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**Executive Board  
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# RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5



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## REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The report covers the following agenda items:

- Update on the WFP Management Plan (2008–2009)  
WFP/EB.2/2008/5-A/1
- Managing for Results: A Second Review of Progress in Implementing Results-Based Management – Report by the External Auditor  
WFP/EB.2/2008/5-B/1
- Response of the Secretariat to the Report by the External Auditor on Managing for Results: A Second Review of Progress in Implementing Results-Based Management  
WFP/EB.2/2008/5-B/1/Add.1
- Programme of Work of the External Auditor for 2008–2009  
WFP/EB.2/2008/5-C
- Update on the WINGS II Project  
WFP/EB.2/2008/5-D/1

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NEW YORK

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Advisory Committee on  
Administrative and Budgetary Questions

23 October 2008

Dear Ms. Sheeran,

Please find attached a copy of the report of the Advisory Committee on your submissions concerning:

- Update on the WFP Management Plan (2008–2009) (WFP/EB.2/2008/5-A/1)
- Report by the External Auditor on managing for results: a second review of progress in implementing results based management (WFP/EB.2/2008/5-B/1)
- Response of the Secretariat to the report by the External Auditor on managing for results: a second review of progress in implementing results-based management (WFP/EB.2/2008/5-B/1/Add.1)
- Update on the WINGS II project (WFP/EB.2/2008/5-D/1)

I should be grateful if you could arrange for the Committee's report to be placed before the Executive Board at its forthcoming session, as a complete and separate document. I would appreciate it if a printed version of the document could be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

Susan McLurg  
Chairman

Ms. Josette Sheeran  
Executive Director  
World Food Programme  
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## WORLD FOOD PROGRAMME

### Resource, Financial and Budgetary Matters

#### Report of the Advisory Committee on Administrative and Budgetary Questions

##### I. Introduction

1. The Advisory Committee has considered the World Food Programme (WFP) update on the Management Plan for 2008–2009 and other documents that are listed at the end of the present report. During its consideration of the reports, the Advisory Committee had a videoconference with representatives of WFP, who provided additional information and clarification.

##### II. Update on the WFP Management Plan (2008–2009)

###### Revised requirements for 2008–2009

2. Information with respect to the proposed revisions to the WFP management plan (2008–2009) is contained in paragraphs 14 to 38 of document WFP/EB.2/2008/5-A/1. The Committee notes that the revised requirements for the biennium have increased from the approved US\$5,793 million to US\$11,402 million, representing an increase of US\$5,609 million, or 97 percent. However, WFP expects that the projected contribution would only reach US\$8,000 million, or some 70 percent funding of the revised requirements (*ibid.*, para. 60). The revised estimates by region and by cost component are reflected in Tables 1 and 2 of the report.

3. As indicated in the report, the increase is mainly attributable to two factors, i.e. the re-costing of the budget in the light of higher food and fuel prices and the additional requirements for new and existing operations. The breakdown of the proposed increase of US\$5,609 million is as follows:

- (a) Re-costing of requirements (US\$1,510 million): reflecting the prices of WFP cereals in the third week of August 2008, which were 50 percent above the average prices during 2007 (*ibid.*, para. 26);
- (b) New operational requirements (US\$2,744 million): additional requirements for new and existing operations in the Horn of Africa, the Democratic People's Republic of Korea, the Sudan, Afghanistan, Zimbabwe and Myanmar (*ibid.*, para. 27 and table 3);
- (c) "New Face of Hunger" (US\$390 million): the rise in food prices has increased the vulnerability and hunger of 1 billion people; WFP response to this situation includes measures such as increasing food assistance, extending school feeding, providing supplementary and monthly rations and expanding food-for-work programmes (*ibid.* paras. 34–38);
- (d) Other new projects (US\$965 million): the Advisory Committee was informed that the amount represented estimates of additional requirements for over 70 operations, to be approved by the Executive Board on a project-by-project basis.



The Advisory Committee welcomes WFP's timely response to address challenges resulting from the rise in the prices of food and oil. The Advisory Committee trusts that, in light of the volatility of commodity prices, their impact on programme requirements and delivery will be kept under review.

