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## **SUMMARY OF THE WORK OF THE ANNUAL SESSION OF THE EXECUTIVE BOARD, 2004**

In accordance with the methods or work of the Executive Board, the present document reflects the main points of its deliberations to be taken into account by the Secretariat in the implementation of the Board's decisions and recommendations, contained in document WFP/EB.A/2004/9.

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## CURRENT AND FUTURE STRATEGIC ISSUES

### Current and Future Strategic Issues (2004/EB.A/1)

1. In his statement, the Executive Director stressed that 2004 would be a difficult year for the hungry poor. Rising food prices were limiting their access to food; at the same time diminishing national food surpluses meant that less food would be available for assistance. The weak dollar and increases in freight costs put additional strains on WFP's ability to respond. In this context he pointed to the particular difficulties faced by those suffering from chronic poverty, 90 percent of whom lived in areas outside high-profile emergencies but were still in dire need of assistance.
2. The Executive Director highlighted the desperate situation in the Darfur region of Sudan: 1.2 million people had been displaced and risked starvation and death. WFP was on the spot but urgently needed donor support. He also briefed on needs in the Democratic People's Republic of Korea (DPRK), where the resource situation was improving, on southern Africa where some progress in food availability was noted although HIV/AIDS remained a major impediment, and on Haiti, northern Uganda and West Africa. Iraq remained a major challenge, but it was expected that the main part of WFP's involvement could be phased out over the summer.
3. Food aid has made an important contribution to achievement of the Millennium Development Goals (MDGs). Regrettably, progress towards eradication of hunger was inadequate. To be better placed to contribute to the common goal, WFP needs to expand its donor base, bringing in the private sector and emerging donors. The Executive Director briefed the Board on recent meetings with the presidents of Brazil, Chile and France, where a new global partnership to eradicate hunger had been discussed, on a visit to Peru, where he had seen encouraging signs of private-sector involvement, and on recent efforts to strengthen WFP's public profile.
4. Partnerships with other actors, in particular the United Nations Children's Fund (UNICEF), the World Health Organization (WHO), the Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) were strong. The Executive Director stressed the desire to strengthen arrangements with non-governmental organizations (NGOs), establishing new principles relating to cooperation and seeking new options, for example in procedures for disaster preparedness. In this respect, WFP's field-level leadership would be important. Security arrangements were in progress to improve staff safety. Progress in results-based management (RBM) training was good. The need to come to terms with HIV/AIDS in the workplace was underlined. The improved auditing arrangements and new operational definitions would enhance effectiveness and transparency. Enhanced visibility would be one way of encouraging donors to contribute. Fundamentally, WFP sought to learn how to do more and to do it better.
5. Ms Carole Bellamy, Executive Director of UNICEF, addressed the Board, emphasizing the strong partnership between UNICEF and WFP in support of the MDGs. She highlighted three main areas of cooperation: (i) increasing primary-school enrolment, (ii) reducing malnutrition and (iii) easing the burden of HIV/AIDS. Ms Bellamy concluded by underlining the importance of partnership and collective action to uphold the right of all people to live in peace and security.



6. Mr Jan Egeland, Under Secretary-General for Humanitarian Affairs and Humanitarian Relief Coordinator, reported on the serious situation in western Sudan and Chad, stressing the international community's obligation to assist. He briefed the Board on current challenges in humanitarian assistance, highlighting the need to ensure access to affected populations, to address forgotten emergencies and to promote assistance for durable solutions as part of the humanitarian efforts.
7. Mr Frederick Schieck, Deputy Administrator of the United States Agency for International Development (USAID), spoke on developments in United States food aid on the occasion of the 50<sup>th</sup> anniversary of the United States Food For Peace programme. He noted that capacities for disaster response were continually being stretched by the increasing number of emergencies, and emphasized the need for proactive approaches that would minimize the impact of disasters. He also stressed the crucial importance of the fight against HIV/AIDS.
8. The Board warmly welcomed the presentations. Several members outlined the extensive support their governments were giving to WFP's work. Emphasis was placed on the need for coordination and joint programming among United Nations agencies and greater involvement in local donor coordination. The Board was unanimous in underlining the importance of partnerships for future programmes and in recognizing the fundamental contribution of food aid in achieving the MDGs and in addressing HIV/AIDS. As a major humanitarian actor, WFP must follow up implementation of its recently approved humanitarian principles.
9. Some members highlighted the importance of the upcoming evaluation of WFP's development programme. According to the initial outcome of the external evaluation, relief and recovery must have a development focus. Enhanced development was a way of reducing needs arising from emergencies. The Board noted the need to broaden the donor base and find innovative financing formulas that suited all parties. WFP must work more purposefully to promote an increase in multilateral aid. Multilateral contributions and improved targeting of vulnerable people were seen as the best way of contributing to WFP's effectiveness. Proper needs assessment was of fundamental importance and had implications for WFP's credibility. The need to monitor the longer-term effects of food aid was noted.
10. The work on public relations to increase WFP's visibility was applauded. WFP's progress in developing results-based management was appreciated. Some members raised the issue of genetically modified (GM) foods in aid shipments: governments should be fully informed, and national regulations had to be respected.
11. In responding to these points, the Executive Director reiterated the need for resources to address the situation in Darfur. He acknowledged the need for measures to address chronic hunger; the need for coordination with other agencies was fully understood in WFP; the MDGs and gender were being mainstreamed. WFP policy on GM foods was to ensure that shipments were certified as suitable for consumption by the donor's own citizens and to leave recipients free to make their own decisions. The importance of private-sector involvement was understood. WFP placed the highest priority on security and staff safety. The support pledged by donor countries was gratefully acknowledged.



