business processes – such as food procurement, staff recruitment or project approval – for each service provided to operations, these are for example the Supply Chain, Human Resources or Policy and Programme divisions. The role of regional bureaux and headquarters offices is to safeguard, maintain and improve these processes, as the services provided to operations are key to the effective, efficient and economical achievement of programmatic results.

150. WFP functional areas are thus the common points between the support provided by headquarters and regional bureaux to country offices – reflected in the PSA budget – and the internal services that are provided within the country office to carry out programmatic activities, which are reflected in the country portfolio budget or project budgets.

151. In terms of functional area, the highest allocations are to the management and programme functions, which are responsible for the overall direction of offices and the design and implementation of programmes. Together, these two functions account for 49 percent of budget allocations, and they appear in all pillars. The donor relations, communications and reporting function receives more than 11 percent of allocations, which is in accordance with WFP's funding model and the amount of staff time dedicated to this function. The majority of the funds for this function are allocated to pillar D, while smaller amounts are allocated to the financial management of contributions, which falls into pillars B and C and which complements a substantial part of the work in the budget and programming functions. Human resources, IT, supply chain and, to a lesser extent, administration and finance are the main support functions, corresponding to the volumes of funds that these functional areas are responsible for managing in operations, and that are reflected in country portfolio budgets. The budget allocated to these areas is directed to funding activities in pillars A, B and C. The PSA budget allocated to security covers the collection and use of information in pillar A and, in pillar B, substantive services

provided directly to operations by headquarters and regional bureaux and WFP's contributions to UNDSS on behalf of country offices.

152. Table IV.9 presents PSA budget allocations by functional area and outcome pillar.

TABLE IV.9: ANALYSIS BY FUNCTIONAL AREA AND PILLAR (*USD thousand*)						
	A. Strategy and direction	**B. Direct services and transactions**	**C. Policy, guidelines and quality assurance of operations**	**D. Advocacy, partnerships, fundraising and United Nations coordination**	**E. Governance and independent oversight**	**Total**
Management	34 137	7 919	7 223	18 443	15 114	**82 836**
Programme	2 628	48 729	16 242	8 176	6 993	**82 767**
Supply chain	2 393	17 636	2 121	-	-	**22 150**
Budget and programming	1 002	9 344	-	327	-	**10 673**
Human resources	3 543	24 376	3 019	200	-	**31 138**
Administration	617	8 018	3 251	-	-	**11 886**
Finance	750	5 435	2 739	-	1 641	**10 565**
Information technology	1 717	26 567	1 595	725	-	**30 604**
Security	215	15 693	-	-	-	**15 908**
Donor relations, communications and reporting	-	2 084	4 066	29 281	1 446	**36 877**
Total	**47 001**	**165 801**	**40 256**	**57 153**	**25 194**	**335 405**

Summary of 2018 regular PSA budget by 2017 appropriation line

153. The Management Plan contains details of the PSA budget over a three-year period to provide perspective on the PSA budget proposal for the year being approved by providing the figures side by side with those of the previous two years. A recasting of the budgets for 2016 and 2017 under the new appropriation lines is not possible. To facilitate comparison of the Management Plan (2018–2020) with plans of previous years, and as a means of helping the transition from appropriation lines based on geography to those now proposed, the PSA budget under the old appropriation lines is provided to help the reader better understand the current PSA budget proposal.

154. Table IV.10 shows the regular PSA budget using the appropriation lines followed in 2016 and 2017. The total post count includes national staff. Additional details are provided in Annex I.

TABLE IV.10: PSA BUDGET BY APPROPRIATION LINE

	2016 expenditures							**2017 estimated**							**2018 projected**						
	Post counts				**Staff costs** *(USD million)*	**Other costs** *(USD million)*	**Total costs** *(USD million)*	**Post counts**				**Staff costs** *(USD million)*	**Other costs** *(USD million)*	**Total costs** *(USD million)*	**Post counts**				**Staff costs** *(USD million)*	**Other costs** *(USD million)*	**Total costs (USD million)**
	Prof.	**GS**	**Nat**	**Total**				**Prof.**	**GS**	**Nat**	**Total**				**Prof.**	**GS**	**Nat**	**Total**			
Programme support – regional bureaux and country offices	259	0	577	836	61.6	47.3	**108.9**	279	0	582	861	68.9	77.2	**146.0**	284		602	886	70.0	76.9	**146.9**
Programme support – headquarters	148	84	0	232	34.2	13.9	**48.1**	169	87	0	255	43.2	9.6	**52.8**	162	81		242	41.0	10.1	**51.1**
Management and administration	305	248	9	562	79.4	53.4	**132.8**	315	245	10	570	88.2	48.4	**136.6**	327	239	5	571	88.8	48.5	**137.4**
Total	**712**	**332**	**586**	**1 630**	**175.3**	**114.6**	**289.9**	**763**	**332**	**592**	**1 686**	**200.3**	**135.1**	**335.4**	**773**	**320**	**607**	**1 699**	**199.9**	**135.5**	**335.4**

Summary of the 2018 PSA budget by department

Use of the PSA base – departmental reprioritization

155. The 2018 PSA budget review focused on the alignment of the regular PSA budget with WFP's organizational priorities. To preserve zero nominal growth while maintaining support to operations, all headquarters departments and the regional bureaux were requested to review their respective PSA budgets, identify efficiencies and carry out an internal reallocation of resources to higher priorities. "No-growth" PSA ceilings were set at the departmental level with the requirement that each department reprioritize its work and submit divisional PSA proposals that are aligned with the target levels set for each department head. Once the departmental budgets were consolidated, the overall budget was reviewed by the Strategic Resource Allocation Committee (SRAC).

156. The result of the PSA reprioritization process by organizational entity, including the main areas of change summarized in Table IV.1, is described in the following sections.

Direct reports to the Executive Director

157. 2018 will be a pivotal year in the life of the Evaluation Policy, characterized by a rapid expansion of demand-led decentralized evaluations and the re-establishment of coverage norms for centralized evaluations, for which USD 600,000 of targeted PSA is being allocated. The Office of Evaluation is further reprioritizing its PSA budget to fund an increase in staffing support to decentralized evaluations with a view to enhancing programmatic impact through evidence-based programme design and decision-making at the country level.

158. To rationalize the structure of reporting on the provision of legal support and advice for CBT programming and risk mitigation, the Legal Office is adjusting its staffing profile. Given the increasing complexity of protecting the legal interests of the organization in the administrative and employment areas, reprioritized budget will be directed towards these areas, where specialized skills are required.