#### **Alignment with the Strategic Objectives**

4. The Committee notes that WFP has aligned the proposed revised budget for 2009 with the five Strategic Objectives set forth in the WFP Strategic Plan (2008–2011), as approved by the Executive Board at its Annual Session in June 2008 (*ibid.*, paras. 39–58). As indicated in Tables 4 and 5 of the Update on the Management Plan, Strategic Objectives 1 “Save lives and protect livelihoods in emergencies” and 4 “Reduce chronic hunger and undernutrition” account for 50 percent and 30 percent of the revised budget, respectively. It is also indicated that activities aligned to Strategic Objective 5 “Strengthen the capacities of countries to reduce hunger” are funded primarily through trust funds and bilateral donations and that they are, therefore, not included in the revised requirements (*ibid.*, para. 58).

#### **Supplementary Programme Support and Administrative Budget**

5. Section II of the Update on the WFP Management Plan focuses on the supplementary Programme Support and Administrative (PSA) budget for the biennium 2008–2009. The proposed increase of US\$66.1 million for the biennium includes: (a) regional bureaux and country offices (US\$15 million); (b) Headquarters (US\$9.7 million); and (c) management and administration (US\$41.3 million). The supplementary PSA by appropriation line and by region are reflected in Tables 11 and 12 under paragraphs 71 and 73 of the document.

6. The Advisory Committee was informed that, of the proposed increase of US\$66.1 million for the PSA budget, an amount of US\$10 million is proposed for 2008 while US\$56.1 million would be allocated for 2009. The Committee notes that WFP has proposed a significant increase of posts under the supplementary PSA. The Committee's comments and recommendations on posts are reflected in paragraphs 8 to 10 below.

#### **Investments from the Programme Support and Administrative Equalization Account**

7. WFP also proposes a one-time allocation of US\$40.8 million from the PSA equalization account for the following capacity investments for 2009:

- (a) Security Fund (US\$22.5 million): to strengthen security for country offices (*ibid.*, paras. 100–107);
- (b) Information and communication technology (US\$8.1 million): upgrade of the systems to keep pace with the proposed increase of the Management Plan and with the implementation of the WINGS II project (*ibid.*, paras. 108–109; also see para. 18 below);
- (c) Learning and development programme (US\$5.4 million): four main initiatives are outlined in paragraph 111 of the document, including programmes for future leaders and for structured hand-over between country directors;
- (d) International Public Sector Accounting Standards (IPSAS) stabilization (US\$0.7 million): to extend the IPSAS project due to the delayed implementation of the WINGS II project (*ibid.*, paras. 113–114);
- (e) Strategic Plan implementation (US\$1.2 million): to translate the vision outlined in the new Strategic Plan into policies (*ibid.*, paras. 115–116);



- (f) Cluster lead for logistics and emergency telecommunications (US\$3 million): to fund the cluster activities pending a new funding mechanism being established (ibid., paras. 117–120).

### **Recommendations and observations of the Advisory Committee**

8. The Advisory Committee notes that WFP is requesting 113 new posts (ibid. Table 11). Upon enquiry, the Committee was informed that, in the initial Management Plan for 2008–2009, a reduction of 289 posts was proposed to ensure that the PSA budget could be funded by foreseen funding. According to WFP, the proposed increases are based on the revised requirements for the biennium, which have almost doubled (also see para. 2 above). The Committee understands that much of the proposed increase in posts relates to re-establishing a portion of those posts that had been abolished in the initial Management Plan for 2008–2009. However, the planning assumptions that resulted in the original reduction in posts and the need, at this juncture, to re-establish a portion of those posts are not clear.

9. The Advisory Committee notes the significant staffing increases proposed to deal with donors and the public. A total of 10 new posts are proposed for the Government Donor Relations Division (ibid. para. 92) to generate funds to meet the “doubling” in requirements (see para. 2 above); 13 new posts are proposed for the Communications and Public Policy Strategy Division (ibid., annex IV); and 12 new posts are also proposed for the Policy, Planning and Strategy Division (ibid. para. 86) to develop a series of new approaches, tools and interventions. While noting the opinion of WFP that some additional capacity is required, the Committee is of the view that the link between additional staffing and the increase in total programme requirements is not clear. In the Committee’s view, the revised budget should only be used for addressing the most urgent new requirements. The Advisory Committee recommends that the Executive Board take these considerations into account in its review of the revised estimates.

