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**Executive Board
Second Regular Session**

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RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5



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22 October 2007

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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:

- WFP Biennial Management Plan (2008-2009)
(WFP/EB.2/2007/5-A/1)
- Termination Payments for Service Contract Holders
(WFP/EB.2/2007/5-B/1)
- Has Decentralisation Met the World Food Programme's Operational Needs?: Report by the External Auditor
(WFP/EB.2/2007/5-C/1)
- Progress Report on the Implementation of the External Auditor Recommendations (WFP/EB.2/2007/5-D/1)
- Fifth Progress Report on the Implementation of International Public Sector Accounting Standards
(WFP/EB.2/2007/5-E/1)
- Special Audit Requested by the Executive Board in Relation to WFP's Activities in the Democratic People's Republic of Korea: Report by the External Auditor
(WFP/EB.2/2007/5-F/1)
- Status Report on the WINGS II Project
(WFP/EB.2/2007/5-G/1)

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Reference: AC/1638

Advisory Committee on
Administrative and Budgetary Questions

17 October 2007

Dear Ms. Sheeran,

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

- WFP Biennial Management Plan (2008-2009) (WFP/EB.2/2007/5-A/1)
- Termination Payments for Service Contract Holders (WFP/EB.2/2007/5-B/1)
- Has Decentralisation Met the World Food Programme's Operational Needs?: Report by the External Auditor (WFP/EB.2/2007/5-C/1)
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- Status Report on the WINGS II Project (WFP/EB.2/2007/5-G/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 separate document. A printed version of the document should be provided to the Advisory Committee at the earliest possible opportunity.

Yours Sincerely,

Rajat Saha
Chairman

Ms. Josette Sheeran
Executive Director
World Food Programme
Via Cesare Giulio Viola, 68-70
00148 Rome, Italy



WORLD FOOD PROGRAMME

Resource, Financial and Budgetary Matters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the World Food Programme's (WFP) Biennial Management Plan for 2008-2009, comprising the proposed budget for the next biennium, and other documents that are listed at the end of the present report. During its consideration of the reports, the Advisory Committee met with the Deputy Executive Director and other representatives of WFP, who provided additional information.

WFP Biennial Management Plan (2008-2009)

2. The proposed budget for 2008-2009, as presented in the Management Plan (WFP/EB.2/2007/5-A/1), is US\$6,167.7 million, of which \$5,414.1 million, or 87 per cent, is for operational and direct support costs. The related operations aim to deliver 7.8 million metric tons of commodities to 89.9 million beneficiaries in 76 countries (paras. 69-71). The budget does not include provisions for new emergencies, which, if and when they arise, would be reflected by an update of the plan. The Advisory Committee notes that the Management Plan 2008-2009 is designed to continue current operations and would need to be reviewed in light of WFP's new Strategic Plan that will be prepared by June 2008 (para.10).
3. The total requirements of WFP for the biennium 2006-2007 were originally \$6,353 million, and the total expenditure for the biennium is estimated at \$5,935 million, seven per cent lower than provided for in the original budget.
4. Of the total requirements for 2008-2009, \$345 million is foreseen for Programme Support and Administration (PSA), a reduction of 21 per cent in real terms as compared with that of the biennium 2006-2007. Paragraph 10 of the Management Plan states that when the 2006-2007 PSA structure was developed and approved in 2005, it was based on the assumption that multiple, new large-scale emergencies would continue to generate the income needed to fund the level and structure of PSA that had been built up in 2004-2005; and that if such income did not materialize, the resulting deficit would be funded from the PSA reserves that had been built up in previous years. Since no new large-scale emergencies have arisen during the 2006-2007 biennium, and in the absence of overall reductions in the PSA structure, these PSA reserves have been reduced to a point where current projections indicate that by the end of 2007 the PSA reserve will amount to less than one month of PSA expenditure. The level of PSA costs will become unsustainable beyond 2007. Therefore, the WFP management has decided to undertake organizational restructuring as proposed in the management plan. The Committee welcomes the course of action being taken.
5. Major changes include: (a) streamlining organisational structure at Headquarters by reducing departments from four to two and regional bureaux from seven to six; (b) an overall reduction of 290 PSA posts, with the largest percentage reduced at Headquarters; (c) consolidating liaison offices; (d) global sourcing and transferring some work processes to more cost-efficient locations; and other changes. The Committee notes that WFP aims to undertake the restructuring in ways that do not harm its most vulnerable beneficiaries (paras. 7 and 12). Upon enquiry, the Committee was informed that, in order to minimize



the impact of the restructuring on the staff, WFP decided to impose an external recruitment freeze in September 2006 and approved a programme for early retirement and separation in June 2007.

