WFP
World Food Programme
Programme Alimentaire Mondial
Programa Mundial de Alimentos
برنامج الأغذية العالمي

Update to the management plan (2024–2026)

(draft unedited version)

1. Section I: Introduction

1.1. Draft decisions

Having considered the update on the WFP management plan for 2024–2026 WFP/EB.1/2024/6-B/1, the Board:

a) *takes note* of the decreased contribution forecast for 2024 from USD 10 billion reported in the WFP management plan (2024–2026) (WFP/EB.2/2023/5-A/1) to USD 8 billion;

b) *takes note* of the projected operational requirements of USD 18 billion as of 31 March 2024, and of the updated provisional implementation plan of USD 10 billion;

c) *takes note* of the reorganization and the new organigram with updated reporting lines expanding on the elements introduced in the Addendum to WFP management plan (2024–2026) and referred to in paragraph xii) (WFP/EB.2/2023/5-A/1);

d) *authorizes* the Executive Director to reduce the approved programme support and administrative appropriation of USD 568 million for 2024, up to a maximum total reduction of USD 85 million across the three appropriation lines, in order to implement cost-saving measures in light of the decreased contribution forecast, without prejudice to the Executive Director's authority pursuant to paragraph x) of the Board's WFP management plan (2024–2026) (WFP/EB.2/2023/5-A/1) decision in the event of further changes to the contribution forecast, and looks forward to receiving regular updates;

e) *approves* the use of the unearmarked portion of the General Fund instead of the programme support and administrative equalization account as the funding source for the following two allocations approved pursuant to paragraphs vi) and vii) d) of the Board's decision 2023/EB.2/3:

   i) USD 21 million for the corporate process optimization critical corporate initiative; and

   ii) USD 50 million for the replenishment of the Immediate Response Account;

f) *takes note* of the preliminary information regarding self-insurance schemes.

1.2. Introduction

1. At the 2023 second regular session, the Board approved WFP's management plan for 2024–2026. This document is the first update on that plan.

2. This document provides an update on the contribution forecast, the operational requirements and implementation plan for 2024. It also presents the reorganization exercise with an updated organigram, the corresponding programme support and administrative (PSA) budget with the revised structure, and a replanned PSA budget in light of lower contributions. This document also proposes the use of the unearmarked portion of the General Fund instead of the PSA equalization account (PSAEA) for two elements

approved in the management plan for 2024–2026. Finally, the document introduces proposed enhancements to operational risk insurance and medical insurance schemes to be included for approval as part of the management plan for 2025–2027.

2. Section II: Update on forecasted contributions

3. The management plan for 2024–2026 assumed a contribution forecast of USD 10 billion in 2023 and 2024, respectively. In 2023, confirmed contributions amounted to USD 8.3 billion, 17 percent lower than the forecasted contributions, reflecting challenges related to making funding predictions in a volatile world with fiscal constraints affecting many Member States.

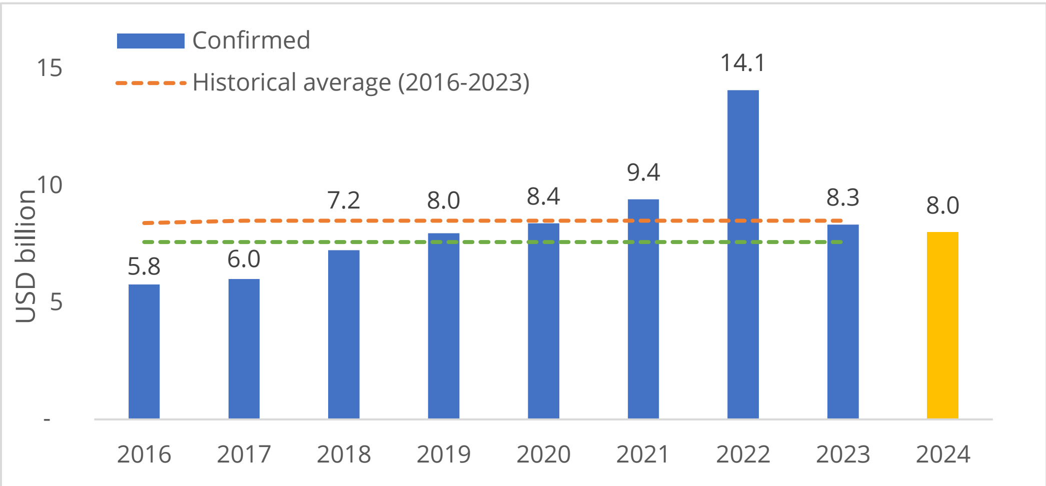
4. WFP's current analysis indicates that the funding levels in 2024 may return to pre-pandemic levels. In light of shifting donor priorities and uncertainty related to multiplicity and complexity of humanitarian crises and global economic growth, WFP has revised the 2024 contribution forecast to USD 8 billion.

5. Sixty percent of the USD 8 billion is expected from WFP's top four donors, a 5 percent decrease compared to expectations when the management plan (2024–2026) document was approved. Meanwhile, 22 percent is expected from the top ten donors (excluding the top four) and 18 percent from all other donors.

6. Flexible funds are projected at USD 880 million, which is 11 percent of the total forecasted contributions, and represents a slight increase compared to what was previously projected vis-à-vis a higher contribution forecast of USD 10 billion.

7. As of 25 March 2024, WFP had received USD 1.8 billion in confirmed contributions, representing 23 percent of the USD 8 billion global forecast. This is in line with previous years trends and the fact that historically the largest share of contributions to WFP is confirmed in quarters 3 and 4.

Figure 2.1: Evolution of donor contributions



8. To address the gap between the revised forecast of USD 8 billion for 2024 and the revised projected operational requirements of USD 18 billion (versus USD 22.7 billion included in the management plan for 2024–2026), WFP will retain and strengthen existing partnerships with high potential- donors through strategic engagement, enhanced visibility, assurance, and transparency. WFP will forge new partnerships, including in the Global South, seek more flexible and predictable funding and increase domestic funding from host governments for its programmes.

9. WFP will also seek to diversify funding sources and continue to prioritize activities aimed at obtaining new resources from national governments, international financial institutions, the private sector, individuals, and thematic and multilateral funds. To achieve this, WFP will continue to provide proactive support to country offices and regional bureaux to make evidence-based proposals.

3. Section III: Update on operational requirements and implementation plan

3.1. Introduction

10. This section provides an overview of the updated 2024 projected operational requirements and provisional implementation plan.