10. WFP proposes to upgrade from D-1 to D-2 the two posts of directors of liaison offices in New York and Geneva to strengthen WFP’s ability to address United Nations reform matters (ibid. para. 91). Upon enquiry, the Advisory Committee was informed that WFP considers that it needs to have representatives at the highest level in New York and Geneva to implement the new Strategic Plan, to respond to the high food prices, as well as to participate in the ongoing harmonization process at the United Nations. WFP asserts that it must participate on an equal level with all the stakeholders. The post in New York was graded at the D-2 level in the biennium 2006–2007, while the post in Geneva was at the D-1 level. The Committee notes that these functions are graded differently throughout the United Nations system. In its report on liaison offices in the United Nations system, the Joint Inspection Unit has also commented on the issue of grading in these offices (see JIU/REP/2007/10 and Add.1). Given the fact that the post in New York was downgraded to D-1 for the biennium 2008–2009 on the recommendation of WFP, it is the Committee’s view, that it is too early to assess the efficacy of this arrangement. In addition, in the Committee’s view, requests for reclassification should normally be addressed as part of the original budget submission and not in revised estimates (see para. 9 above). For the aforementioned reasons, the Committee recommends against the proposed reclassifications.

11. The Committee notes that the revised requirements involve a higher proportion of non-staff needs (50 percent) than did the approved management plan (30 percent). Upon enquiry, the Committee was informed that, of the proposed increase in non-staff needs, almost US\$13.7 million, or over 40 percent, are intended for V-Sat communication and software licences, the field contingency fund, the Information and Communication Technology Division and the second building at Headquarters.



12. The Advisory Committee notes from the document that the Human Resources Division has been impacted by the delay in the implementation of the off-shoring plan, and consequently four posts are proposed for reinstatement in Rome in this Division (*ibid.*, para. 93). Upon enquiry, the Committee was informed that, in accordance with the initial off-shoring plan, budget provisions for the human resources in Rome were only provided for the first six months of 2008. However, the off-shoring had been delayed due to, *inter alia*, the constant need for budget revisions as a result of the rise in food and oil prices, as well as the delayed implementation of the WINGS II project and the subsequent extension of the IPSAS project. According to WFP, the volatility of the market and the transitional phase of the information technology at WFP made it necessary for concerned staff and units to remain at the Headquarters for the time being. WFP would review the off-shoring plan in 2009 for the biennium 2010–2011. The Advisory Committee is concerned that the update on the management plan does not present a clear picture of WFP's long-term strategy on the off-shoring plan, nor does it include information on the timetable, units and staff potentially concerned and location(s) envisaged or on the discussions with possible host country/countries. The Committee recommends that information available on this issue at this juncture be provided to the Executive Board.

13. The Advisory Committee notes that the Executive Board approved WFP's proposal for a PSA foreign exchange hedging policy presented in the last update to the management plan, in order to reduce foreign exchange risk and increase certainty in planning (*ibid.*, para. 70). The Committee also notes that contracts were completed on 1 September 2008, by which WFP has forward-purchased the equivalent in Euros of US\$77.5 million in 12 monthly instalments to cover Euro-based PSA staff costs for 2009, at an exchange rate of US\$1.4413 to €1. Upon enquiry, WFP confirmed to the Committee that the hedging policy is aimed at ensuring relative budgetary stability on the personnel component of its PSA against market fluctuations. In this regard, the Committee reiterates its recommendation that WFP comprehensively review and report to the Executive Board on the parameters, effects and budgetary impact of the policy, as well as share the experience and knowledge gained with other organizations of the United Nations system through the High-Level Committee on Management of the Chief Executives Board for Coordination (WFP/EB.A/2008/5-A/2, para. 19). The Committee intends to review the issue in the context of its consideration of the WFP management plan for 2010–2011.