6. However, the Committee notes that, as shown in Table IV.5 in paragraph 284, Headquarters programme support for 2008-2009 is budgeted at \$42.7 million, an increase of \$1.3 million as compared to estimated \$41.4 million for 2006-2007.
7. For the biennium 2008-2009, \$26.6 million is budgeted for WFP's contribution to the costs for the United Nations Department of Safety and Security (UNDSS). Upon enquiry, the Committee was informed that WFP's share of the overall expenditure is based on the percentage of staff numbers. In order to strengthen the review of the UNDSS costs, the High-Level Committee on Management (HLCM) of the Chief Executives Board has established a sub-committee to examine DSS costs and budget utilization, with a view to maximizing the value for participating organizations. WFP is represented on this committee.
8. With regard to the structure and presentation of the Management Plan 2008-2009, the Committee notes the changes made from the previous plans (para.65). While the Committee understands that the Management Plan 2008-2009 is the result of a comprehensive global consultative process, it is, nevertheless, of the opinion that the document could be made shorter and less repetitious. For example, the budget proposal in tabular form is repeated in paragraphs 21 and 70, and the operational budget by programme category in paragraph 22 reappears in paragraph 119. Paragraphs 30 to 34 are identical to paragraphs 92 to 96. In a number of cases, the same information is presented in a fragmented manner and in different sections. While Section IV focuses on Programme Support and Administration, the definition of PSA is given in Section I (para. 66) and the PSA Equalization Account is introduced in both Section I (para. 60) and Section II (paras. 102 to 104). The information on PSA could be combined and referenced where necessary.
9. **The Committee recommends that WFP endeavour to minimize such duplications in future management plans so as to have a streamlined, concise and reader-friendly document. In this regard, WFP may wish to consider annexing information of a general nature, such as definitions and statistical tables, to the main sections or at the end of the document.**
10. The Committee has included a revised organigramme in Annex I of this report. The Advisory Committee is of the opinion that in future budget presentations, the organigramme needs to be reflected in the same manner as is done in the United Nations regular budget showing clearly the request for additional posts, reclassification of posts upward or downward, abolition of posts and redeployment if any.

Termination Payments for Service Contract Holders

11. In its last report on WFP (WFP/EB.A/2007/6(A,B,C,D,E,F,G,H,I,J)/2), the Advisory Committee recommended discontinuation by WFP of termination payments, not specifically provided for in the staff regulation and rules, to staff holding special service agreements, service contracts and assignments of limited duration. The Committee also recommended that the Executive Board not approve the proposed establishment of a reserve for such payments. In this connection, the Committee welcomes the endorsement, by the Executive Board in June 2007, of the Committee's recommendations.



12. In document WFP/EB.2/2007/5-B/1, WFP has requested, on an exceptional basis, to proceed with the termination payments, approved by the Executive Director during 2004 to 2006, to service contract holders whose employment is to terminate in the planned operational downsizing exercise throughout 2007 and 2008. Upon enquiry, the Committee was informed that WFP would not engage in any new commitments for termination payments for staff in this category from June 2007. The pending commitments for termination payments amounted to approximately US\$343,100 and the last related payment would be made in March 2009 for staff in its largest operation in Angola.
13. **With the understanding that no new commitments will be made by WFP in future, the Committee recommends that the Executive Board approve, on an exceptional basis, the termination payments committed before June 2007.**

Progress Report on the Implementation of the External Auditor Recommendations

14. The Committee was provided with the Progress Report on the Implementation of the External Auditor Recommendations (WFP/EB.2/2007/5-D/1). The Committee notes that WFP submits such a progress report, as requested, to each meeting of the Executive Board. Since the Board meets three times a year, three separate progress reports are submitted in a given year. The Committee finds that the frequency of these reports often does not allow sufficient time for implementation and for validation by the Board; as a result, they tend to be repetitious and less helpful in monitoring progress. **The Committee, therefore, is of the opinion that the Executive Board may wish, as a rule, to consider receiving a report on the subject annually.**