## ANNUAL REPORTS

### Annual Performance Report for 2003 (2004/EB.A/2)

12. The Secretariat made a presentation of the Annual Performance Report (APR) for 2003, WFP's first such report. It was stressed that the report bridged two planning and budget periods and focused on the Strategic Priorities (SPs) and Management Priorities (MPs) contained in the Strategic and Financial Plan (2002–2005) and the Biennial Management Plan (2004–2005). The aim was to begin to refine WFP's approach to annual performance reporting in a results-based framework. Attention was drawn to the positive achievements with regard to each of the SPs along with indications as to the way forward. Assurances were given that the next APR would be even more substantive, with more emphasis on SP and MP indicators, and that standardized project reports would be enhanced as a means of reporting to donors on operational performance at the project level.
13. The Board expressed approval of the format and results-based approach of the report, which was praised for its comprehensiveness, transparency and insight. It was noted that it took four to five years for a results-based approach to become part of the organizational culture. The APR was considered a useful tool in that it achieved the necessary accountability while providing an assessment of WFP's progress. Its usefulness would be increased, however, if it were widely internalized for the purpose of self-evaluation and improving working practices. Staff should be trained in results-based management to build management capacity at country offices.
14. Suggestions were made as to ways of improving presentation of the report, such as making it even more evidence-based in the future or placing some detailed information in the annex. It was pointed out that it was very useful to have a rich source of data but more analysis of performance was perhaps required, since in some cases the data were insufficiently eloquent. Attention was drawn to the fact that much of the information contained in the report had already been revealed in the Executive Director's innovative briefings at Board sessions in 2003. It was also felt that outcomes needed to be optimized, even though reporting on outcomes at the corporate level was a difficult challenge faced by many Member States. Further work was needed on definitions to ensure that data were harmonized.
15. The Board agreed that in future Strategic Plans and Management Plans would be the major focus of information, but refinements were required especially in terms of data collection and analysis of selected indicators. Data collection was vital, but care should be taken not to be over-ambitious. Performance measurement was an important means of sustaining and increasing donor support. One member noted that the corporate indicators set out in Annex IV to the report needed further explanation.
16. WFP was praised for having made timely interventions to address humanitarian crises in many parts of the world in 2003. Although certain regions required special attention because of acute or protracted emergency situations, other regions with development programmes such as Latin America and the Caribbean ought not to be neglected. More efforts needed to be made in development operations to address the root causes of disasters and prevent them, rather than focus on responding to them once they occurred. The plan to invest in human rather than physical assets was welcomed. Other areas of success were applauded, but more detailed information about points such as standard indicators for HIV/AIDS were requested. One member called for more comparative results to be given, whether in terms of before and after WFP interventions or comparisons with other geographical areas. Attention was drawn to the increase in the number of hungry people worldwide and the simultaneous drop in food aid; timely delivery of food aid was another



vital element that needed attention. Although much had been done in terms of resource mobilization, there should be greater emphasis on resourcing for development. The appearance of first-time donations was noted but it was vital to make efforts to broaden WFP's donor base further, including donations from recipient countries, a trend noted with interest. It was important to encourage different types of donations, such as private-sector donations. The decline in multilateral funding was regretted.

17. The Secretariat welcomed the Board's encouragement for the new report format and promised that future APRs would be improved, taking into account the comments made. Greater emphasis would be given to measurable outcomes; reporting on outputs would be further improved. Assurance was given that the findings of the report would be internalized by WFP staff; the report was of importance to the Board, to WFP management and to recipient countries. The Secretariat thanked the members for recognizing WFP's performance in 2003 as reflected in the report.