### **III. Report by the External Auditor on results-based management**

14. The report of the External Auditor (WFP/EB.2/2008/5-B/1) is the second independent review of the WFP's progress in implementing results-based management (RBM). The Committee notes the External Auditor's observation that WFP has made good progress in implementing RBM and that the programme has taken the next step in starting to mainstream RBM (*ibid.* para. 17). In light of the findings (*ibid.* para 10–16), the External Auditor has presented 11 recommendations, which are contained in paragraph 18 of the report.

15. The response of WFP to the report of the External Auditor is contained in document WFP/EB.2/2008/5-B/1/Add.1. The Advisory Committee notes that WFP has accepted all but 2 of the 11 recommendations (recommendations 8 and 10). With regard to the recommendation on introducing performance-related pay, as reflected in recommendation 8, WFP indicates that it will continue to follow the collective agreement on such measures within the United Nations common system (*ibid.*, para. 38). Regarding recommendation 10, WFP believes that it is necessary to have both annual reports, *i.e.* the standard project report and the Annual Performance Report, as the first report targets the donors and the public while the latter serves the needs of the Executive Board (*ibid.*, para. 47).



16. The Advisory Committee commends the External Auditor for the concrete and action-oriented recommendations provided. The report contributes to the ongoing discussion on issues of general interest to the United Nations system. The Committee recommends that the Executive Board requests the WFP Secretariat to implement the approved recommendations of the External Auditor in a timely manner, with special attention to recommendations 1 to 4 and 11, which the External Auditor believes are particularly important if WFP's RBM processes are to realize the benefits intended from improved performance measurement (WFP/EB.2/2008/5-B/1, para. 20).

17. The Committee notes that the WFP Secretariat proposes the establishment of a unit within the Office of the Executive Director to coordinate and strengthen risk management and results-based management (WFP/EB.2/2008/5-B/1/Add.1, para. 51). Upon enquiry, the Advisory Committee was informed that the proposed new Performance and Management Accountability Division will be responsible for: (a) ensuring accountability at all levels of WFP; (b) developing performance and management accountability tools; (c) coordinating, monitoring and following up on implementation; and (d) capacity building.

#### **IV. Update on the WINGS II project**

18. The update, contained in document WFP/EB.2/2008/5-D/1, is the sixth progress report on the WFP Information Network and Global System II (WINGS II) project. As indicated in the document, WFP remains committed to the goal of WINGS II implementation in January 2009, though the timelines for the completion of all the preparatory work pose significant challenges (*ibid.*, para. 4). The ongoing preparations are discussed in paragraphs 5 to 17 of the report, including training activities for staff. The scope of the project and its release approach are reflected in annex I of the document.

19. The Advisory Committee notes that, as of September 2008, of the US\$56.5 million allocated for the project, expenditure of US\$33 million had been reported and a further US\$12 million had been committed for contracts. Upon enquiry, the Committee was informed that, of the commitment of US\$12 million, US\$8 million would cover contracts with the main implementing partner and others for configuration, software development, data migration, among other things, and US\$4 million for staff and consultants working on the project. The Committee was also informed that the current allocation would be sufficient to cover the project until its implementation in January 2009.

20. Upon enquiry, the Advisory Committee was also informed that WINGS II would have a system to capture results at the corporate, divisional, field and project levels, with respect to Strategic Objectives, outputs, targets and related indicators, as well as activities and inputs. WINGS II would provide the capacity for systematic collection and monitoring of activities, accomplishments and outputs. Consequently it will allow the tracking of results in real time.



## Documentation

### *For approval*

- Update on the WFP Management Plan (2008–2009) (WFP/EB.2/2008/5-A/1)

### *For consideration*

- Report by the External Auditor on managing for results: a second review of progress in implementing results-based management (WFP/EB.2/2008/5-B/1)
- Response of the Secretariat to the report by the external auditor on managing for results: a second review of progress in implementing results-based management (WFP/EB.2/2008/5-B/1/Add.1)

### *For information*

- Update on the WINGS II project (WFP/EB.2/2008/5-D/1)