

Informal EB Briefing

Management Plan 2017-2019

26 April 2016



World Food Programme

Agenda

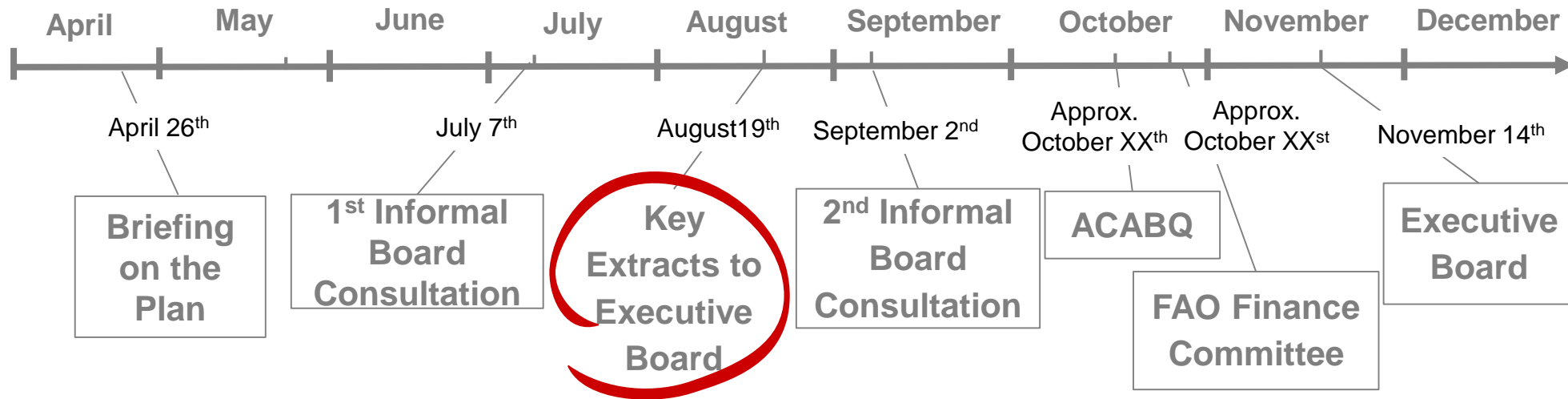
- 1. Management Plan timeline & structure**
- 2. Strategic & financial context**
- 3. Proposed Programme Support & Administration (PSA)**
 - A. PSA Approach and Preliminary Numbers
 - B. PSAEA and Critical Corporate Initiatives
 - C. Cost Excellence Update
- 4. Capital Budgeting Facility**
- 5. Operational requirements, prioritization and potential shortfall impact**

1. Management Plan Timeline and Structure

Key Dates for Management Plan (2017-2019)