11. The management plan (2024–2026) anticipated operational requirements of USD 22.7 billion with the ambitious goal of assisting 157 million people worldwide. Driven by record numbers of people experiencing hunger globally, WFP's requirements over recent years have been increasing in an environment of lower resources. Consequently, the funding gap continues to widen from a 40 percent gap in 2021 to a 52 percent gap as projected in the management plan (2024–2026). Further exacerbating this gap is the reduction in WFP's updated global contribution forecast for 2024 from USD 10 billion to USD 8 billion.

12. In light of the increasingly unattainable resources to meet the operational requirements, WFP is adapting a prioritized needs approach when defining the operational requirements within the country strategic plans (CSPs). This approach is designed to improve consistency across operations while better aligning with projected resources. As a result of this approach, the projected operational requirements for 2024 have been adjusted downward, from USD 22.7 billion to USD 18 billion aiming to reach 139.2 million people in need.

13. Based on a contribution forecast of USD 10 billion, the management plan (2024–2026) reported a provisional implementation plan at USD 11 billion to support 120 million beneficiaries. With the reduction of the contribution forecast, the updated provisional implementation plan is USD 10 billion with the aim to assist 106 million beneficiaries.

3.2. Update on operational requirements and implementation plan

TABLE 3.1: OPERATIONAL REQUIREMENTS VERSUS IMPLEMENTATION PLAN, 2024 TOTAL AMOUNTS

	Management plan (2024–2026)		Update to the management plan (2024–2026)	
	Operational requirements	**Provisional implementation plan**	**Projected operational requirement as per prioritized plan**	**Updated provisional implementation plan**
	(million)			
2024 requirements	USD 22 748	USD 11 000	USD 18 000	USD 10 000
2024 beneficiaries	157	120	139	106

Update on operational requirements

14. The introduction of the country-specific prioritization approach requires country offices to conduct thorough reviews of their operational contexts, capacities, and the severity of needs. The prioritization approach primarily targets large-scale programme activities, such as unconditional transfers, while also preserving critical programmes like school feeding and nutrition assistance for vulnerable refugee populations. While maintaining the strategic orientation of the CSPs in the context of financial constraints, the revised requirements will be reflected through budget revisions to the CSPs.

15. Approximately 80 percent of the operational requirements identified in the management plan for 2024–2026 are concentrated in 16 countries identified as higher-risk due to their size and complexity. As of 31 March, downward budget revisions for approximately USD 2 billion have been processed for eight countries, and downward revisions of USD 2.8 billion are in process. While most countries are revising their needs downwards, exceptions to this trend include the Sudan, the Democratic Republic of Congo, and the State of Palestine, which are projecting scale-ups given deteriorating contexts. Accounting for these revisions (completed and planned), the updated projected operational requirements is USD 18 billion, with a resulting funding gap of 44 percent.

16. To mainstream the new approach, WFP headquarters is preparing guidelines designed to enable country offices to develop realistic and calibrated needs-based plans that are grounded on rigorous needs assessments, adhere to consistent standards, while also considering country-specific context and operational constraints. The approach for needs-based plans should also be informed by the latest resource trends and forecasts, ensuring that plans are both strategic and adaptable to changing conditions.

17. The number of beneficiaries for the projected operational requirement has decreased from 157 million to 139 million. This is primarily a result of the prioritization strategy in the five top countries (Afghanistan, Ethiopia, Syrian Arab Republic, Yemen, and South Sudan).

Update on provisional implementation plan

18. Against a backdrop of a USD 10 billion global forecast, in late 2023 country offices prepared their 2024 implementation plans which total USD 11.2 billion. Following the reduction in the global forecast in February 2024 to USD 8 billion, country offices were prompted to update their implementation plans to further prioritize their CSPs’ activities and better align with revised projected resources.

19. In navigating these reduced funding levels, country offices are faced with difficult choices, including the reduction of ration sizes, shortening the duration of assistance, or prioritizing beneficiaries based on their vulnerability, beneficiary group, or geographic location. These decisions reflect the ongoing challenges in operational planning and resource allocation in a dynamic and often uncertain global humanitarian funding environment.

20. While country offices are revising their individual implementation plans, an updated provisional implementation plan has been developed at USD 10 billion. The total comprises global contribution forecast of USD 8 billion, the estimated use of net carry over contribution balances of USD 1.5 million, and the projected revenue of USD 500 million from on-demand service provision.

TABLE 3.2: OPERATIONAL REQUIREMENTS VERSUS IMPLEMENTATION PLAN, 2024 BY FOCUS AREA								
Focus area	**Management plan (2024–2026)**				**Update to the management plan (2024–2026)**			
	Operational requirements		**Provisional implementation plan**		**Projected operational requirements**		**Updated provisional implementation plan**	
	2024	**Propor-tion of total**	**2024**	**Propor-tion of total**	**2024**	**Propor-tion of total**	**2024**	**Propor-tion of total**
	(USD million)	***%***	***(USD million)***	***%***	***(USD million)***	***%***	***(USD million)***	***%***
Crisis response	17 469	77	8 805	80	13 439	75	7 870	78
Resilience building	4 617	20	1 826	17	3 920	22	1 794	18
Root causes	662	3	369	3	627	3	372	4
Total	**22 748**	**100**	**11 000**	**100**	**17 986**	**100**	**10 000**	**100**

Analysis of projected operational requirements

21. A comparison of the projected operational requirements in the management plan for 2024–2026 with the updated requirements shows a 24 percent reduction in crisis response and a 15 percent reduction in resilience activities, while root causes is remaining constant. In terms of proportions, the updated figures for crisis response and resilience building are within 2 percentage point difference with the original figures. Root causes remains largely unchanged.

Analysis of updated provisional implementation plan

22. In table 3.2, the analysis of the 2024 updated provisional implementation plan shows a decrease in the share of the plan foreseen for the crisis response area and slight increases in the resilience building and root causes focus areas. Due to the drop in funding projections, country offices have had to scale back on some of the crisis response activities while many resilience and root causes activities are maintained due to the more long-term nature of those activities and funding commitments. In response to the financial challenges, country offices continue to work with host governments to leverage non-traditional financial mechanisms, such as international financial institutions, private sector and climate financing.

23. WFP’s updated provisional implementation plan maintained the same emphasis under Sustainable Development Goals 2 and 17, and their associated strategic outcomes with no major change compared with the original provisional implementation plan.