### **Annual Report of the Executive Director to the United Nations Economic and Social Council (ECOSOC) and the FAO Council (2004/EB.A/3)**

18. The Secretariat, presenting the Annual Report of the Executive Director to ECOSOC and the FAO Council, 2003, the last of its kind, quoted recent statements by the Executive Director in which he had emphasised the overriding importance of partnership for WFP and its staff in ensuring that WFP was as effective as possible in serving its beneficiaries. Quoting the Secretary-General, the Secretariat pointed out that United Nations reforms were not gauged by the number of items on a meeting agenda but by the impact of an agency's efforts to assist the most vulnerable people in the world, whom the United Nations existed to serve. WFP was fully committed to the United Nations reform process and sought greater harmonization with other agencies, NGOs and development partners.
19. The Board supported the report, a useful description of cooperation with other United Nations agencies – although for some the operational impact of WFP partnership activities was not sufficiently specific. Partnership was not, however, an end in itself but a means of providing effective relief. Concerns were also expressed about the fall in recent years in the amount and proportion of multilateral funding, the most effective form of funding. The Secretariat was asked to produce a paper on the principles guiding the use of multilateral contributions with a view to increasing their volume. Senior management was urged to explain what efforts would be undertaken to boost multilateral funding, and to advocate this form of funding. Multilateralism was a pillar of humanitarian aid, since it obviated political pressures, but that did not preclude efforts to encourage non-traditional donors to make contributions to WFP.
20. The Board asked how WFP would report in future on the issues covered by the report; future reports needed to be results-based. Emphasis was needed on cooperation with governments, NGOs and local communities, and other United Nations bodies; local support was important. WFP was urged to step up its cooperation with the other Rome-based organizations and with the New Partnership for Africa's Development (NEPAD) with regard to the school feeding projects. Although the increased cooperation with IFAD and FAO outlined in the report was to be welcomed, more detailed information about the joint projects would be useful. Some members considered that the report demonstrated the way in which WFP had cooperated with other organizations in reacting to major emergency situations, but it was pointed out that there should be no dichotomy between coping with emergencies and triggering development, in which WFP also had a





role to play. Despite efforts to strike a gender balance among WFP staff, more should be done to achieve it among professional staff.

21. The Secretariat answered that cooperation with other Rome-based organizations would be maintained and enhanced, but the joint projects involving them were too numerous for them to be detailed in a brief document. Gender balance remained a priority, even though WFP had one of the best rates in the United Nations system. The report had been a collective effort, which explained why certain items were given less analysis or less of a results-based approach; the Secretariat would try to ensure that all reports were uniformly analytical and results-based in future. It was reiterated that cooperation and partnership were not goals in themselves but instruments for bringing about relief and assistance. Assurance was given that under the new reporting system an account would continue to be rendered of cooperation with other bodies and the expected results. WFP would continue to report to ECOSOC and the FAO Council, albeit in the new streamlined format, agreed to by the Board the previous day.
22. WFP and the Bretton Woods institutions had already agreed to cooperate, in particular in post-conflict situations, on exchanges of data and other information. Informal consultations concerning contributions to WFP, as already requested by the Board, were scheduled for late 2004; the question of multilateral funding could be examined at that time. In reply to a request for clarification concerning the number of displaced persons in Darfur, it was stated that 1.2 million people there were living in camps or were homeless; a further 800,000 would soon be affected by harvest problems and would need food aid. In response to a request concerning the future of joint meetings of the Executive Boards, it was stated that the matter would be discussed by ECOSOC and possibly the General Assembly, because changes to the future status of the joint meeting of the Executive Boards required an inter-governmental decision.

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## POLICY ISSUES

### Nutrition Issues

- **Food for nutrition: mainstreaming nutrition in WFP (2004/EB.A/4)**
- **Micronutrient fortification: WFP experiences and ways forward (2004/EB.A/5)**
- **Nutrition and emergencies: WFP experiences and challenges (2004/EB.A/6)**

23. In their presentation to the Board, the Secretariat pointed out that nutrition had become a core WFP priority. The three documents before the Board represented an important part of WFP's strategy to save lives in emergencies and beyond.
24. Board members commended WFP for the thorough, interesting documents and the important policy developments they contained. They acknowledged that WFP was at the forefront of emergency nutrition. Its nutrition activities were, however, not limited to emergency situations: nutrition was a critical function of WFP, cutting across all of its programmes.
25. The Board welcomed the significant steps that WFP had already taken to mainstream nutrition in its work. Additional efforts were required on many fronts, however, including (i) emergency assessments and the analysis of the nutritional impact of food aid programmes, (ii) vulnerability mapping to help to identify sub-national dimensions of food



and nutrition problems, (iii) development and delivery of micronutrient-fortified products, (iv) appropriate provision of iodized salt, (v) capacity-building at national and local levels and (vi) coordination with other interventions and programmes such as national HIV/AIDS programmes. WFP would also need to recruit specialized staff and consultants and upgrade the skills and capacities of existing staff. Two major concerns were whether resources would be sufficient to allow WFP to play the major role it envisaged in the area of nutrition and whether such a role was consistent with its comparative strengths. An effective division of labour among partners was essential. It was stated that there was insufficient information about other interventions in this sector. Cooperation with all stakeholders is needed for ownership and policy directives to be effective. It was also pointed out that a high degree of analysis was needed at the regional and country levels. Capacity-building in recipient countries could boost the impact of nutrition activities.