Office of the Deputy Executive Director

159. Existing PSA resources are being shifted to support and enhance WFP's capacity to implement the Gender Policy. The staffing structure for gender-related work will be strengthened to enhance gender mainstreaming in IRM components and advocacy and awareness raising in gender with governments, civil society partners and academic institutions.

160. Other changes being effected in the Human Resources Division (HRM) and in regional bureaux are reflected in the additional PSA reallocations for human resources of USD 1.6 million for HRM, USD 800,000 for training of country directors and heads of sub-offices, and USD 500,000 for the regional bureaux shown in Table IV.1

Partnerships and Governance Department

161. The name of the Partnerships, Governance and Advocacy Department will be changed to Partnerships and Governance Department. The advocacy function will be incorporated into the Communications Division, which will be renamed to Communications and Advocacy Division and moved to the Chief of Staff Office (see paragraph 173).

162. The Partnership and Advocacy Coordination Division (PGC) was established in July 2014. Among PGC's achievements are the corporate advocacy framework; the provision of a range of partnership advisory services, guidance and training through the Partnership Resource Centre; the formulation and delivery of a comprehensive engagement strategy with the NGO sector; the building of a "whole of society approach" in the IRM; and leadership of WFP's inter-religious engagement strategy. From January 2018, the work of PGC will be mainstreamed into the organization, particularly the Partnership and Governance Department, and will focus on supporting WFP's corporate-wide partnership approach, as envisioned in the management response to the evaluation of the Corporate Partnership Strategy, endorsed by the Board in June 2017.

163. The top management level of the United Nations System, African Union and Multilateral Engagement Division will be strengthened through the establishment of a Deputy Director position at the D1 level and an additional management position at the P5 level to ensure overall coordination and engagement with the United Nations system and the African Union in New York, Geneva and Addis Ababa.

164. The Government Partnerships Division will continue working on the implementation of Sales Force – the corporate on-line platform for managing all of WFP's resource mobilization partners. The functions of Sales Force include managing partnerships, capturing and centralizing core information on partners, and tracking opportunities for expanding partnerships. All WFP offices are expected to be using Sales Force efficiently for collating and managing information on partners, including forecasting of resources, by the end of 2018.

Operations Services Department

165. The Policy and Programme Division continues to focus its strategies and actions on supporting country-level work towards achievement of the 2030 Agenda SDGs while reorganizing its structure in line with the WFP Strategic Plan (2017–2021). Major focus areas for 2018 include ensuring quality emergency programming, developing operational solutions and technical capabilities in climate and disaster risk management. The division will also ensure adequate technical support to countries after the IRM transition, primarily provided by the country capacity strengthening and South–South cooperation teams, including the WFP centres of excellence.

166. The Nutrition Division is expanding its support to the IRM in 2018 by reprioritizing resources from some nutrition-specific activities to support wider deployment of an analytical and decision-making tool for governments to help them improve their policies and programmes for nutrition. The division is also reorganizing to ensure more efficient use of resources by expanding the profile of senior staff to include greater attention to global partnerships such as the Scaling Up Nutrition (SUN) initiative, Renewed Efforts Against Child Hunger and Undernutrition (REACH) and the Decade of Action on Nutrition.

167. The Supply Chain Division will move into an enabling role – providing capacity strengthening for the private sector, market agents and government food programmes – while retaining a strong focus on direct delivery. Based on estimated figures, the division will continue to assist country offices directly by delivering more than 3.5 million mt of food to beneficiaries, while supporting the significant scale-up of CBTs through a proactive retail strategy aimed at increasing beneficiaries' purchasing power in retail shops. The division also aims to support hybrid supply chains – of both in-kind food and CBTs – to maximize value for money for beneficiaries, and will continue to focus on common services – aviation services, humanitarian resource depots, bilateral services and the logistics cluster – and mainstreaming of IRM processes into supply chain services.

168. For 2018, the Emergency Preparedness and Support Response Division has prioritized cost-neutral shifts in staffing, which are intended to improve the quality of the division's support across the organization and the field. This includes establishing a Deputy Director position and upgrading positions to create a Head of Readiness and a Head of the Geospatial Data and Support Unit. A targeted PSA allocation of USD 370,000 is proposed for supporting emergency response training.

169. The NGO Partnership Unit will ensure that the new corporate guidance on managing NGO partnerships is applied throughout all of WFP's operations. With this strengthened strategic engagement, the return of the NGO team to the Operations Services Department will allow the partnership approach to be embedded in operational practice and reinforced by specialist expertise in the department.

Resource Management Department

170. The Resource Management Department has prioritized the enterprise risk management and internal control management functions in line with WFP's commitment to providing the strongest possible assurance to internal and external stakeholders on the achievement of organizational objectives. To accelerate the required improvements in enterprise risk management, internal control and assurance reporting, the department has reprioritized resources in its overall budget to establish a single management structure reporting to a Chief Risk Officer. Key elements of enterprise risk management, internal control management and assurance reporting are already in place, in line with best-practice features, but there is scope for further improvement in the implementation of processes supporting the frameworks, the streamlining and integration of sub-functions, and the strengthening of management's anti-fraud and anti-corruption work and accountability. The revised function under a dedicated enterprise risk management office will incorporate existing and new elements, streamline processes, further integrate risk and oversight analysis, and drive the implementation of strengthened risk management measures throughout WFP.

171. The department has also taken a leading role in a number of cost excellence initiatives. Improvements in processes for travel planning will lead to time and cost savings, improved service delivery and a strengthening of internal controls and accountability. A new business model for processing travel arrangements will be part of the next phase of improved travel management. Enhanced management of assets and light vehicles is generating cashable savings and is part of a wider initiative to facilitate more effective tracking, disposal, reporting and management of assets. Priorities include updating the administration manual, adjusting the size of the light vehicle fleet and the inventories of other assets, and optimizing systems and processes to support the management of assets and the light vehicle fleet. Medium-term activities aim also to optimize the Global Vehicle Leasing Programme, which while not directly affecting the PSA budget, will deliver improved services at lower cost.

Chief of Staff

172. This new department will focus on enhancing and strengthening WFP's rich heritage so that it can not only continue to be the world's leading humanitarian agency but also establish itself as one of the best forward-thinking and technologically advanced global organizations. A number of units critical to the continued advancement of WFP – Information Technology, Innovation and Strategy Management, Communications, Digitization and Cash-based Transfers and the Office of the Executive Director – will be parts of this department.