TABLE 3.3: OPERATIONAL REQUIREMENTS VERSUS IMPLEMENTATION PLAN, 2024 BY TRANSFER MODALITY								
	2024 management plan				2024 updated management plan			
Transfer and associated costs	**Operational requirements**		**Provisional implementation plan**		**Projected operational requirement**		**Updated provisional implementation plan**	
	2024 operational requirements	**% of total transfer costs**	**2024 provisional implementation plan**	**% of total transfer costs**	**2024 projected operational requirements**	**% of total transfer costs**	**2024 updated provisional implementation plan**	**% of total transfer costs**
	(USD million)	***(%)***	***(USD million)***	***(%)***	***(USD million)***	***(%)***	***(USD million)***	***(%)***
Food	9 322	48	4 939	53	7 221	48	4 001	48
Cash-based transfers (CBTs)	7 054	36	2 831	30	5 307	35	2 627	33
Cash	*5 219*	27	2 082	22	3 747	25	1 798	*22*
Value vouchers	*1 835*	9	749	8	1 560	10	829	*10*
Commodity vouchers	757	4	260	3	347	2	179	2
Capacity strengthening	1 011	5	489	5	1 045	7	594	9
Service delivery	1 334	7	770	8	1 093	7	678	8
Total transfer costs	**19 478**	**100**	**9 289**	**100**	**15 013**	**100**	**8 079**	**100**
Implementation costs	1 213		659		1 192		809	
Direct support costs (DSC)	725		442		718		558	
Total direct costs	**21 416**		**10 390**		**16 924**		**9 446**	
Indirect support costs (ISC)	1 332		610		1 062		591	
Total	**22 748**		**11 000**		**17 986**		**10 000**	

24. In table 3.3, food and CBTs continue to be the main transfer modalities in the updated provisional implementation plan. Food accounts for 48 percent, a 5 percentage point decrease, compared to the original provisional implementation plan; and CBT accounts for 33 percent, an increase of 2 percentage points compared with the original provisional implementation plan.

25. The implementation costs and DSC of the updated provisional implementation plan increased compared with the provisional implementation plan. The relatively high implementation and DSC estimated costs highlight the need for country offices to continue to strengthen their monitoring and assurance action plans, as well as maintain adequate

operational costs and DSC necessary for efficient programme delivery within the available resources.

4. Section IV: Update on PSA budget based on reorganization and updated contributions

4.1. Reorganization update

26. The Executive Director launched an internal review of WFP's organizational structure in August 2023, as described in the Addendum to the management plan (2024–2026) presented at the second regular session of the Executive Board in November 2023. The review explored how WFP should evolve to more effectively address the challenges facing operations and adapt to the new reality of rising humanitarian needs along with declining funding. The goal was to strengthen collaboration across the organization, streamline activities and ensure a focus on frontline operations and employees. In addition, the reorganization aimed to realign WFP's headquarters structures to the Executive Director's strategic priorities of strengthening the duty of care to WFP's people, promoting innovation and digitalization, achieving high-impact engagement with the private sector and enhancing support to country offices.

27. The organizational evolution spans across three phases. The first phase (August-September 2023) resulted in a new configuration of headquarters departments that was presented in the WFP management plan (2024–2026). The second phase, to review WFP headquarters at the divisional level, took place from October 2023 to January 2024. The resulting organizational structure at the division level was launched on 15 February 2024. Phase three, which will run from March to December 2024, will review WFP's regional configuration to refine the roles and responsibilities of headquarters and regional bureaux and improve their provision of strategic guidance, technical support and management oversight to field operations.

28. The organizational structure review included external benchmarking, internal consultations with field and headquarters directors and an analysis of WFP internal data (e.g. budget, span of control at the department and divisional levels, staffing analysis). The benchmarking exercise was based on interviews with key stakeholders from the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees and the International Office for Migration to understand the choices driving the organizational structure of their headquarters and regional offices.

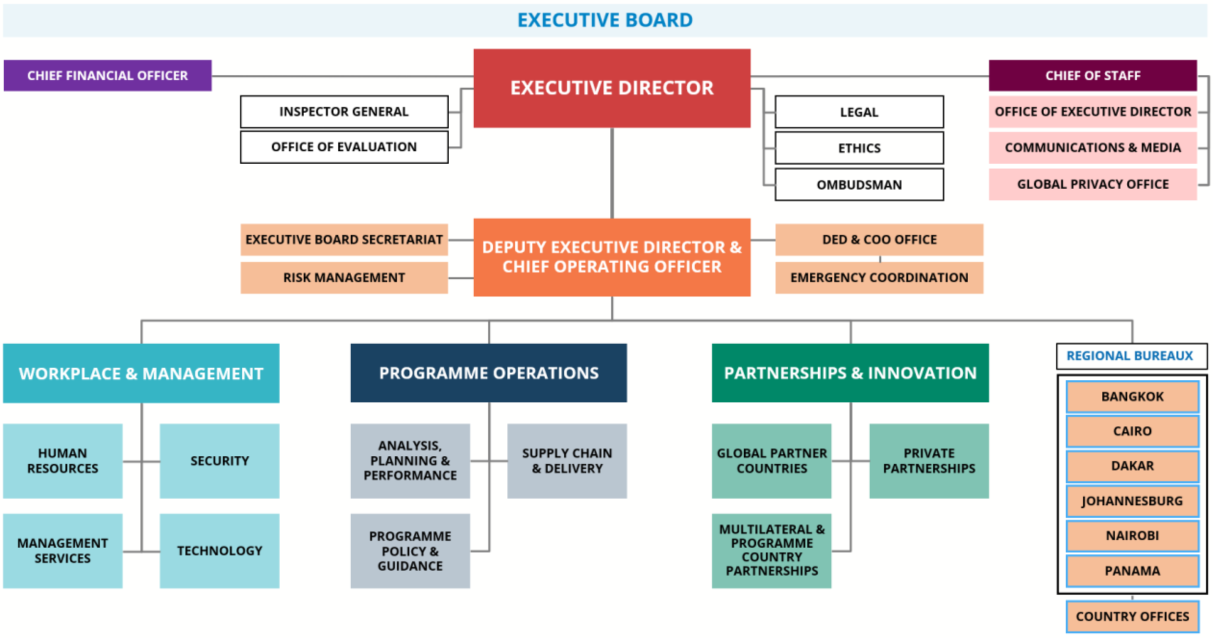
29. As part of the broad internal consultation, over 60 senior WFP officers from the field and headquarters were regularly engaged to help design the departmental and divisional target structure. The internal consultations identified three main opportunities for improvement of headquarters and regional bureaux structures:

    - bolstering coordination and collaboration between departments and divisions to mitigate fragmentation and strengthen governance;
    - refining roles, responsibilities and accountabilities in headquarters and regional bureaux to ensure more focused provision of strategic guidance, technical support and management oversight to country offices; and
    - streamlining processes and reducing bureaucracy relating to policies, procedures, systems and guidance to improve operational agility and response times.