26. Board members recommended that WFP make sustainability central to its relief activities. Local purchases of foodstuffs were critical to sustainability and would ensure that traditional foods were available to beneficiaries. Micronutrient fortification of food could also be carried out locally. The capacities available in individual countries needed to be strengthened so that such activities could continue after WFP withdrew from the area. Local purchases were an important means in the transition from relief to development.
27. In response to concerns about capacity-building, the Secretariat reported that WFP had made capacity-building its fifth Strategic Priority and intended to present a document to the Board in October 2004 on this subject. WFP was providing basic food and nutrition training in the field, it had commissioned local research institutions to conduct surveys — and it had produced simple, low-cost materials for nutrition education — all activities well within WFP's mandate. Concerning emergency needs assessments, WFP was looking into this issue and had had an informal consultation on it. With regard to costs, WFP was examining a variety of interventions aimed at mainstreaming nutrition financing. Investment in nutrition was very cost-effective: for the amount of resources required, benefits were enormous in both the short and long term. WFP's nutrition work was therefore consistent with the emphasis the Board had requested WFP to place on results-based interventions.
28. The Secretariat also gave assurances that WFP was concerned with identifying populations affected by HIV/AIDS and malnutrition, and was working on this issue with WHO and others. WFP also assigned critical importance to salt iodization. The Secretariat shared the Board's emphasis on sustainability and agreed that local procurement and capacity were desirable. WFP had supported the development and expanded the capacity of local producers and had set up pilot operations in some countries. With regard to local industries to fortify food, one difficulty was that local markets might be too small to sustain such an industry; WFP could help develop these markets.
29. Finally, the Secretariat emphasized that WFP placed high value on partnerships and was not seeking to duplicate other organizations' expertise. WFP needed a certain degree of nutrition expertise to be a good partner and to engage with others in this area. WFP had memoranda of understanding with other agencies such as UNICEF and the Office of the United Nations High Commissioner for Refugees (UNHCR) and other partners in nutrition to ensure the efficient division of labour. It was on the steering committee of the United Nations Standing Committee on Nutrition and was therefore closely involved in policy harmonization and planning. Never before had WFP been so close to other agencies, many of which were involved in the preparation of the three documents before the Board and had contributed to the dialogue on the next steps to be taken. The Secretariat concurred that government and NGO partners were also critical. WFP was responding proactively to



requests from other agencies asking the organization to be a better partner in the nutrition field.

### **Transition from relief to development (2004/EB.A/7)**

30. The Board considered a summary of the final report of the Working Group on Transition Issues, established by the United Nations Development Group (UNDG) and the Executive Committee on Humanitarian Affairs (ECHA). The Executive Director of UNICEF, Ms Carole Bellamy, who chaired the working group, gave a brief presentation of the group's methods, conclusions and planned follow-up activities. The working group, in which WFP participated, had studied eight countries in different phases in the transition from conflict to peace. After review at a high-level meeting in January 2004, the full report had been submitted to the United Nations Secretary-General and would be discussed at the ECOSOC session in July. Ms Bellamy reviewed the envisioned next steps: (i) developing field-level mechanisms and revised guidelines and tools for country teams, (ii) improving the interface between political and humanitarian actors, and (iii) exploring more flexible resource mobilization tools, including possible multi-year funding.
31. The Secretariat commented on the role of WFP in this process, noting that its protracted relief and recovery operations (PRROs) were viewed as a model instrument for supporting transitions and that WFP was working with others on addressing issues related to post-conflict needs assessments and integrated missions. WFP was refining its guidance and building its capacities to address transition issues more effectively and sought guidance from the Board on how it should proceed.
32. The Board acknowledged the importance of the "Report of the UNDG/ECHA Working Group on Transition Issues" and agreed on its main points, especially the needs to (i) recognize and plan for setbacks in the transition process, (ii) ensure flexibility in the United Nations operational response and in donor funding decisions, (iii) promote national ownership of the transition process, (iv) devise a coherent field-driven strategy for all United Nations actors and (v) continue dialogue with Member States in order to obtain a common understanding and approach. Strengthening capacities to support resident coordinators, creating multi-year resource mobilization instruments and building local planning and implementation capacities were also referred to during the discussion.
33. The Board felt that given its importance the subject required sustained debate, both formally in the appropriate fora and informally through consultations with the Secretariat. As a first step, there was a need to clarify how transition relates to development and to developmental programming tools. It was also noted that transition from conflict to peace was not similar to transition to development and that transition planning should start early. Time was needed to put structures and institutions in place. The Board noted that humanitarian inputs may not be sustainable over time. Other issues deserving further exploration included ways of (i) strengthening the United Nations' leadership in humanitarian responses, (ii) protecting humanitarian space and staff security, and (iii) using local institutions more effectively.
34. The Board acknowledged WFP's valuable contribution to the working group and supported its continued involvement in the working group's follow-up activities. It requested WFP to focus on its comparative advantage, including its strong field presence and experience in using the PRRO as a transition planning tool. WFP was encouraged to build on best practices and lessons learned in transition situations, to maintain collaboration with partner agencies and the World Bank to clarify its entry and exit strategies, and to continue participating in post-conflict needs assessments. Some members stated that a more far-reaching analysis of the shift to development would be needed. It



was also suggested that WFP should enlarge the focus of its transition work to address natural disasters and disaster preparedness and prevention.