173. The Information Technology Division will drive the digital evolution of the organization for improved efficiency and effectiveness. With a largely distributed workforce and a new assistance model focusing on individual beneficiaries, which relies on digital, collaborative and information intensive solutions, the Information Technology Division provides reliable and innovative systems and platforms that enable WFP's mission. Innovation and Change Management works to build a culture of innovation and identify and manage change initiatives in WFP effectively. WFP's Innovation Accelerator will focus on supporting new innovative initiatives, scaling proven innovations and ensuring that best practices in innovation are shared across the organization. The division will also continue to support high-impact initiatives across the organization aimed at improving efficiency and effectiveness. The Communications Division will play a critical role in developing the messaging, narrative and content required to build and protect WFP's reputation through new branding and outreach strategies with key partners across a range of different platforms – especially those in the digital/social space. The Communications Division will also lead external and internal communications and advocacy, by positioning WFP around four key areas at the national and regional levels: end hunger; improve nutrition; achieve food security; and global partnerships for sustainable development. Advocacy initiatives will focus on SDGs 2 and 17 with additional resources being brought into play through new structures such as the SDG 2 Advocacy Hub, designed to bring greater coordination, coherence and impact into this area. In addition, the Chief of Staff Office will create a new function to support CBTs, funded with USD 430,000 from PSA targeted adjustments.

Central appropriations

174. Central appropriations cover statutory requirements and other centrally controlled appropriations, which are budgeted under management and administration. In 2018, these appropriations are expected to be slightly lower than in 2017 (Table IV.11). The most significant changes from 2017 include an increase in the provision for reassignment costs and a reduction in the charges for services rendered by other agencies, principally FAO through reductions in the scope and cost of medical services provided. There is also a reduction in the provision for inter-agency support arising from elimination of one outposted position in the United Nations Development Operations Coordination Office (DOCO) in New York.

TABLE IV.11: STATUTORY REQUIREMENTS AND OTHER CENTRAL APPROPRIATIONS *(USD)*

	2017	2018
Pillar A: Strategy and direction	**1 200 000**	**1 339 362**
Chief Executives Board	280 000	304 362
Global management meeting	265 000	265 000
Global Staff Survey	165 000	280 000
Recruitment costs	400 000	400 000
Senior Management and Alumni Network	90 000	90 000
Pillar B: Business services to operations	**7 480 335**	**7 649 909**
Emergency medical evacuation	170 000	170 000
International Civil Service Commission	620 000	626 165
Insurance and legal fees	1 674 900	1 649 900
Programme Criticality and Standing Committee on Nutrition	200 000	240 000
Services from other agencies	1 540 435	1 124 526
Reassignment costs	3 000 000	3 514 318
Staff awards, settlement and survey	275 000	325 000
Pillar D: Advocacy, partnerships, fundraising and United Nations coordination	**3 819 917**	**3 507 682**
Corporate inter-agency positions and union	1 445 847	1 081 623
Resident Coordinator system cost-sharing and Assessment Centre	1 533 510	1 576 539
United Nations agencies' legal fees	225 000	200 000
Others	615 560	649 520
Pillar E: Governance and independent oversight	**1 859 500**	**1 723 319**
Audit Committee	194 000	194 000
External Audit	400 000	400 000
IATI membership fee	85 000	85 000
Advisory services	280 500	129 160
Joint Inspection Unit	900 000	915 159
Total	**14 359 752**	**14 220 272**

PSA Gender Marker

175. The Gender Office has created a programme of work designed to implement the Gender Policy (2015–2020) successfully and strategically and to support the integration of gender equality in all elements of the IRM. The office's activities thus build on existing initiatives and constitute core components of organizational gender mainstreaming.

176. WFP is committed to exceeding the 15 performance indicators of the United Nations System-wide Action Plan on Gender Equality and Empowerment of Women by the end of 2017. The non-programmatic gender marker that WFP uses for its PSA budget is based on the Inter-Agency Standing Committee (IASC) gender marker for project resources. The marker measures the level of resources budgeted for activities promoting gender equality and the empowerment of women; in 2018, USD 5.67 million is incorporated in the PSA budget. This includes the costs of personnel whose work is primarily dedicated to gender issues and part of the costs of gender focal points and other staff whose work supports gender-related activities.

Status of the PSA Equalization Account

177. The PSAEA is used: i) to cover any difference between ISC income and approved PSA expenditure; ii) as a reserve to underwrite the risk of decreases in ISC income or underfunding of the PSA; iii) for critical corporate initiatives or thematic support funds; iv) for strengthening WFP's reserves. Following the review of the PSAEA target level agreed by the Board at its 2015 Annual Session,[25] the Secretariat increased the target level of the PSAEA to five months of PSA expenditure and established a "floor" in the account equivalent to two months of PSA expenditure. The portion of the account below the "floor" would be used only for purposes i) and ii) above.

178. The projected opening balance of the PSAEA at 1 January 2018 is USD 229.3 million. This is calculated based on a funding forecast for 2017 of USD 5.9 billion. The balance is equivalent to 8.2 months of PSA expenditure.

TABLE IV.12: PSAEA PROJECTION FOR 2017 *(USD million)*

PSAEA balance at 1 January 2017	**197.4**
Estimated ISC income 2017 (based on total income of USD 5.9 billion)	380.8
PSA recurring expenditure	(335.4)
2017 critical corporate initiatives	(13.5)
Projected PSAEA balance at 31 December 2017	**229.3**

Indirect support cost rate

179. The efficient, effective management and implementation of WFP's programmes around the world rely on many essential support activities for which costs cannot be directly attributed to individual projects or activities. These costs are funded from the ISC rate that is levied on contributions and submitted annually to the Board for approval through the Management Plan.

[25] WFP/EB.A/2015/6-C/1.

180. A method for deriving the ISC rate was established in 2006,[26] and the derived rate for 2017 was calculated as shown in Table IV.13.

TABLE IV.13: ISC CALCULATION *(%)*	
2016 baseline	6.29
Increase for higher indirect expenditures for 2017	1.44
Decrease for higher funding forecast	(0.74)
Decrease for higher PSAEA balance	(0.82)
Derived ISC rate for 2017	**6.17**

181. The ISC rate has remained at 7 percent since 2003. The review of ISC carried out in 2014 and 2015 concluded[27] that "the current single-rate ISC model is simple and transparent and should be maintained".