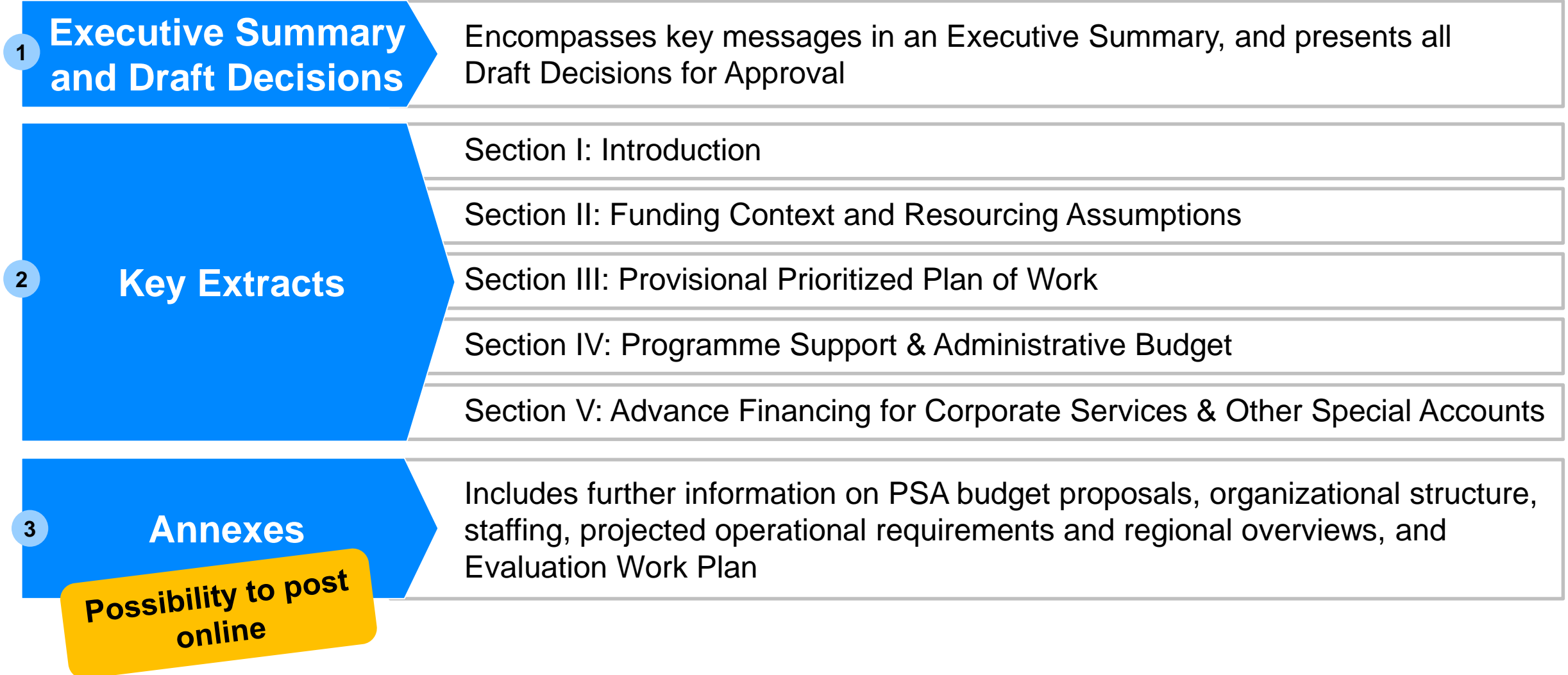
Objective

Present for approval the Management Plan 2017-19 for the Second Session of the Executive Board



Key Extracts in all languages 2 weeks before 2nd Informal Consultation

Proposed Management Plan Structure



We are determined to increase transparency and reduce document length

Why?

+ More
information

+ Easily
Accessible

+ Shorter MP
document

What will be uploaded?

- For the first time, data behind **operational requirements will be available online**
- Based on feedback, **annexes can be shifted to online format** to reduce document length, and provide interactive data

2. Strategic & Financial Context

2.1. Key External Challenges for the Management Plan

Operational Conditions

- Continuation of **large scale emergencies**
- **Protracted, emerging and potential conflicts** in the Middle East, Sudan, West Africa, etc.
- Climate change and increasing natural disasters
- Syria Peace Talks and **growing refugee crisis**

Economic Considerations

- Ongoing impact of **El- Niño**
- Sluggish global Economic growth

Changes in the UN Operating Environment

- **SDG** implementation
- **World Humanitarian Summit 2016**, and ‘Grand Bargain’
- United Nations reform initiatives including new **QCPR**

2.2. Key Internal Considerations for the Management Plan 2017-19

Balancing resource allocations with strategic changes:

- New Strategic Plan (SP), Country Strategic Plan (CSP) and Corporate Results Frameworks (CRF)
- Expanding Cash Based Transfer and related enabling tools
- Financial Framework Implementation
- Cost excellence and offshoring options