35. In response, Ms Bellamy expressed appreciation for the Board's comments and welcomed WFP's continued input. She noted that the report did not purport to address all the issues involved. The WFP Executive Director emphasized the importance of the links between emergency, transition and development, noting that these linkages were at the core of WFP's activities. The Secretariat pledged to remain engaged in follow-up activities, including (i) continued participation in the working group, (ii) continued work with the World Bank, UNICEF and other partners and (iii) regular participation in post-conflict needs assessments. Where appropriate, WFP would integrate its work on natural disasters and prevention and preparedness activities into its transition strategies and responses. Concerns relating to exit strategies were noted and would be taken into account, including in a policy paper on exit strategies in emergencies due for presentation to the Board in 2005.

### **Definition of special operations—amendment to General Rule II.2(d), programme categories of WFP (2004/EB.A/9)**

36. The Secretariat introduced the paper, noting that the Board had agreed at its First Regular Session in 2004 that OTP would submit a policy paper to re-examine the definition of the special operation (SO) programme category to reflect current operational realities. The Board was asked to approve a definition seeking to (i) formalize the fact that SOs are used as the funding mechanism for the designated common services that WFP provides on behalf of the humanitarian community and (ii) give some flexibility to WFP to have immediate cash inputs to support non-food projects through technical assistance.
37. Several members suggested that the draft decision should be postponed until the October session of the Board, when WFP's definition of "technical assistance" and its approaches to implementing and funding such projects would be made clear. Other members endorsed the proposed definition in its entirety. There was a suggestion by a delegate that the draft decision be approved subject to the deletion of the words "and to carry out or provide technical assistance". Several Board members endorsed this approach on the grounds that they found it difficult to decide on non-logistical support without the benefit of reviewing the policy paper on SP 5 to be submitted to the Board in October 2004.
38. The Secretariat noted (i) that WFP may be required to assist governments to carry out, for example, vulnerability assessment and mapping studies in countries where WFP is not providing food aid and (ii) that WFP needs the flexibility to be able to use existing funding mechanisms to do this.
39. The Board agreed to adopt the amended draft decision, with a footnote that the technical assistance issue would be revisited at the Third Regular Session; in the meantime, technical assistance could be undertaken by WFP using existing funding mechanisms.

### **Reducing the number of Board sessions (2004/EB.A/10)**

40. The Chairman reminded the meeting that the paper reflected the governance recommendation to reduce the number of Board sessions from four to three per year, with a maximum of 15 meeting days. This would go some way towards harmonizing with other United Nations bodies.



41. The Board supported the proposal, but cautioned that the reduction should not in any way compromise the efficiency or quality of Board sessions. Some members suggested that informal consultations should be held back-to-back with Board sessions; given the number of informal consultations in any one year, however, it was recognized that this might not always be possible in practical terms. Flexibility in programming Board sessions was also needed in order to avoid clashes with national holidays.
42. In response to concerns expressed by several members, the Chairman assured the meeting that the Board would continue to deal with substantive issues.

### **Streamlining corporate reporting to the Executive Board and WFP parent bodies (2004/EB.A/11)**

43. The Secretariat presented the document “Streamlining Corporate Reporting to the Executive Board and WFP Parent Bodies” (WFP/EB.A/2004/5-F), emphasizing the fact that it had recently been endorsed by the Bureau. Accordingly, the Executive Board approved the draft decision contained therein without prior discussion.

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## **RESOURCE, FINANCIAL AND BUDGETARY MATTERS**

### **Audited Biennial Accounts (2002–2003) (2004/EB.A/13)**

44. The Secretariat presented the Audited Biennial Accounts for 2002–2003 as consisting of three reports:
  - i) Section I: Report of the Executive Director on the financial administration of WFP for the biennium 2002–2003;
  - ii) Section II: Opinion of the External Auditor on the audited financial statements (2002–2003); and
  - iii) Section III: Long-Form Report of the External Auditor with comments on financial matters.
45. The Secretariat explained that this was the first time that the audited financial statements were being presented to the Board at its Annual Meeting. There were three reasons for this: (i) the Executive Director believed that financial reports should be submitted and reviewed by management and the Executive Board on a more timely basis; (ii) WINGS facilitated earlier closure of the books of accounts; the transparency in WINGS also allowed accounting issues to come to light earlier, as borne out by the External Auditor’s recommendations; and (iii) preparation of interim monthly financial statements allowed management to identify and resolve issues that would impact on the biennial financial statements.
46. In presenting Section I, the Secretariat highlighted the following: (i) the change in accounting policies on income accrual and standard staff cost accounting for international and Headquarters-based staff implemented during the biennium; (ii) payroll processing, which was taken over from FAO at the start of the biennium; (iii) early submission of the financial statements also facilitated submission of Standardized Project Reports (SPRs) nine months earlier than before; (iv) total income of US\$5.8 billion represented a 46 percent increase; expenditures reached US\$5.1 billion, a 59 percent increase; these increases resulted largely from three major emergencies during the biennium; (v) additional indirect support costs (ISC) recovered as a result of the higher levels of operations allowed WFP to accumulate reserves, resulting in a much healthier balance sheet; and (vi) the cash balance, in relation to operating activities, had gone down to