182. Considering the revised income projections for 2017 and 2018, and the consequent healthy balance projected for the PSAEA, the Secretariat proposes to reduce the corporate ISC rate from 7 to 6.5 percent from 2018. While the level of ISC income generated from the projected total income for 2018 of USD 5.7 billion will fall from USD 367.9 million (at 7 percent) to USD 342.9 million (at 6.5 percent), the reduction in ISC income of USD 25.0 million would be used to augment transfers to beneficiaries as it would be allocated to transfer value, implementation costs or adjusted direct support costs. In addition, the proposed PSA budget for 2018 of USD 335.4 million remains below the projected income and would result in a further transfer to the PSAEA of USD 7.5 million.

183. As noted in paragraph 177, the ISC rate levied on contributions is approved annually by the Board. In light of the improved disaggregation of the PSA budget into the five outcome pillars and other improvements in WFP's functional framework made via the IRM, the Secretariat will continue to engage with the Board during 2018 with a view to refining the methodology and application of WFP's ISC policies. This may include further analysis of WFP's direct and indirect costs and the introduction of criteria enabling flexibility in the application of ISC rates.

The PSAEA and critical corporate initiatives

184. In 2015, the Board endorsed the use of the PSAEA for critical corporate initiatives,[28] which enable WFP to invest in sustainable initiatives that require non-recurring investment and improve the delivery of services to beneficiaries.

185. In light of the healthy PSAEA balance projected for the beginning of 2018, the Secretariat is proposing to strengthen WFP's reserves and invest in a number of critical corporate initiatives totalling USD 44.1 million. Table IV.14 shows the projection for the PSAEA in 2018, with the projected closing balance of USD 192.7 million equivalent to 6.9 months of PSA expenditure.

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[26] WFP/EB.A/2006/6-C/1.

[27] WFP/EB.A/2015/6-C/1.

[28] WFP/EB.A/2015/6-C/1. The criteria are that a proposal must be: i) one-off; ii) not covered by the regular PSA budget; iii) not related to a project; iv) in need of predictable funding; v) unlikely to generate sufficient additional investment from donors; and vi) focused on organizational change.

TABLE IV.14: PSAEA PROJECTION FOR 2018 *(USD million)*	
Projected opening balance at 1 January 2018	229.3
2018 ISC revenue based on USD 5.7 billion income	342.9
2018 proposed PSA budget	(335.4)
2018 transfers to reserves and special accounts	(17.0)
2018 critical corporate initiatives	(27.1)
Projected closing balance at 31 December 2018	192.7

186. A summary of the proposed 2018 transfers to reserves and special accounts and the critical corporate initiatives proposed for 2018 is given in Table IV.15.

TABLE IV.15: TRANSFERS TO RESERVES AND SPECIAL ACCOUNTS AND CRITICAL CORPORATE INITIATIVES *(USD million)*	
A. Transfers to reserves and special accounts	
Immediate Response Account	9.0
Staff Wellness	8.0
Subtotal	**17.0**
B. Proposed critical corporate initiatives	
A. Strategy and direction	
Create learning programme for country directors and heads of sub-offices	0.4
B. Business services to operations	
COMET monitoring module	1.2
INTTRA-based shipment data management solution	0.4
IRM	9.0
Regional bureaux priorities	1.6
Enterprise risk management and strengthening of internal controls	5.0
CBTs	5.0
C. Policy, guidance and quality assurance of operations	
Ensuring effective documents and information management	0.3
Supporting implementation of the new nutrition policy	0.4
D. Advocacy, partnerships, fundraising and United Nations coordination	
Resource mobilization	3.0
E. Governance and independent oversight	
Restoring centralized evaluation coverage	0.4
Expansion of the Executive Board website	0.4
Subtotal	**27.1**
Total	**44.1**

Transfers to reserves and special accounts

187. **Immediate Response Account (USD 9 million):** The Immediate Response Account is a multi-year, multilateral lending and grant facility for emergency situations and for preventing critical shortfalls in life-threatening situations. Its capacity to lend or provide grants to projects is limited to the unallocated balance of funds in the account and confirmed contributions to the account not yet received. The Secretariat proposes transferring USD 9 million from the PSAEA to improve immediately the capacity of the Immediate Response Account to make loans to projects within the established criteria, while not changing the revolving and replenishable nature of the account.

188. **Staff Wellness (USD 8 million):** The Secretariat continues to recognize staff wellness as a priority for WFP's operational continuity in achieving zero hunger by 2030. Along with improvements to accommodation in the deep field, major efforts are being made to provide better access to medical prevention and care services and to social security protection for staff serving in operations where health risks are high. This corporate attention to staff wellness requires continuous maintenance and consolidation of services and facilities, and the associated resources. The investment is focused on implementation of the five pillars of the WFP Wellness Strategy: medical health, psychosocial health, work and living conditions, safety, and workforce stewardship. It will ensure, among other elements, staff vaccination campaigns, medical roving teams, psychologically resilient employees, safe road and engineering operations, healthier working and living conditions, and enhanced social protection of WFP employees in the event of death or disability.

Proposed critical corporate initiatives

Pillar A: Strategy and direction

189. **Create a learning programme for country directors and heads of sub-offices (USD 0.4 million):** A learning programme is to be created for newly appointed country directors and heads of sub-offices to ensure that, within six months of their appointment, they will have completed a programme containing an overview of the appropriate technical and procedural knowledge. Delivery of the programme is covered through the allocation of PSA resources.

Pillar B: Business services to operations

190. **COMET monitoring module (USD 1.2 million):** Investments to date have ensured that WFP has a functioning database to hold its programme performance data. COMET has been central in supporting the linkages between results and resources as WFP embarks on implementation of CSPs with country portfolio budgets. However, collection of monitoring data and analysis and transformation of the data into information on WFP results is still performed offline. Instead of simply logging values into the system, WFP will invest in an additional module of COMET that will assist offices in planning their monitoring activities and leverage mobile data collection technologies. Reports and dashboards will be developed. Time saved by automating the data collection and upload process will be spent on data interpretation, performance analysis and support to decision-making. The investment will also reduce the cost of the current proliferation of local monitoring systems through the introduction of a standardized tool.

191. **INTTRA-based shipment data management solution (USD 0.4 million):** The INTTRA-based industry-standard data management solution for container shipments will provide enhanced real-time visibility for the supply chain, an advanced "track and trace" facility, a reporting and benchmarking facility, automated notifications of shipment events via e-mail, a document repository and an interface with WFP's corporate information system through electronic data interchange (EDI) technology. The INTTRA solution should lead to productivity gains by ensuring automated transfer of shipment data to and from the WFP Information Network and Global System (WINGS) – instead of manual entry – for corporately required container data. The INTTRA solution should also contribute to a reduction in container demurrage charges and help reduce the manual efforts currently required for the tracking process.