30. The new divisional configuration will equip WFP with a more streamlined organizational structure that enhances collaboration and fosters efficiency and effectiveness. As a result, WFP has evolved from an organization with:

- one Deputy Executive Director and four Assistant Executive Directors to one Deputy Executive Director and three Assistant Executive Directors; and
- 31 divisions to 23 divisions. This decision reduced the number of D-2 positions in headquarters from 25 to 19; and the number of D-1 positions in headquarters from 50 to 45.

31. The new headquarters organizational structure is as follows:



32. The Deputy Executive Director and Chief Operating Officer oversees three Assistant Executive Directors, who serve as heads of departments. In addition, the Deputy Executive Director and Chief Operating Officer oversees the regional bureaux, the Risk Management Division, the Executive Board Secretariat and the Office of the Deputy Executive Director and Chief Operating Officer. The Office of the Deputy Executive Director and Chief Operating Officer will include: emergency coordination, regional bureaux coordination, strategic analysis and transformation and change.

33. The Chief of Staff will continue to oversee the Office of the Executive Director and the Global Privacy Office. In addition, the Chief of Staff will oversee the Communications and Media Office, which is responsible for developing WFP's communications across all public platforms. This will ensure WFP implements a coordinated and cross-departmental communications strategy with internal and external stakeholders.

34. The Chief Financial Officer will serve as the organization's most senior financial advisor, with an internal mandate over resource management and external engagement with the Executive Board, the United Nations Finance and Budget Network and financial oversight and advisory bodies. The Chief Financial Officer will also have authority over financial policy design and implementation. The division will drive effective resource planning, allocation and utilization, and oversee the financial cycle, from corporate planning, through budgeting and performance, recording of accounting transactions and payments, to financial performance reporting. In addition, the division will oversee insurance services (special

account and resource management) strategic financing and financial monitoring. The Workplace and Management Department consolidates all services and functions designed to support, protect and empower WFP's global teams. The department merges the former Workplace Culture Department with four of the six divisions in the former Management Department, consolidating all people-centred functions and services to allow WFP to deliver on its mandate with safety and security as a core focus. The department oversees four divisions: the Human Resources Division, the Management Services Division, the Security Division, and the Technology Division. In addition, the Assistant Executive Director of the Workplace and Management Department directly supervises the Wellness Service.

35. The Programme Operations Department strategically supports operational delivery and every aspect of programme analysis, design and implementation. The new department merged the former Programme and Policy Development Department with the former Supply Chain Operations Division, some elements of the former Emergency Operations Division and some elements of the former Corporate Planning and Performance Division. This new configuration intends to remove overlaps and strengthen the integration of programmatic and operational activities by streamlining the number of divisions from 11 to 3. The department oversees three divisions: the Analysis, Planning and Performance Division, which includes all functions related to analysis, assessment, research, knowledge management and CSPs programme budget management; the Programme Policy and Guidance Division, which includes services dealing with emergency preparedness and response, nutrition and food quality, gender, protection and inclusion, school meals and social protection, and climate and resilience; and the Supply Chain and Delivery Division, which consolidates all implementation activities, including procurement, shipping, logistics, aviation and delivery assurance.

36. The Partnerships and Innovation Department leads an ambitious new approach to expanding the range and scale of WFP's strategic partnerships. The department oversees three divisions: the Multilateral and Programme Country Partnerships Division, the Global Partner Countries Division and the Private Partnerships Division. The Berlin, Brussels, Geneva, New York, and Washington global offices and the Partnerships Coordination Services and Innovation Service will report directly to the Assistant Executive Director for Partnerships and Innovation.

37. In February 2024, a governance review was launched to update the composition of management committees to align with the new organizational structure and the division of responsibilities established thereunder. As a second step, management level committees within WFP will be reviewed to identify improvement opportunities to ensure the committees meet WFP's business needs. The governance review is expected to be concluded in Q2 2024.

4.2. Restructured budget

TABLE 4.1: 2024 BASELINE BUDGET BY FUNDING SOURCE *(USD million)*			
PSA (ISC)	**Critical corporate initiatives (PSAEA)**	**Trust funds, special accounts, and others**	**Total**
568.0	97.9	145.6	811.4

38. Subsequent to the approval of WFP’s the new organizational structure as described in section 4.1, WFP’s programme support and business operating budget for 2024 has been realigned. The baseline budget at USD 811.4 million in 2024, as reflected in table 4.1 above, remains unchanged from the budget presented in the management plan (2024–2026). The realignment has no impact on the budget by funding source, PSA appropriation line or pillar, or management result. What does change is the budget when viewed at the departmental level.

TABLE 4.2 PSA ORGANIZATIONAL STRUCTURE – FORMER STRUCTURE AND NEW STRUCTURE
(USD million)

			Post reorganization departments							
		Grand total	**Country offices**	**Regional bureaux**	**Executive Director and Chief of Staff**	**Deputy Executive Director and Chief Operating Officer**	**Partnerships and Innovation**	**Programme Operations**	**Workplace and Management**	**Central appropriations**
Pre-reorganization departments	Country offices	**60.2**	60.2							
	Regional bureaux	**115.7**		115.7						
	Executive Director and Chief of Staff	**56.1**			56.1					
	Management	**95.2**			24.6	6.0		5.0	59.6	
	Operations Management	**53.6**				15.0		37.6	1.0	
	Partnerships and Advocacy	**63.8**			11.8		52.0			
	Programme and Policy Development	**52.4**					3.0	49.4		
	Workplace Culture	**35.3**							35.3	
	Central appropriations	**35.6**								35.6
Grand total		**568.0**	**60.2**	**115.7**	**92.5**	**21.0**	**55.0**	**92.0**	**95.9**	**35.6**

39. Table 4.2 above reflects the evolution of the approved PSA budget from the six former departments to the five new departments as described in section 4.1.

40. **Management Department:** The former management department sees the most changes with its budget being allocated across four new departments:

- ➢ the budget of the Finance Division remains fully within the Chief Financial Officer Division under the Executive Director and Chief of Staff;
- ➢ the budget of the former Corporate Planning and Performance Division is split with elements related to corporate performance, budgeting and reporting and strategic financing risk monitoring remaining with the Chief Financial Officer, while the budget for CSP resource management and strategic financing operational activities moves to the Programme Operations Department;

- the budget for the Risk Management Division moves fully to the Deputy Executive Director and Chief Operating Officer; and
- the budgets of the Technology Division, Management Services Division and Security Division move fully to the Workplace and Management Department.

41. **Partnerships and Advocacy Department:** The majority of the budget of the former Partnerships and Advocacy Department is reallocated to the Partnership and Innovation Department. The budget of the former Communications and Advocacy Division moves to the Executive Director and Chief of Staff under the newly formed Communications and Media Office.