14 percent, equivalent to about three months operational expenditures. The Secretariat also stated that BPR is expected to improve throughput further once it is in place.

47. The Secretariat confirmed that management agreed to all of the External Auditor's recommendations; a detailed response to the long-form report and management reports would be presented to the Board in October 2004. Action had already been initiated on many of the recommendations.
48. Sir John Bourn, the External Auditor, explained the significance of issuing an unqualified opinion: it meant that donors could rely on the fairness of presentation of the accounts, but did not mean that problems did not exist; these were addressed in his recommendations to the Secretariat.
49. The External Auditor congratulated WFP staff on meeting two major challenges in preparing accounts that merited an unqualified opinion: (i) implementation of recognition of income on an accrual basis, which was more complex and required greater judgment; and (ii) the significant increase in the volume of activities during the biennium.
50. In presenting Sections II and III, the External Auditor emphasized five points from his report: (i) given WFP's dependence on voluntary contributions, maintaining donor contributions was fundamental, especially because donors were becoming more concerned as to how funds were spent; (ii) there was a need to continue to improve the quality and presentation of financial accounts to make reports simpler, more meaningful and more transparent; (iii) it was important to enhance the decentralized management structure and make use of WINGS to allow greater autonomy without excess bureaucracy and unnecessary controls; an example was the need to attribute expenses accurately; (iv) direct support costs (DSC) and Programme Support and Administrative (PSA) support costs were not properly attributed because of ambiguous definitions and needed clarification; and (v) the role of the regional bureaux needed to be more clearly defined.
51. Regarding the three management reports to be taken up by the Board in October 2004, the External Auditor highlighted the following: (i) air operations: it was important for WFP to recognize that it had in effect gone into the business of running an airline under difficult circumstances; it needed to ensure that these operations were managed properly and professionally; risk insurance, for example, should be mandatory; (ii) vulnerability analysis and mapping (VAM): WFP was good at identifying vulnerabilities, but needed to improve the analysis aspect, for example in determining causes of vulnerabilities; and (iii) corporate governance: three areas of improvement were strengthening the Audit Committee, clarifying governance roles and responsibilities in a decentralized structure and improving the use of oversight mechanisms.
52. The Board commended the reports on their clarity, readability and transparency and welcomed the fact that the accounts had been produced earlier than usual. The Board viewed WFP's financial reporting positively, especially in comparison with other United Nations agencies, and congratulated WFP on having received an unqualified audit opinion.
53. The Board inquired about implementation of the External Auditor's recommendations, which would be discussed in the October 2004 session. The Secretariat explained that: (i) five of the External Auditor's eight recommendations were being addressed under the Business Process Review (BPR) since last year; (ii) two of the recommendations were being addressed through Secretariat initiatives in strengthening the financial management of WFP; and (iii) work was still in progress on the issue of classifying DSC and PSA expenditures; the Secretariat was constrained because country office PSA was defined in



the approved budget as consisting of a director and US\$200,000 regardless of the size of the office.