192. Of an original budget of USD 1.4 million, the project has received a first tranche of USD 1 million allowing it to commence in late 2016. While securing operational continuity, the first tranche also made it possible to acquire the platform solution, initiate the required configuration and customization for WFP's specific needs and start roll-out to the field. Receipt of the balance of USD 0.4 million will allow completion of system implementation and the related activities originally envisaged for the INTTRA-based project. These include EDI connections and system integration with WFP's Logistics Execution Support System (LESS). In addition, the budget allocation will also allow the implementation of change management activities in support of WFP's field offices and forwarding agents worldwide, and the inclusion of other ocean transport-linked activities in the shipping information platform, such as the charter shipments and non-food items/project cargo services included in common logistics service provision. Finally, the allocation secures the resources required for operational continuity and project management into 2018 when the project is expected to be fully implemented.

193. **Integrated Road Map (USD 9 million):** The IRM responds to the challenges of the 2030 Agenda and the SDGs in aiming to help end poverty, hunger and inequality by transforming WFP's operational model to increase the focus on performance, transparency and maximizing value for money. Implementation of the new programmatic and budgetary system, alignment of corporate IT systems, and roll-out to country offices began in 2017. As of January 2018, a majority of country offices will have transitioned to the IRM framework and it is expected that all country offices will have transitioned by no later than January 2019.

194. Investments in 2018 will be directed primarily towards providing support to the field, including covering the costs of capacity augmentation at the regional bureau and country office levels and functional experts during the transition period. A portion of the 2018 investment will be utilized to finalize the corporate budget planning tool and launch the on-line portal.

195. The Secretariat continues to plan funding for the IRM in 2018 through significant reprioritization of internal resources. However, there will be an incremental budget of USD 9 million for 2018 to be funded through this critical corporate initiative.

196. **Regional bureaux priorities (USD 1.6 million):** WFP needs to continue strengthening the capacity of regional bureaux to provide effective, efficient and timely support for the management and oversight of emergency operations. Additional efforts will be made to ensure that the right structures and capabilities are in place to enable regional bureaux to provide support that meets all current and projected requirements in the most complex and challenging scenarios.

197. **Enterprise risk management and strengthening of internal controls (USD 5 million):** WFP needs to continue to strengthen organizational risk management and management oversight particularly by addressing the first and second lines of defence. Major improvements envisaged include increased consistency and proactivity in risk management activities, including risk identification and assessment, risk prevention and mitigation, reporting and monitoring, response and corrective action, better prioritization of and focus on the most material risks, and more effective strategic planning resulting from increased knowledge and understanding of these risks. Working with the country offices and regional bureaux, the Chief Risk Officer and team will ensure that enterprise risk management and internal control frameworks are fully embedded in operations, are in line with the achievement of WFP's Strategic Results and contribute to achievement of the objectives of IRM processes for ensuring transparency and accountability.

198. As a result of the cost excellence process review, many processes and procedures in WFP's administration function are being re-engineered or transformed. The corporate administrative services manual will be strengthened, along with the development of tools and formats. The budget planning and business processes in the function will also be reviewed to align them with ongoing corporate IRM initiatives and requirements.

199. Performance management plays a key role in how WFP manages its staff. The current performance assessment processes will be simplified and streamlined, integrating the promotion exercise with annual performance assessments and the Performance and Competency Enhancement (PACE) tool and supporting managers in identifying and resolving underperformance issues.

200. WFP has initiated internal consultations to refine consolidated roles, responsibilities and terms of reference for regional bureaux. This work will focus on a review of the structures of regional bureaux with a view to clarifying roles and responsibilities in service provision, management oversight and management support to countries at all levels, using the Regional Bureau for West Africa as a case study.

201. **Cash-based transfers (USD 5 million):** To maximize and optimize its contribution to the humanitarian system and to achievement of countries' SDG priorities and targets as set out in the WFP Strategic Plan, it is critical that WFP continues to invest in and mainstream enhanced corporate systems, solutions and capabilities for programming and delivering CBTs where relevant and appropriate to the context.

202. Management therefore intends to allocate USD 5 million in 2018 for developing and mainstreaming enhanced corporate capabilities in CBTs, with special attention to:

- ➢ enhancing staff capability, availability and readiness for including CBTs in rapid emergency response;
- ➢ operational response analysis, decision-making and programme design and delivery for CBTs to achieve food security, nutrition, market availability and partnership objectives where operational and partnership contexts include the basic requirements for multi-purpose cash approaches;
- ➢ cost-effective integration of multiple transfer modalities within unified operational approaches;
- ➢ inter-operability or integration of WFP CBTs with or in support of the social transfer instruments and systems of host countries or partners; and
- ➢ corporate solutions for enhanced collection, architecture, analysis and visibility of data to better inform rolling operational decision-making with enhanced performance and risk management.

203. Achieving results in these areas will require coordinated work in several WFP functions including the programme, finance, IT, supply chain and legal functions.

Pillar C: Policy, guidance and quality assurance of operations

204. **Library Research Centre (USD 0.3 million):** WFP's new corporate documents management system GoDocs, including a new integrated search engine, is currently being rolled out throughout the organization as part of a critical corporate initiative.[29] A further one-off investment is needed to set up system governance, maintenance and updates, user training and support until these processes are mainstreamed.

205. **Supporting implementation of the new Nutrition Policy (USD 0.4 million):** The Nutrition Policy approved by the Board in February 2017 details how WFP can support governments in delivering on their commitments to reducing all forms of malnutrition and reaching SDG 2. The Action Plan for Nutrition translates the goals of the Nutrition Policy into concrete and field-informed actions to be implemented between 2017 and 2021 in line with the Strategic Plan. This investment provides initial funding for building capacities and developing guidance and supports country-level action related to pioneering nutrition efforts outlined in the action plan.

Pillar D: Advocacy, partnerships, fundraising and United Nations coordination

206. **Resource mobilization (USD 3 million):** WFP faces an unprecedented gap between the funding needs of its operations and the contributions of traditional donors. This gap may grow, as traditional funding sources become increasingly unreliable while humanitarian crises remain, requiring more of WFP's expertise, capacity and life-saving food assistance. WFP receives 98 percent of its funding from government sources, and 2 percent from the private sector. WFP

[29] 2015 investment case "IT systems for documents/information management".

is an outlier in comparison with peer organizations such as the United Nations Children's Fund (UNICEF) and the Office of the United Nations High Commissioner for Refugees (UNHCR), in terms of the lack of sufficient investment to yield the resources and expertise required from the private sector from corporations, foundations and the general public. In particular WFP's private-sector portfolio is risky as it concentrates mainly on one revenue channel, that being Corporates. Market data have shown for years the significant growth opportunity in Individual fundraising, and the large potential for unrestricted funding.