Strengthening linkages between resource allocations and outcomes

2.3. Elements Impacting our Forecasting

+ Contributions reached updated forecast level of USD 4.9 Billion

— Continuing major L3 Emergencies

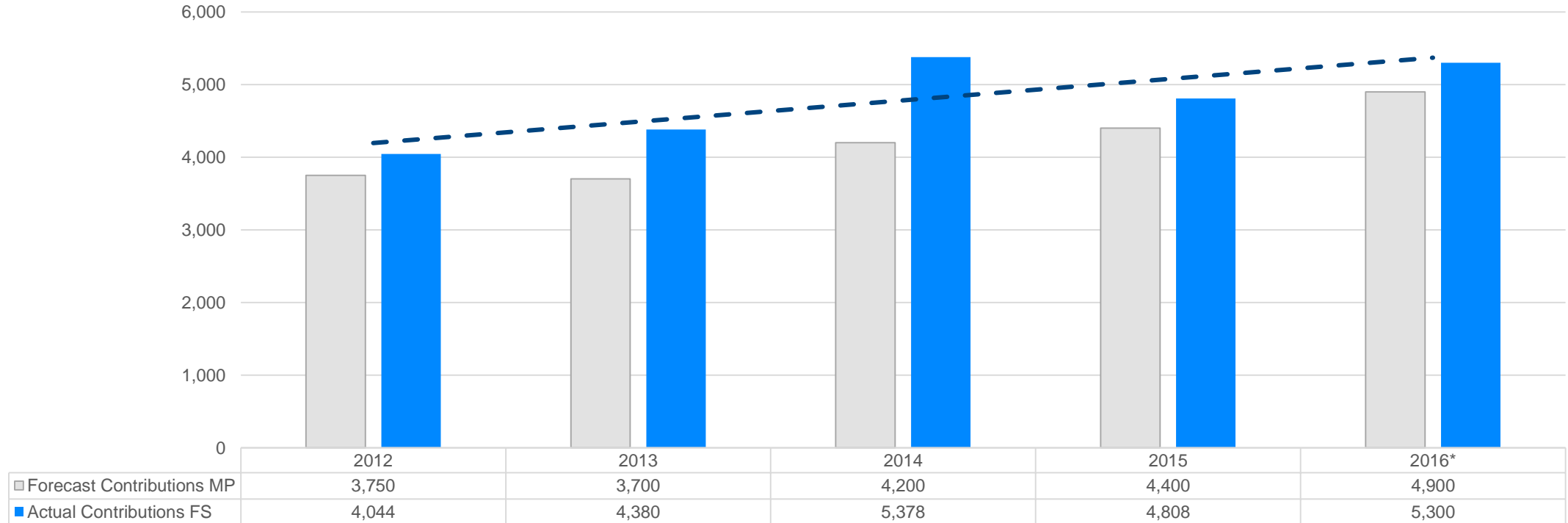
- Syria and Syrian Refugees
- Iraq
- CAR and West Africa
- South Sudan
- Yemen

? Impact in 2016 and beyond

- Peace Initiatives in Syria
- El Niño

2.4. Updated 2016 Income Forecast

MP Forecast versus Actual contributions



The current income forecast for 2016 is USD 5.3B, which includes Germany's contribution for Syria but excludes potential EU funding for Turkey

2.5. 2016 PSA Income versus Expenditure

Living within our means	USD M	
	Approved in MP 2016	Updated Projection 2016
Estimated Overall Income	4,900.0	5,300.0
Estimated ISC Income	316.1	341.9
Base PSA Recurring Expenditure	290.3	290.3
ISC Income minus PSA (surplus)	25.8	51.6

WFP is currently living well within its means

2.6. Projected PSAEA balance end 2016

Project Balance	USD M
PSAEA balance end 2015	138.3
Excess Income over PSA Allocations (slide 2.5)	51.6
2016 Critical Corporate Initiatives	(17.0)
2016 CCI Cost Excellence	(3.0)
Projected PSAEA balance end 2016	169.9
PSAEA reserve (Equivalent 5 months of PSA expenditure)	121.0
Excess over target PSAEA balance	48.9

WFP is expecting a very healthy PSAEA balance, exceeding the 5-months reserve target

3. Proposed Programme Support & Administration (PSA)

- **Part A:** PSA Approach and Preliminary Numbers
- **Part B:** PSAEA and Critical Corporate Initiatives

3.1. Key Principles of the Management Plan 2017

Building on Management Plan 2016, recall...

Provisional Prioritized POW

- Prioritization of operational requirements at Project level, based on projected funding
- Prioritized Plan of Work increasingly based on standardized Resource Based Planning approach
- Validation at CO, RB and HQ level

Funding

- Focus on resource mobilization strategy, while adjusting for evolving circumstances
- More detailed and engaged process for estimated funding levels
- Inputs from operational managers on funding projections at country level

PSA setting

- PSA level sustainable and within our means
- Value for Money focus, including preparation for Cost excellence
- Fully integrated with the strategic resource allocation process

3. Part A.

Proposed PSA approach: Overall Approach and Preliminary Numbers

3a.1. What is the Programme Support & Administrative (PSA) budget? (I/II)

What is the PSA?

- Portion of the WFP budget to providing indirect support to WFP activities
- An indirect support cost is “a cost which supports the execution of projects and activities but cannot be directly linked with their implementation”

How is it funded?