42. **Operations Management Department:** The former Operations Management Department has been split as follows:
    - the budget of the Office of the Deputy Executive Director and Chief Operating Officer, the Executive Board Secretariat, some elements of the former Emergency Operations Division and of the Operation Management Support Office remain with the Deputy Executive Director and Chief Operating Officer;
    - the Supply Chain Division and the largest portion of the Emergency Operations Division move to the Programme Operations Department; and
    - a small element of the Emergency Operations Division related to management of surge capacity moves to the Workplace and Management Department.

43. **Programme and Policy Development Department**: The budget of the former Programme and Policy Development Department is reallocated to the Programme and Operations Department, with the exception of the budget related to innovation activities under the Innovation and Knowledge Management Division. The budget for the innovation activities under the Innovation and Knowledge Management Division moved to the Partnerships and Innovation Department.

TABLE 4.3: PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET BY PILLAR AND ORGANIZATIONAL LEVEL
(USD million)

Department	Strategy and direction	Services to operations		Governance, independent oversight and fundraising		Total
	A. Strategy and direction	B. Business services	C. Policy, guidance and quality assurance	D. Advocacy, partnerships, fundraising and United Nations coordination	E. Governance and independent oversight	
Country offices	**23.9**		**10.0**	**26.3**		**60.2**
Regional bureaux	**10.2**	**46.0**	**44.1**	**11.5**	**3.9**	**115.7**
Headquarters	**84.8**	**123.9**	**48.5**	**60.3**	**39.0**	**356.4**
Office of the Executive Director and Chief of Staff	16.9	16.1	14.0	9.0	36.6	92.5
Deputy Executive Director and Chief Operating Officer	4.1	9.1	5.4		2.4	21.0

TABLE 4.3: PROGRAMME SUPPORT AND ADMINISTRATIVE BUDGET BY PILLAR AND ORGANIZATIONAL LEVEL *(USD million)*						
Department	**Strategy and direction**	**Services to operations**		**Governance, independent oversight and fundraising**		**Total**
	A. Strategy and direction	**B. Business services**	**C. Policy, guidance and quality assurance**	**D. Advocacy, partnerships, fundraising and United Nations coordination**	**E. Governance and independent oversight**	
Partnerships and Innovation	12.8	2.0		40.3		55.0
Programme Operations	28.6	29.9	23.8	9.7		92.0
Workplace and Management	22.4	66.9	5.3	1.3		95.9
Central appropriations	2.3	23.4		7.4	2.5	35.6
Total	**121.3**	**193.2**	**102.6**	**105.5**	**45.4**	**568.0**

44. Table 4.3 above presents the 2024 PSA budget in the new organizational structure by appropriation line and pillar. There is no change to the total budget by appropriation line or pillar as compared to the former structure.

45. Compared to the previous budget structure, a higher proportion of the budget of the Office of the Executive Director and Chief of Staff is going toward business services due to activities of the Chief Financial Officer Division that now reports directly to the Executive Director.

46. The Programme Operations Department is well balanced between pillars A, B and C with a small share of the budget going towards pillar D. This allocation reflects the diversity of the Programme Operations Department in supporting programmatic strategy and policy, CSP design and implementation, operational delivery and partnership operational management.

47. The budget of the Workplace and Management Department leans heavily towards pillar B reflecting the nature of its main divisions – Human Resources, Technology, Management Services and Security.

4.3. Replanned PSA budget

48. In line with the projected ISC income generated from USD 10 billion in forecasted contributions, the 2024 PSA budget was approved in November 2023 at USD 568 million. As explained in section II, the global contribution forecast has been reduced to USD 8 billion for 2024. Contributions of USD 8 billion will generate ISC income of USD 456 million, leading to a substantial PSA deficit if the full approved PSA budget is utilized.

49. In mid-2023 with signs of declining resources, WFP began taking action to reduce PSA expenditures in 2023. In December 2023, in anticipation of a second year of contributions falling below USD 10 billion, WFP management embarked on a more aggressive approach to minimize the potential PSA deficit in 2024. PSA allotments for 2024 were initially released in full for country offices, offices reporting to the Executive Director (primarily oversight offices) and central appropriations, while regional bureaux and other global headquarters divisions and liaison offices received 75 percent of their approved PSA budgets. After the

preliminary 2023 financial closure, when contribution levels for 2023 were confirmed to fall significantly short of the forecast, WFP embarked on a PSA replanning exercise to have visibility of the impact of the potential reduction in the PSA.

50. The objective of the replanning was to develop a PSA utilization plan to calibrate the PSA budget to the updated income forecast and consequent lower level of operations. Guidance for the PSA utilization plan prioritized field-focused activities and activities that are the most impactful and capitalizing on past investments in efficiencies and are related to oversight, while continuing to follow the priorities as set out in the approved management plan. The PSA ceilings for the replanning were set at the level of the reduced allotments. Encumbered positions as of January 2024 were used as the starting point for the staff replanning. Directors were reminded of staff contractual obligations and to consider the organization's commitment to staff duty of care when planning for staff reductions, and directors were encouraged to reduce non-staff discretionary costs.

51. The first phase of the replanning resulted in a PSA utilization plan at USD 467 million. Analysis of the replanning exercise revealed critical funding gaps in headquarters and regional bureaux. Consequently, the initial allotments were increased by USD 16 million to supplement funding for security, Executive Board Secretariat activities, maintenance and running of the headquarters building, cybersecurity, supply chain capacity, management of downsizing and staff separations activities, and regional bureau capacity for critical country office oversight and support. At present, the utilization plan stands at USD 483 million. The current utilization plan by organizational level is shown in annex 1.

52. Actual PSA utilization is likely to change over the course of the year. Owing to the timelines of agreed separations, re-assignment and position abolishment, positions may be encumbered longer than planned by the organizational units to stay within reduced budget allocations. In this event, as staff will continue to perform their normal duties, additional PSA will be released until the positions are officially abolished. Similarly, as we progress with implementation of the restructuring, budget reductions for some critical activities may be identified and require increases in the allotments, or unexpected events and costs may arise that require funding beyond the current utilization plan.