207. WFP put together a business case to grow revenue significantly from the private sector by following similar investment patterns as market leaders in this area – some of which started individual fundraising as far back as 70 years ago and some others 20 years ago. The break-even period for some other organizations has been four to five years, and WFP is aiming to break even in three years. The growth business case involves a higher start-up capital amount (and which needs to be continued for several years) than was possible at this time.

208. Therefore, the proposed investment of USD 3 million in 2018 will for the first time allow the Private Sector Partnerships Division to launch individual fundraising for WFP. The investment will be used to pilot in key markets, based on market analysis and data. These efforts will be strategically devised to enable WFP to test and obtain initial results and insights regarding channels such as digital, face-to-face, direct marketing, all in local languages. More information on expected results will be available towards the end of the year as WFP analyses the market data.

209. The results from the 2018 pilot will enable WFP to fine-tune its approach and get key performing channels and activities to scale in subsequent years. Depending on the continuing investment, WFP can significantly grow its revenue from the private sector to reach more people in need.

Pillar E: Governance and independent oversight

210. **Restoring centralized evaluation coverage (USD 0.4 million):** This allocation enables enhanced progress towards compliance with the coverage norms for centralized evaluation approved in the Evaluation Policy (2016–2021), as centralized evaluation is the foundation stone for evidence-based decision-making on policy and programme design and improvement.

211. **Expansion of the Executive Board website (USD 0.4 million):** The current Executive Board website relies on outdated technology and is no longer supported by IT. This has created the need for a complete revamping of the technology that supports the site. In addition, new contents and functions for the website have been requested by the membership and are required for implementation of the IRM; these include a restricted area dedicated to Board members where they can provide comments on CSPs and share sensitive information about WFP operations. The restricted area will benefit members and support their decision-making processes. This investment should lead to a reduction in the number of informal consultations required, with significant savings in the long term.

Institutional Improvements

212. Corporate activities resourced from trust funds 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.

213. Experience shows that some donors are willing to fund activities focused on innovation and change in WFP's ways of working. In some cases change is easy to fund because donors are interested in and willing to support such activities; in others cases, WFP seeks specific funding for prioritized needs.

214. The Management Plan integrates information on actual and potential investments during preparation of the PSA budget. Investment cases made by departments for activities that could not be funded through the regular PSA budget were prioritized for reallocation of recurring PSA resources, non-recurring PSA funding or corporate trust funds. Decisions took into account corporate priorities, the potential to attract donor funding and the extent to which some level of future funding could be assured.

215. For 2018, 55 investment cases totalling USD 53 million were submitted for PSA funding, and 57 investment cases totalling USD 124 million were submitted for funding from extra-budgetary sources.

216. The reallocations set out in paragraphs 84 to 96 above resulted in the prioritization of nine investment cases for funding from the regular PSA budget through the PSA increase and the exchange rate benefit; 12 others were recognized as critical corporate initiatives and received an allocation of USD 44.1 million. The remaining 91 investment cases, totalling USD 128 million, constitute an estimate of corporate trust fund needs for 2018 and may therefore be considered for future funding.

WFP's corporate performance

217. The resource requirements included in the Management Plan total USD 6.2 billion, including the implementation plan of the country offices, PSA and additional PSA. To measure progress in implementation of the full Management Plan, the following corporate KPIs will be used:

Category I:

Corporate.i. *Percentage of achievement of outcome indicators*: A quantitative indicator that measures WFP's overall effectiveness in terms of the proportion of outcomes for which targets have been met or are on track for being met in all WFP operations. The target for this indicator is 75 percent, and the baseline is 68 percent.[30]

Corporate.ii. *Percentage of achievement of management indicators*: A quantitative indicator that measures the effectiveness, efficiency and economy of the management of operations. It is calculated as a combination of 11 indicators at the country office level.[31]

Corporate.iii. *Percentage of emergencies timely responded*: This quantitative indicator reflects the efficiency of WFP's emergency response, which requires highly coordinated intervention from different levels of the organization, depending on the level of the response – local, regional or corporate – and the nature of the emergency – slow- or sudden-onset. The target for this indicator is 100 percent; WFP reached this target in the last measurements[32] and intends to maintain this standard in the future.

Corporate.iv. *Percentage of Quadrennial Comprehensive Policy Review (QCPR) indicators for which WFP reports achieved targets:* This quantitative indicator reflects WFP's commitment to monitoring United Nations common efforts on harmonization; the effectiveness with which WFP is delivering on these commitments; and the gains in efficiency and economy that the commitments represent. The latest value for this indicator was 100 percent, as WFP achieved all targets for the eight common indicators monitored at the end of 2016.[33] The next calculation, which will set the baseline and target for this indicator, will be included in the Annual Performance Report 2017.

Corporate.v. *RBA indicator* to be finalized in cooperation with FAO and IFAD.

[30] Reported in Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

[31] The target and baseline for this indicator will be defined by November 2017.

[32] Values for 2014 to 2016 reported in Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

[33] Reported in Annual Performance Report for 2016 – WFP/EB.A/2017/4*.

Category II:

Corporate.vi. *Percentage of enterprise risk management components in place*: This indicator combines quantitative and qualitative information, and reflects a combination of staff capacity, advisory and oversight activities budgeted in this pillar E and the internal oversight in pillar C, and the overall effectiveness and efficiency of the system. The target for this indicator is 80 percent and the value will be reported in the Annual Performance Report 2017.

Section V: Corporate Services and Business Services; Special Accounts

Overview

218. WFP business units provide services that are intended to enhance cost-efficiency and economies of scale for its own offices and units and for other United Nations agencies and the humanitarian community.

219. Special accounts[34] allow balances to be brought forward from one financial period to the next and are the most suitable mechanism for WFP's management of service provision. Each special account has a manager responsible for ensuring that:

   i) all related expenditures and receipts are recorded in the account;
   ii) all expenditures and receipts fall within the remit of the account; and
   iii) the account never exceeds its ceiling value.