54. Regarding charging the costs of one project to another project, the Board expressed concerns that funds provided by donors were not spent as agreed and requested the Secretariat to work on the attribution problem. The Secretariat explained that this usually happened during the transition from a closed project that had unspent funds to a new project that lacked funds. Guidelines on project closure had been issued in October 2003 to address this issue and allow early transfer of resources by allowing donors the opportunity to make decisions earlier. BPR was seeking to give country offices flexibility in funding their operational needs.
55. Members requested more information on the recruitment of professional finance staff, with particular reference to the need for geographical representation. The Secretariat said that priority was being given to recruiting candidates from developing countries and under-represented donor countries: six regional bureau financial analysts were being recruited to support implementation of BPR, in addition to the 22 international and 14 national staff.
56. The Board asked the Secretariat to provide more information and to outline a plan for utilization of the US\$230.6 million balance in the PSA Equalization Account. The Secretariat explained that the amount had increased because the volume of operations and resourcing had increased, whereas PSA expenditures had remained at about the same level as the previous biennium, thereby generating an excess in ISC income. In the 2004–2005 Management Plan, the Board had already approved utilization of US\$110 million of the PSA Equalization Account. Another US\$24.1 million was being requested for transfer to the DSC Advance Facility; a further amount would be required for activities carried over from 2002–2003. This would leave a balance of approximately US\$70 million in the account. Given that the Management Plan was based on needs and not available resources, the Secretariat would retain the balance in the reserve and report back to the Board when the situation became clearer.
57. In response to a request by a Board member for information regarding investments, the Secretariat said that management of investments and their performance were reported annually by the Executive Director in the Consolidated Financial Report. Responding to questions from some Board members regarding the internal audit function, the Secretariat explained that additional resources had been included in the budget for 2004–2005 to ensure annual audit of major programmes and to allow coverage of more areas of activities. In response to comments made regarding WINGS training at field offices, the Secretariat said that it was rethinking the deployment of full WINGS to all country offices and was considering some regionalization of processing, in line with the WFP rotation policy. The Systems, Applications and Products (SAP) programme<sup>1</sup> was also over-customized, which slowed down its performance and made it too complex. The Secretariat was therefore planning to simplify the process by using the built-in functionalities as much as possible during the upgrade. One Board member asked the Secretariat what cost savings were generated as a result of efficiencies achieved through WINGS. The Secretariat explained that it focused on operational efficiencies and not on cost savings.
58. The Board expressed the need for the Secretariat to address the audit recommendations on air operations immediately. The Secretariat explained that WFP had been asked by the United Nations two years ago to be one of two official providers of air operations for

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<sup>1</sup> SAP is a German software company.



humanitarian services; the other was the United Nations peacekeeping missions. The Secretariat was aiming to report to the Board in October 2004 that action had been taken on all the audit recommendations.

59. Regarding the Board's request for an opinion on WFP's internal oversight and internal audit arrangements, the External Auditor gave his view that these were generally of good quality under the present circumstances, for the following reasons: (i) developments in oversight arrangements had changed over the last ten years; the initiatives undertaken by the Executive Director along with the recommendations in the External Auditor's Corporate Governance report should ensure that WFP's internal oversight would be in line with best practices; (ii) the Executive Director had taken initiatives to pay greater attention to codes of conduct and risk assessments; and (iii) corporate governance had improved through the expansion of the Audit Committee membership and strengthening of the internal audit function.
60. Responding to the comments of the Board, the Executive Director mentioned the following matters: (i) implementation of the External Auditor's recommendations would be a major advance for WFP in achieving good corporate governance; (ii) the new Audit Committee would consist of five members, two executive and three external; (iii) the strategic issues that emerged from the discussions were identification of the true business cost of WFP, classification, definition and resourcing of support costs and funding of small country offices; (iv) the transport business, particularly air operations, had inherent risks that had to be managed and unusual risks that had to be avoided; and (v) Board members were invited to present questions to the Secretariat about the progress of implementation of the audit recommendations even before October 2004.
61. The Board decided to consider the three reports of the External Auditor on management matters at its Third Regular Session in October 2004, together with the follow-up report of the Secretariat on audit recommendations.
62. The Board (i) approved the 2002–2003 Biennial Financial Statements of WFP, together with the report of the External Auditor, pursuant to General Regulation XIV.6(b), (ii) noted the application of the staff cost variance account to both project-funded and PSA-funded staff costs, (iii) noted the funding from the General Fund of US\$8.4 million during the biennium for unfunded expenditures in development projects (US\$5,440,328), unfunded expenditures on closed projects (US\$2,476,963), write-off of contributions receivable (US\$439,934) and final transfer to the Kosovo Disaster Special Account (US\$32,260) and (iv) approved the transfer of US\$20 million from the General Fund and US\$24.1 million from the PSA Equalization Account to the DSC Advance Facility reserve to bring the balance of the latter to US\$60 million as approved by the Executive Board in the 2004–2005 Management Plan.

### **Report of the Inspector-General (2004/EB.A/14)**

63. The Inspector-General introduced the paper, reminding the meeting that his report was a statutory requirement. He highlighted the facts that: (i) for the first time the report included the work of the Internal Audit function, which is now part of the Oversight Services Division; (ii) in line with the Executive Board's decision it included a report on trends; (iii) it reported uncovering losses of about US\$2.8 million, of which about US\$0.8 million had been recovered; he noted that the total recovery during the period, including cases carried over from previous periods, amounted to about US\$4.7 million; and (iv) it included a preview of work in the next biennium, the most significant of which was the Executive Director's audit cycle policy which required an almost 100 percent increase in audit coverage by Internal Audit.





64. He thanked the External Auditors for their support and recognition of the initiatives in governance undertaken by the Executive Director under the guidance of the Board, as reflected in their management report on corporate governance.
65. The Board appreciated and commended WFP's effort to address issues of mismanagement, waste and fraud. It supported continued focus on risk management and staff training on accountability and transparency, and welcomed the Executive Director's policy of close scrutiny.
66. The Inspector-General thanked the Board for its endorsement and encouragement, which he saw as a vote of confidence in the work being carried out by his office and in the policies on transparency and accountability being pursued by the Executive Director.