TABLE 4.4: 2024 PSA BY APPROPRIATION LINE AND PILLAR *(USD million)*

Appropriation line and pillar	Original	Utilization plan	USD value difference	% change
Strategy and direction	**121.3**	**100.6**	**(20.7)**	**-17%**
A - Strategy and direction	121.3	**100.6**	(20.7)	-17%
Services to operations	**295.8**	**246.3**	**(49.4)**	**-17%**
B - Business services	193.2	**163.3**	(29.9)	-15%
C - Policy, guidance and quality assurance	102.6	**83.0**	(19.6)	-19%
Governance and independent oversight and fundraising	**150.9**	**135.8**	**(15.2)**	**-10%**
D - Advocacy, partnerships, fundraising and UN coordination	105.5	**92.3**	(13.2)	-12%
E - Governance and independent oversight	45.4	**43.4**	(2.0)	-4%
Total	**568.0**	**482.6**	**(85.3)**	**-15%**

53. As reflected in table 4.4 above, the result of replanning exercise shows a total reduction of USD 85 million or 15 percent of the original PSA plan. By appropriation line, both strategy and direction and services to operations lines have been reduced by 17 percent. The governance, independent oversight and fundraising appropriation line is only decreasing by 10 percent because oversight offices and activities were prioritized and largely spared from the budget reductions.

TABLE 4.5: 2024 PSA BY OBJECT OF EXPENDITURE *(USD million)*				
	Original	**Utilization plan**	**Value difference**	**% change**
Employee costs	453.7	372.4	(81.3)	-18
Non-employee costs	114.3	110.2	(4.1)	-4
Total	**568.0**	**482.6**	(85.3)	**-15**

54. The budget replanning will have a significant impact on WFP's workforce as employee costs represent 80 percent of the approved PSA. The high percentage reduction in the utilization plan or employee costs reflects current vacancies, the on-going hiring pause and the flexibility for non-renewal of short-term staff contracts. Conversely, within the non-employee costs, there is a much higher level of fixed costs such as facilities and information technology infrastructure, United Nations jointly funded activities; and non-staff costs in country offices and costs for outsourcing for essential oversight activities, such as evaluations, were not subject to the reductions.

TABLE 4.6: 2024 PSA POST COUNT				
	Original	**Utilization plan**	**Value difference**	**% change**
International Professional and higher	1 426	1 143	-283	-20
General service	510	446	-64	-12
Local staff (national officers and General Service)	740	656	-83	-11
Fixed-term subtotal	**2 676**	**2 246**	**-430**	**-16**
Professional and higher (short-term)	22	37	15	68
General service (short-term) and temporary assistance	163	127	-35	-22
Consultants	622	457	-164	-26
Short-term subtotal	**807**	**622**	**-185**	**-23**
Total	**3 483**	**2 868**	**-615**	**-18**

55. As expected, the percentage of full-time equivalent positions for short-term employees, at 23 percent, has a higher reduction than for fixed-term staff. One anomaly within the short-term staff is in short-term professional and higher category. The increase in this category is a reflection of the hiring pause which has delayed converting short-term professional and consultancy positions to fixed-term.

56. While recognizing the need to ensure continued capacity and support to critical operations, various methods have been put in place to effectively and efficiently manage staffing reductions and stabilize the workforce. Throughout the stabilization process, employees and managers are being supported through regular engagement, targeted communication toolkits an employee support programmes with webinars and other useful resources.

57. As mentioned, in October 2023, a recruitment pause for global headquarters (Italy headquarters, regional bureaux and global offices) was announced. The pause is intended to give the organization sufficient time to make informed staffing decisions in line with the new funding reality. The pause is applicable to external recruitment and for all contract types and remains in place until further notice.

58. A one-off global agreed separations exercise was launched in February. It is based on expressions of interest and guided by an overarching consideration of the organization's interest. The final decision, however, on whether to accept a separation offer rests with the staff member. Final results and offers are expected to be communicated at the end of April 2024.

59. Within their own budget re-planning efforts, various offices have taken steps to reduce their planned staffing costs and levels. That includes, for example, cancelling planned new positions and vacancies as well as delaying the upgrading of positions. Nevertheless, WFP remains fully committed to implementing the staffing framework maintaining the current transition period which goes until the end of 2025. However, some position conversions have been slowed down or paused temporarily until there is a clearer understanding of their longer-term requirement and resources.

60. As offices have been reviewing their core needs against revised priorities, some rotational positions due for reassignment have been cancelled. As the staff members on those positions are in any case due for reassignment, they are expected to apply for other rotational opportunities in the current reassignment exercise. Should a staff member not be reassigned to a new position, they will be placed on "unassigned" status and be expected to apply for upcoming reassignment opportunities.

61. Other active positions not directly supporting reprioritized activities have been discontinued or plan to be discontinued. This means that short-term positions may not be extended upon completion of the current contract period. It also means that some encumbered staff positions have been earmarked for abolition. Correspondingly, an ad-hoc framework on the management of staffing implications has recently been approved, providing guidance on the abolition of positions. Those positions which have been earmarked are currently under review.

62. Finally, once the consolidated outcomes of the on-going workforce stabilization efforts are known, and in consideration of the status of the restructuring, including the review of regional bureau accountabilities, additional measures may be required.

Executive Director's authority to implement the PSA budget at a lower level

63. Paragraph xii) of the management plan (2024-2026), authorizes the Executive Director to adjust the PSA component of the budget in accordance with a change in the level of the global contribution forecast for the year, at a rate not to exceed 2 percent of the anticipated change in income. Two percent of the USD 2 billion decrease in the contribution forecast is USD 40 million. In its efforts to calibrate the PSA budget to a lower level of income, WFP aims to reduce its PSA utilization by more than USD 40 million. To allow for flexibility as the budget evolves, the Secretariat is requesting approval for the Executive Board to reduce the PSA up to a maximum of USD 85 million to implement cost-saving measures in light of the decreased contribution forecast.

4.4. Update on PSAEA and unearmarked portion of the General Fund

64. This section provides an update on the status of the PSAEA and the unearmarked portion of the General Fund and proposes using the unearmarked portion of the General Fund instead of the PSAEA as the source funding for two allocations approved in the management plan (2024–2026).

PSAEA

65. The PSAEA records the differences between WFP's ISC revenue and the PSA expenses for the financial period. The balance acts as a safety net for underwriting the risk of a shortfall in ISC income needed for PSA expenditure. The PSAEA projected balance presented in the 2024–2026 management plan was based on forecasted global contributions of USD 10 billion for both 2023 and 2024.

66. Since the time of the preparation of the management plan (2024–2026), the contribution landscape has changed. Actual contributions in 2023 were USD 8.3 billion, and the balance of the PSAEA at 1 January 2024 was USD 15 million lower than the projection. Meanwhile, the 2024 contribution forecast has been lowered to USD 8.0 billion which will reduce the projected ISC income by USD 112 million. Assuming the full PSA budget approved is spent, the projected PSAEA balance at 31 December 2024 would be USD 124.6 million.