220. The Secretariat separates the provision of services into two streams:

   a) "Corporate services" are procured centrally by WFP, with costs recovered locally, including through fees for services, and a repayment schedule that ensures full cost recovery.

   b) "Business services" are services that would otherwise be sourced externally at greater cost. They are provided for internal purposes and to partners, with costs recovered on the basis of usage.

221. The volume of income in special accounts for 2018 is estimated at USD 268 million, including all income from sales of services and cost recoveries.

Corporate Services

222. The corporate services financing mechanism[35] adopted in 2014 enables WFP to implement corporate service initiatives on a scale that is large enough to improve efficiency and realize cost savings over time. Investments in such initiatives are repaid through cost recovery or service fees. There are currently three main corporate service initiatives: the Global Vehicle Leasing Programme (GVLP); the Capital Budgeting Facility (CBF); and fee-for-service activities.

223. In 2014, the Board approved a ceiling of USD 70 million for corporate service advances, which was increased to USD 82 million in the Management Plan (2016–2018). No change is proposed for 2018.

Global Vehicle Leasing Programme – ceiling USD 15 million

224. The GVLP uses centralized procurement, management and preparation of vehicles to enhance value for money, improve asset management and ensure that country offices have access to vehicles that are compliant with security standards. Leasing fees are included in project budgets to ensure that GVLP recovers its costs.

225. At its first regular session in 2017, the Executive Board was informed that the advance financing ceiling for the GVLP was being reduced from USD 22 million to USD 15 million following repayment of part of the programme's start-up costs.

[34] A special account may be established by the Executive Director for purposes consistent with the policies, aims and activities of WFP as indicated by Financial Regulation 5.1. Special accounts are used to manage special contributions or funds earmarked for programme, corporate or cost-recovery purposes, or to support long-term activities.

[35] WFP/EB.A/2014/6-D/1.

Capital Budgeting Facility – ceiling USD 47 million – and Wellness Fund

226. The CBF was established in the Management Plan (2014–2016) to provide advances for multi-year projects, with repayment over time by the projects concerned through charging WFP operations and third parties for services provided and through administrative savings. The facility was set up with a ceiling of USD 20 million and used initially to support development of the online Logistics Execution Support System (LESS) and its roll-out to all WFP operations.

227. The LESS global roll-out was completed in October 2016 in Yemen. To date, 83 countries are implementing LESS, which is used to manage 100 percent of WFP's commodities. The LESS project has been repaying the CBF since 2015, charging country offices a tonnage-based landside transport, storage and handling (LTSH) fee once LESS starts to operate in a country office. Repayment of the CBF is expected to be completed by January 2019.

228. In 2017 the CBF stands at USD 47 million. With a ceiling of USD 20 million set aside for LESS, WFP can provide USD 27 million in loans to finance improvements to field premises where WFP foresees that long-term facilities will reduce operational costs, avoid the risk of spiralling inflation in property markets and provide better security.

229. Of the USD 27 million, USD 14.2 million has been approved through the Field Premises Improvement (FPI) programme for the following:

   i) Dollow sub-office project in Somalia – with a loan of USD 1.25 million – is now complete and the sub-office is in operation.

   ii) The Djibouti Humanitarian Logistics Hub project – with a loan of USD 5.4 million – has utilized all the funds available according to schedule, and the hub is nearly complete.

   iii) Three projects to be implemented in Garowe for the Mali country office and a suite of energy efficiency projects – with combined loans of USD 5.4 million – are being designed, and implementation will start soon.

   iv) The country offices in Kathmandu and Juba are developing plans and will provide timelines for the disbursement of funds totalling USD 2.1 million.

230. A cash-flow projection based on forecast CBF expenditure and loan repayments shows that with repayments from the FPI and LESS loans and the CBF ceiling of USD 47 million, USD 13.8 million is available for additional projects. No increase in the CBF ceiling is required at this time.

231. Unlike the CBF, which is a lending instrument with budgetary authority provided in the form of a line of credit that is repaid by recipient projects, the Wellness Programme Fund, managed within a special account, provides resources to subsidize the wellness components of initiatives funded from the CBF if other sources of funding are not available. The funding proposal for the Wellness Programme Fund in 2018 is contained in Section IV of the Management Plan.

Fee-for-service activities – ceiling USD 20 million

232. The fee-for-service mechanism can provide advances of up to USD 20 million for information technology (IT) services and staff security; these advances are normally recovered within the year. The advances outstanding at any time cannot exceed the ceiling, but the volume of advances transacted each year may do so, as recoveries are made throughout the year.

233. The per capita funding model was introduced in 2013 to recover recurring costs of corporate IT systems and connectivity. For an IT service to be subject to a per capita fee it must be available to all WFP units and offices through centralized contracting, with payments charged according to the number of staff based in the units and offices.

234. The special account for security, including the Security Emergency Fund, is intended to enable WFP to implement its activities and achieve its objectives while ensuring the safety and security of its personnel and recognized dependants and the security of its premises and assets. The account provides funding for the deployment of staff to provide advice, guidance and technical assistance relating to best practices in security risk management. The staff members are located

at global headquarters and in country offices and are also deployed as surge support in emergency situations. They conduct security assistance missions according to regional priorities, make security recommendations and monitor the implementation of these recommendations. The Security Emergency Fund also enables country offices to comply with minimum operating security standards (MOSS), enhance facilities and purchase telecommunications equipment.

235. Recovery of the cost of fee-for-service activities is managed centrally. Headquarters units and country offices are requested to pay their shares of the various costs, and each must also identify funding for repaying advances. This approach will remain unchanged for Global Headquarters Units in 2018 but, similar to 2017, country offices will no longer need to earmark direct support funding. Instead, country offices, costs for services will be paid out of their budgets.

236. Table V.1 shows the estimated level of activity in special accounts for corporate services, with advance financing ceilings and estimated expenditures during 2018.

TABLE V.1: CORPORATE SERVICES FINANCING MECHANISM SPECIAL ACCOUNTS IN 2018 *(USD million)*

	Advance financing ceiling		**Estimated expenditure**		**%**
i) GVLP		15		14	21
ii) CBF					
LESS	20		4		
Improved premises	27		7		
Total CBF		47		11	17
iii) Fee-for-service activities					
IT services			23		
Security			19		
Total fee-for-service		20		41	62
Total		**82**		**66**	**100**

Business services

237. Other special accounts provide business services within WFP and for partners. The estimated volume of these transactions in 2018 is USD 166 million, of which the Aviation Special Account accounts for 25 percent. Other activities, include the United Nations Humanitarian Response Depot (UNHRD), accounting for 21 percent, cash-based transfer (CBT) services for partners (20 percent), and self-insurance (15 percent).