### **WFP pledging target: 2005–2006 (2004/EB.A/15)**

67. The Secretariat presented the document on "WFP Pledging Target: 2005–2006" (WFP/EB.A/2004/6-D). The Board approved the draft decision contained therein, with two minor amendments, without further discussion.

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## **ADMINISTRATIVE AND MANAGERIAL MATTERS**

### **Report on post-delivery losses for the period 1 January–31 December 2003 (2004/EB.A/17)**

68. The Secretariat presented the Report on Post-Delivery Losses for the Period 1 January–31 December 2003 (WFP/EB.A/2004/7-A). In response to donors' justified concerns at such losses, which were highly regrettable, the Operations Department had requested, in 2002, that the Office of Internal Audit review the matter; a number of significant recommendations had been issued. While the accuracy of the computerized tracking systems could be vouched for, there was always room for improvement. The Deputy Executive Director, Operations, stated that the definition of post-delivery losses included all losses from the point of delivery to distribution to beneficiaries, but not delivery losses that are covered by insurance.
69. Officials from the Bangladesh and Cambodia country offices gave an account of the post-delivery losses detected in their countries, the investigations carried out, the successful cooperation with the governments of the countries concerned and the latest situation. The Cambodia problem was regarded as extremely serious by all parties and was being treated as a top priority. Documentation explaining in detail the preventive and punitive measures being taken was put at the Board members' disposal.
70. Some members of the Board voiced their alarm at the persistence of post-delivery losses, since they eroded donor confidence and undermined WFP's credibility. Others played down the gravity, pointing out that WFP's record was relatively satisfactory. Calls were made for the situation to be given greater analysis in future reports, rather than simply stating the bare figures. It was asked whether measures were taken to replace lost food aid, since the intended beneficiaries suffered most and could not wait for governments to reimburse WFP. Further information was given about inter-ministerial efforts by the Government of Bangladesh to address the problem, and both the government and the WFP country office were praised for their efforts both to feed the most vulnerable sections of the population and to prevent losses. WFP's efforts to implement COMPAS were commended; calls were made for the capacity of partners to be strengthened and for staff to be given adequate training in the use of COMPAS. Attention was drawn to the fact that loss of perishable foodstuffs for climatic reasons was inevitable, although it should be minimized.



71. The Secretariat reassured donor countries that WFP took the matter very seriously. Indeed, WFP was the only such organization to report annually to its Board on the matter of commodity losses. The Programme did all it could to ensure that recipients deprived of food because of looting received the aid due to them as quickly as possible, especially in situations of civil war or unrest. Adverse publicity involving the misuse of WFP food aid was detrimental to WFP's image. Installation of COMPAS was due to be completed in all countries by the end of 2004. Everything would be done in future to avoid such losses; the culprits had already been punished in many cases.

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## OTHER BUSINESS

72. The Secretariat announced that two information notes were available: (i) on the conclusions of the joint session of the United Nations in New York and (ii) on how to improve work on HIV/AIDS and harmonization. The paper on the transition from relief to development should be presented at the meeting in New York on 21–25 January 2005, together with a paper on Guatemala. The participation of WFP in joint sessions was logistically difficult and was under discussion. In October, WFP's perceptions would be discussed, taking into account the ECOSOC meeting. Ways would be sought for WFP to be more proactive so that the President could submit common positions agreed among members. Documents should be ready well in advance of the session.



## ACRONYMS USED IN THE DOCUMENT

|          |   |
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| APR      | Annual Performance Report                                       |
| BPR      | Business Process Review   |
| COMPAS   | Commodity Movement Processing and Analysis System               |
| DPRK     | Democratic People's Republic of Korea                           |
| DSC      | direct support cost   |
| ECHA     | Executive Committee on Humanitarian Affairs                     |
| ECOSOC   | United Nations Economic and Social Council                      |
| FAO      | Food and Agriculture Organization of the United Nations         |
| GM       | genetically modified  |
| HIV/AIDS | human immunodeficiency virus/acquired immunodeficiency syndrome |
| ISC      | indirect support costs  |
| MDG      | Millennium Development Goals                                    |
| MP       | Management Priority   |
| NEPAD    | New Partnership for Africa's Development                        |
| NGO      | non-governmental organization                                   |
| OTP      | Transport, Preparedness and Response Division                   |
| PRRO     | protracted relief and recovery operation                        |
| PSA      | programme support and administrative                            |
| SAP      | Systems, Applications and Products                              |
| SO       | special operation   |
| SPR      | Standardized Project Report                                     |
| UNDG     | United Nations Development Group                                |
| UNHCR    | Office of the United Nations High Commissioner for Refugees     |
| UNICEF   | United Nations Children's Fund                                  |
| USAID    | United States Agency for International Development              |
| VAM      | vulnerability analysis and mapping                              |
| WHO      | World Health Organization                                       |
| WINGS    | WFP Information Network and Global System                       |