67. In 2015, the Executive Board approved a PSA floor equivalent to two months of PSA expenditure.[1] With an approved PSA budget of USD 568 million, the floor is USD 95 million, thus the revised projected PSAEA balance is slightly above the floor. However, given the volatility of funding and the lead-time needed to make adjustments to fixed costs, it is desirable that the balance is closer to the upper end of the range. A higher balance can be achieved by reducing the PSA expenditures, as described in section 4.3 and/or reducing the approved allocations from the PSAEA.

[1] "Update on the Financial Framework Review" (WFP/EB.2/2015/5-C/1).

TABLE 4.7: PROJECTION OF THE PSA EQUALIZATION ACCOUNT *(USD million)*		
	Forecast as per management plan (2024–2026)	**Updated forecast**
PSAEA balance at 1 January 2024	**390.0**	**375.0**
ISC projected revenue income	568.0	456.0
Approved PSA budget as per management plan	568.0	568.0
Approved PSAEA drawdowns as per management plan	-138.4	-138.4
PSAEA balance at 31 December 2024	**251.6**	**124.6**

Unearmarked portion of the General Fund

68. The main source of income for the unearmarked portion of the General Fund is investment income from WFP's cash balances held in investment portfolios and bank and money market accounts, and foreign exchange income on treasury transactions, which is credited to the General Fund in accordance with Financial Regulation 11.3. In the management plan (2024–2026), the balance at 1 January 2024 was USD 330 million. Due to sustained high interest rates in 2023, the actual balance was USD 420 million. The current financial outlook indicates that high rates will continue, thus investment income for 2024 is projected to be higher than originally projected in the management plan (2024–2026). The updated projected unearmarked portion of the General Fund balance at the end of 2024 is USD 487.2 million, which is well above the prudent minimum balance of USD 150 million.

TABLE 4.8: UNEARMARKED PORTION OF THE GENERAL FUND *(USD million)*		
	Forecast as per management plan (2024–2026)	**Updated forecast**
Unearmarked portion of the General Fund balance at 1 January 2024	**330.0**	**420.0**
Projected income	125.0	150.0
Approved uses as per management plan (2024–2026)	-102.8	-102.8
Projected balance at 31 December 2024	**352.2**	**467.2**

Proposed swap of funding

69. Historical use of the unearmarked portion of the General Fund has included funding for large organizational initiatives, such as the implementation of WINGS, the Human Capital Management Platform as well as replenishment of the Immediate Response Account.

70. Given the higher-than-expected unearmarked portion of the General Fund income and the desire to maintain a PSAEA balance near the five-month target ceiling, the Secretariat proposes to use the unearmarked portion of the General Fund to fund the corporate process optimization critical corporate initiative in the amount of USD 21 million and the

Immediate Response Account replenishment of USD 50 million, both of which had been approved to be funded by the PSAEA.

71. This proposed swap of funding of USD 71 million is shown in table 4.9 below. With this swap, the unearmarked portion of the General Fund would have a projected end of year balance higher than what projected in the management plan (2024–2026).

TABLE 4.9: PROJECTED BALANCES WITH PROPOSED FUNDING CHANGES *(USD million)*		
	PSAEA updated forecast	**Unearmarked portion of the General Fund updated forecast**
Projected balance at 1 January 2024	**375.0**	**420.0**
Projected income	456.0	150.0
PSA	568.0	
Updated total projected uses	67.4	173.8
Approved use in the management plan (2024–2026)	*138.4*	*102.8*
Corporate process optimization critical corporate initiative	*-21.0*	*21.0*
Immediate Response Account replenishment	*-50.0*	*50.0*
Projected balance at 31 December 2024	**195.6**	**396.2**
PSAEA target (equivalent to five months of 2024 PSA expenditures)	236.7	
PSAEA floor (equivalent to two months of 2024 PSA expenditures)/unearmarked portion of the General Fund prudent balance	94.7	150.0

5. Section V: Self-insurance schemes

72. WFP anticipates including in the management plan (2025–2027) two proposals related to medical insurance and cargo insurance. This section introduces those proposals.

5.1. Expansion of operational risk self-insurance coverage

73. The Committee on Food Aid Policies and Programmes, the predecessor to the Executive Board, approved the implementation of a self-insurance arrangement for WFP international cargo in 1993 to address the challenges of obtaining appropriate insurance coverage in the open market. WFP was mandated to establish and operate a self-insurance arrangement on commercial insurance principles as if it were an external insurer. This scheme is commonly known as "the Captive", a form of self-insurance whereby the insurer is owned wholly by the insured. The Captive charges WFP's activities a premium, compensates the organization for its losses, seeks to recover losses from liable third parties, and reinsures catastrophic and other categories of losses in the commercial insurance market where possible.

74. In 2017, the Executive Board approved two adjustments to the scheme[2] to respond to changes in WFP's operational landscape. First, coverage under the scheme was extended up to the point where WFP handed over goods to beneficiaries, cooperating partners, or governments. Second, losses not typically covered by commercial insurance were included within the Captive's coverage. With these changes, the self-insurance scheme has continued to serve WFP well by minimizing interruptions to activities through prompt claims settlement,[3] providing cost savings through broad and flexible coverage, and enhancing loss prevention and overall risk management in WFP.

75. In 2022, the Secretariat updated its insurance strategy[4] to align it with WFP's operational context. This strategy aims to protect WFP's employees and resources against risks inherent in its operational environment, directly support the achievement of programmatic goals, and achieve better use of available resources through loss prevention and other strategies. The Captive is at the core of the strategy, allowing the Secretariat to maintain an optimal balance between risk retention (risks the Secretariat keeps internally) and risk transfer (risks shared with commercial insurers).

76. The Secretariat seeks to enhance the Captive's coverage to respond effectively to the current risk profile. The Secretariat intends to formally include certain risks that currently are not covered or partially covered by the Captive's insurance coverage. These include CBT and other financial risks, property risks, and emerging and hard-to-insure risks.

77. **Financial risks:** WFP assistance transfer through CBTs continues to grow with CBTs currently constituting 39 percent of all WFP assistance. In 2023, WFP distributed USD 2.9 billion in CBTs to 53.7 million people in 76 countries. In addition, WFP's overall expenditures have increased, rising from USD 5.4 billion in 2017 to USD 10.0 billion in 2023 to address rising humanitarian needs. The increased financial outlay from WFP's operational expenditure and the increasing use of CBT modality to deliver assistance have significantly increased financial risks to WFP.

78. Although WFP's financial risks are covered by a commercial insurance policy,[5] the policy has a large deductible. Losses that do not exceed the applicable deductible are currently retained in the balance sheet, from where they are eventually written off. The Secretariat expects insurers to increase the deductible level and other coverage restrictions in line with market conditions and partly as WFP's underwriting data improves.[6] Individual losses will likely remain below the deductible, but the amounts can be large cumulatively, making such losses ideal for coverage by the Captive.