Status Report of the WINGS II Project

15. The third progress report on the WFP Information Network and Global System II (WINGS II) Project is presented in document WFP/EB.2/2007/5-G/1. The project, initially approved by the Executive Board in October 2005 in the context of the 2006-2007 Management Plan, aims to upgrade WFP's information system and business processes in order to facilitate, among other things, the adoption of the International Public Sector Accounting Standards (IPSAS). Two surveys, one external and one internal, were conducted in June and July 2007 respectively, in order to assess WFP's preparedness to implement changes required. While a final advisory note from the external survey is expected in mid-October 2007, the internal survey has recommended that changes be initiated, at the beginning, at a reduced and more manageable level, which would accordingly delay the start of the configuration and development phase of the project. The Committee notes that the project is planned to go live in the fourth quarter of 2008 (WFP/EB.2/2007/5-G/1, para. 11).

Fifth Progress Report on the Implementation of International Public Sector Accounting Standards

16. WFP is one of the United Nations agencies that have decided to adopt the International Public Sector Accounting Standards, as of 1 January 2008. WFP has reported, in document WFP/EB.2/2007/5-E/1, an advanced level of preparedness for IPSAS, including in the areas of presentation of financial statements, inventories, employee benefits and fixed assets. The Committee notes that WFP has undertaken actions to identify data required for opening balances so that the opening statement of its financial position as at 1 January 2008 is IPSAS-compliant. The Committee also notes that WFP will work towards full IPSAS compliance in the financial statements for 2008, taking into



consideration the current WINGS that supports some aspects of IPSAS, and the expected roll-out of WINGS II, a fully IPSAS-compliant system, later in 2008 (see paragraph above).

17. The Committee further notes that the current cost components, as budgeted in the 2008-2009 plan (such as food, external transport, landside transport, direct and other direct operational costs, and programme support and administrative cost), will be replaced by new ones (food distributed, transport, salaries, storage, rent and depreciation) in the IPSAS-compliant financial statements from 2008 (WFP/EB.2/2007/5-E/1, para. 14). The Management Plan forms the planning stage and basis for WFP's programme implementation, as well as the starting point against which progress is monitored and reported during the course of implementation. Therefore, it is crucial that the Management Plan should be consistent with financial features required by IPSAS. **The Advisory Committee notes the efforts of WFP to implement IPSAS. In this context, the Committee believes that WFP should adjust the presentation of cost components in the Management Plan during the biennium so as to allow a smooth and coherent implementation, monitoring and reporting process.**
18. The Committee notes the development, by the United Nations Task Force on Accounting Standards of the Finance and Budget Network of the HLCM, with WFP's participation, of a system-wide harmonized IPSAS-compliant financial statements model, which would allow for some variability among individual organizations (WFP/EB.2/2007/5-E/1, para. 13).



Documentation

For approval

- WFP Biennial Management Plan (2008-2009) (WFP/EB.2/2007/5-A/1)
- Termination Payments for Service Contract Holders (WFP/EB.2/2007/5-B/1)

For consideration

- Has Decentralisation Met the World Food Programme's Operational Needs? (WFP/EB.2/2007/5-C/1)
- Progress Report on the Implementation of the External Auditor Recommendations (WFP/EB.2/2007/5-D/1)
- Special Audit Requested by the Executive Board in Relation to WFP's Activities in the Democratic People's Republic of Korea (WFP/EB.2/2007/5-F/1)

For information

- Fifth Progress Report on the Implementation of International Public Sector Accounting Standards (WFP/EB.2/2007/5-E/1)
- Status Report on the WINGS II Project (WFP/EB.2/2007/5-G/1)

World Food Programme
Organisational Structure and PSA Positions Distribution 2006-07 and 2008-09

F-EB22007-7694E-RTR-8043E



* Number of positions in 2006-07 in Operations Management Department includes ODO/AD staff.
The Policy, Planning and Strategy Division and the Programme Design & Support Division are new divisions resulting in a merging of the former Policy & Strategy Division; part of the Office of the Director of Operations and the Division of Analysis, Assessment and Preparedness Division.
Number of positions in 2006-07 in the External Affairs and Resource Development Department include FD/PP Dep. Offices positions.
Positions in 2006-07 in Programme Design and Support Division include ODM/ODA positions.
Regional Bureau Dakar includes in 2006-07 positions of ODDY.
The Ombudsman Office was part of the Office of Executive Director in 2006-07.



World Food Programme
PSA - Positions Distribution
2006-07/2008-09

ANNEX I