238. The Aviation Special Account, which has projected resources of USD 41 million for 2018, is managed by the WFP Aviation Service and provides aviation services to WFP and external customers. The service arranges transport by air of both humanitarian cargo for relief operations and humanitarian workers. Its responsibilities include management of the United Nations Humanitarian Air Service (UNHAS), which deploys a fleet of more than 70 chartered aircraft to operations around the world. The fleet transports both light cargo and personnel to some of the most inaccessible and insecure locations where assistance is needed, and UNHAS constitutes about 74 percent of the WFP Aviation Service's core activities. The Aviation Service also provides freight services for relief operations, passenger services not covered by UNHAS, and air-drops to remote populations for rapid and targeted responses.

239. The Aviation Special Account is also used to promote a culture of aviation safety and to ensure compliance with standards through quality assurance reviews of Aviation Service operations.

240. The UNHRD network, with projected resources of USD 35 million for 2018, is operated by WFP and consists of six hubs at strategic locations around the world. It facilitates preparedness and response by supporting strategic stockpiling by United Nations, international, governmental and non-governmental organizations. The network also holds stocks of emergency relief goods such as medical kits, shelter items, ready-to-use supplementary foods, IT equipment and other assets, all designed to support relief organizations responding to emergencies.

241. The special account for CBTs, with projected resources of USD 32 million for 2018, enables WFP to extend its CBT platform and services to humanitarian partners – governments, non-governmental organizations and other United Nations agencies – while ensuring that the funds of these partners are managed transparently and effectively.

242. The Self-Insurance Special Account, established by the Committee on Food Aid Policies and Programmes (CFA) in 1993, enables WFP to provide insurance cover for food and goods in transit. Through the account, WFP self-insures against a significant part of any potential food loss, which allows it to negotiate premiums at significantly below market rates to cover the balance of the potential loss and to minimize negative economic effects on projects resulting from food losses.

243. Over the years, the WFP operational landscape has changed substantially, exposing the organization to additional risks. Under the legal framework within which WFP operates, legal title to food commodities passes to the recipient government at the point of first entry into the country. Any losses prior to the entry point are presently covered through insurance arrangements, including a self-insurance retention scheme. However, these arrangements do not apply after commodity title has passed to the recipient government, even where WFP retains the control and custody of the commodities. Given the increased geographical reach of WFP’s operations and WFP’s expanding duty of care for such commodities, insurance coverage is needed for any losses that may arise from the moment WFP takes possession of the commodities up until their physical hand-over to the beneficiaries or cooperating partners. In addition, WFP works in environments of conflict and security, which poses increased risk of loss of humanitarian assistance in recipient countries. While WFP strives to ensure that adequate measures are in place to protect the organization against the risk of loss, not all losses can be transferred to third parties in security challenged contexts. Finally, in view of the nutrition considerations that are relevant to all WFP operations and programmes and the enhanced focus on the nutrition needs of the people WFP serves, WFP handles an expanded range of specialized nutritious foods. The use of more sensitive foods has introduced new types of risk that typically fall outside the scope of insurable risks. Accordingly, the present insurance arrangements need to be enhanced to align with and support WFP’s current operational set-up. To this end, the Secretariat will implement two changes to the existing arrangements:

- The scope of the Self-Insurance Retention Scheme will be extended from the moment WFP takes possession of goods up to the physical hand-over to the cooperating partner, the beneficiaries or the government. This scheme will continue to operate under the umbrella of an external insurance cover.
- Coverage will be provided for losses that are non-insurable under the re-insurance cover, including losses arising from the inherent characteristics of a product or as a direct result of war-like situations. This scheme will be operated separately from the Self-Insurance Retention Scheme, without the support of an external insurance cover.

244. These measures will contribute to minimizing the economic impact of losses on projects, allowing for a prompt replacement of any humanitarian assistance goods that are lost or damaged while under WFP’s care.

Other special accounts

245. The purpose of the Integrated Road Map Special Account, with projected resources of USD 19 million for 2018, is to enable the strategic management of resources, guarantee transparency and accountability in the use of resources and facilitate more effective control of funds and coordination of IRM activities. In 2018, implementation of the IRM, including activities arising from increased flexibility in the IRM timeline, will be managed through this special account.

246. The Zero Hunger Acceleration Fund, with projected resources of USD 5 million for 2018, is an umbrella fund managed by the WFP Innovation Accelerator. It supports innovative projects – both non-profit interventions and for-profit ventures – that have demonstrated impact, and enables them to reach scale, allocating funding based on projects' potential for transformative impact in achieving zero hunger. In partnership with the Government Partnerships Division and the Private Sector Partnerships Division, the WFP Innovation Accelerator raises funds in the form of grants and in-kind contributions.

247. WFP launched ShareTheMeal, which has projected resources of USD 800,000 for 2018, in November 2015. The ShareTheMeal app enables users worldwide to donate to WFP's programmes through their cell phones and the related special account is funded exclusively by grants. A cost-recovery mechanism to enable country offices to carry out specific monitoring activities will be explored in the future.

Acronyms used in the document

CBF	Capital Budgeting Facility
CBT	cash-based transfer
COMET	country office tool for managing effectively
CPB	country portfolio budget
CRF	Corporate Results Framework
CSP	country strategic plan
EDI	electronic data interchange
FAO	Food and Agriculture Organization of the United Nations
FASTER	Functional and Support Training for Emergency Response
FPI	Field Premises Improvement
GCC	Gulf Cooperation Council
GVLP	Global Vehicle Leasing Programme
HRM	Human Resources Division
IATI	International Aid Transparency Initiative
ICSP	interim country strategic plan
IFI	international financial institution
IMF	International Monetary Fund
IRA	Immediate Response Account
IRM	Integrated Road Map
ISC	indirect support costs
IT	information technology
KPI	key performance indicator
LESS	Logistics Execution Support System
MOU	Memorandum of Understanding
OIG	Office of the Inspector General
OIGI	Office of Inspections and Investigations
PGC	Partnership and Advocacy Coordination Division
PSA	Programme Support and Administrative (budget)
PSAEA	PSA Equalization Account
RBA	Rome-based agency
SDG	Sustainable Development Goal
SPA	strategic partnership agreement
SPC	standard position cost
T-ICSP	transitional interim country strategic plan
UNDSS	United Nations Department of Safety and Security
UNHAS	United Nations Humanitarian Air Service
UNHRD	United Nations Humanitarian Response Depot
VAM	vulnerability analysis and mapping