79. **Property losses:** WFP's property portfolio has increased substantially over the years, reaching an estimated value of USD 776 million in 2023. Except for vehicles, WFP's use of property insurance has largely been fragmented, with individual country offices making decisions on whether to insure their property. The cost benefits of consolidating all property insurance under one global policy are substantial. Given the challenging environment in which many WFP properties are located, commercial insurers are likely to restrict the terms of coverage, such as by imposing large deductibles and or excluding certain territories. The partial retention of risk by the Captive will provide the Secretariat with flexibility and

[2] "WFP Management Plan (2018–2020)" (WFP/EB.2/2017/5-A/1Rev.1).

[3] Commercial insurance claims can sometimes take years to settle, with very large ones often being resolved through litigation.

[4] Deputy Executive Director's directive (DED2022/004) *WFP Insurance Strategy*.

[5] Comprehensive commercial crime insurance.

[6] Commercial insurance deductible levels for organizations with a similar financial outlay as WFP are typically in the range of USD 500,000 to USD 1 million.

leverage in negotiations with commercial insurers, reduce the total cost of risk and ensure that any risks excluded from commercial insurance coverage are adequately covered.

80. **Emerging and hard-to-insure risks**: WFP's volatile operating environments may lead commercial insurers to exclude, or offer higher premiums for risks that are customarily covered. For example, coverage was excluded for aviation insurance in the Sudan at the onset of the crisis in April 2023, malicious acts insurance coverage in Ukraine at the onset of the conflict was excluded and later provided at high cost, and war risk coverage for cargo and vessels involved in the Black Sea grain initiative was extremely difficult and expensive to obtain.

81. Even when such risks can be covered commercially, the insurance placement process is often time-consuming and may not enable WFP to respond promptly to emergencies. Including coverage of emerging and hard-to-insure risks in the Captive will strengthen the Secretariat's ability to respond swiftly to emerging challenges and protect its people and assets.

82. The proposed enhancements remain aligned with the Captive's strategic objectives of managing the retention of risks, maintaining adequate solvency periodically assessed by external experts, supporting WFP's values, and complying with the corporate governance framework. To ensure that the risks to achieving these strategic objectives are mitigated, the Captive implements a risk management system and uses robust reinsurance arrangements for all retained risks to limit overall financial exposures.

5.2. Wellness insurance

83. WFP's corporate risk register recognizes the organization's fiduciary duty of care towards employees and its commitment to assess and support employee health, safety and security.

84. To promote the physical, mental and psychosocial well-being of its workforce, WFP provides employees and their eligible family members with health insurance coverage for medical expenses related to maternity, preventive healthcare and the treatment of illness and injury. Currently, 25,000 families of active and retired employees receive health protection through one of four different medical insurance schemes, each of which provides defined benefits to specific employee categories.

85. The cost of these schemes is shared between WFP and participants based on their family size and on each participant's ability to pay. Three of the medical insurance schemes are contracted to commercial insurance providers with external risk underwriters, while the fourth scheme is self-insured by WFP.

86. In the case of commercially-insured schemes, WFP pays the external provider a fixed premium to cover medical expenses incurred by the workforce. Although commercial schemes provide short-term financial predictability, they usually entail higher costs stemming from the insurance underwriter's profit margin and risk retention fees.[7]

[7] The premium total paid to the external provider for underwriting the risk of the commercially-insured plans from 2020 to 2023 was USD 144.5 million. During the same period, claim reimbursements amounted to USD 132.6 million. This figure must be increased by an additional 8-9 percent to account for the incurred but tot reported claims that are yet to be reimbursed for medical expenses incurred in 2022 and 2023. Thus, the total value of claims payable for the period 2020-2023 can be estimated to range between USD 143.2 million and USD 144.5 million.

Had the three plans already been self-insured during the period 2020–2023, WFP would only have paid the actual value of benefits (ranging between USD 143.2 million and 144.5 million) instead of a fixed USD 144.5 million premium. While minor, the savings would have been retained by WFP instead of being cashed in by the external provider.

87. In the case of self-insured health schemes, WFP assumes the financial risk of paying medical expenses incurred by the workforce without engaging an external provider. Self-insured schemes usually provide greater flexibility in designing the insurance plan and lead to cost savings over time. Self-insured medical schemes are commonplace across the United Nations system, in particular among organizations with a number of participants comparable to WFP.[8]

88. All four WFP schemes are administered by a contracted company with expertise in providing health services such as claims management, worldwide direct billing, and access to preferential tariffs, discounts and cost containment solutions.

89. Beginning in 2026, WFP intends to use the self-insurance approach for all four benefit schemes, while retaining the services of an externally contracted third-party administrator to ensure continuing access to their specialized services. A dedicated reserve fund will ensure the solvency of the schemes and meet all claim settlement obligations in line with the terms of the insurance policy.

90. Self-insuring all medical schemes will enable WFP to have more control over health-care benefits and costs, by designing policies tailored to the specific health concerns and operational conditions of its workforce and by paying the actual cost of health-care claims when they are incurred. WFP will be able to adjust benefits in real time to respond to emerging health-care needs, and to reinvest savings into preventive health measures and wellness programmes, potentially reducing the incidence of high-cost claims over time and lowering overall health-care costs in the long run. Moreover, WFP has developed in-house expertise on self-insurance via the Captive, as mentioned in section 5.1.

[8] The *Review of the quality, effectiveness, efficiency and sustainability of health insurance schemes in the United Nations system organizations* (JIU/REP/2023/9) observes that "*Half of the health insurance schemes within the United Nations are self-insured or captive schemes, in which the organizations underwrite all the risks related to health-care costs, which is usually cheaper and more efficient. In addition, self-insured schemes are not profit-oriented plans and, therefore, they do not have to provide financial returns for the performance of the insurance activity, which externally administered schemes would need to do.*" (para. 33). It also reports that "*Self-insured plans are generally larger than outsourced ones. The self-insured schemes tend to be larger in size; 11 of the 13 such schemes have over 10,000 plan members each, and 9 have over 25,000, which is mostly because of the need to have sufficient critical mass both to adequately manage risks*" (para. 35) and that "*Commercially insured plans tend to be smaller in size. With the exception of the WFP Medical Insurance Coverage Scheme, with over 40,000 members, and the FAO Basic Medical Insurance Plan, with almost 16,000 users, the fully commercially insured schemes (…) tend to be smaller in size, with an average of 6,353 members.*" (para. 37).

Acronyms

CBT	cash-based transfers
CSP	country strategic plan
DSC	direct support costs
ISC	indirect support costs
PSA	programme support and administrative (budget)
PSAEA	programme support and administrative equalization account