- Funded from standard 7% ISC charge on each contribution

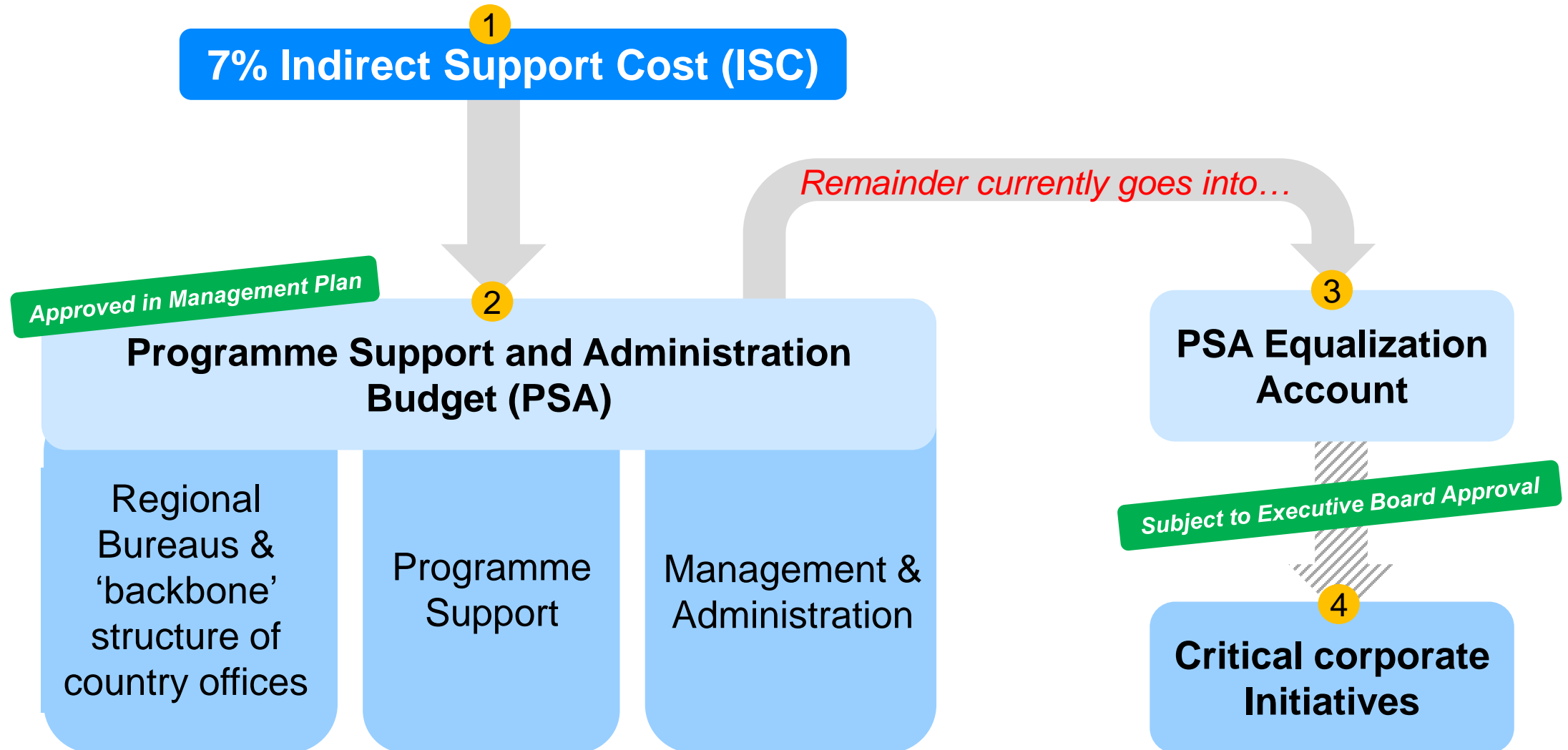
What does it cover?

- Covers the majority of Headquarter and Regional Bureaux costs, as well as ‘backbone’ structure of country offices

How is it approved?

- Board approval of the PSA appropriation within the Management Plan gives authority to the Executive Director to spend

3a.2. What is the Programme Support & Administrative (PSA) budget? (II/II)



3a.3. Key principles for Management Plan 2017-19 PSA planning (I/II)

Budget Envelope

- Maintain **7% Indirect Support Cost (ISC)** rate
- **PSA budget is matched to means, respecting the commitment to live within available resources**
- Baselines adjusted for 2016 Cost Excellence targeted savings
- Maintain projected **PSAEA above 5-month PSA spend level**

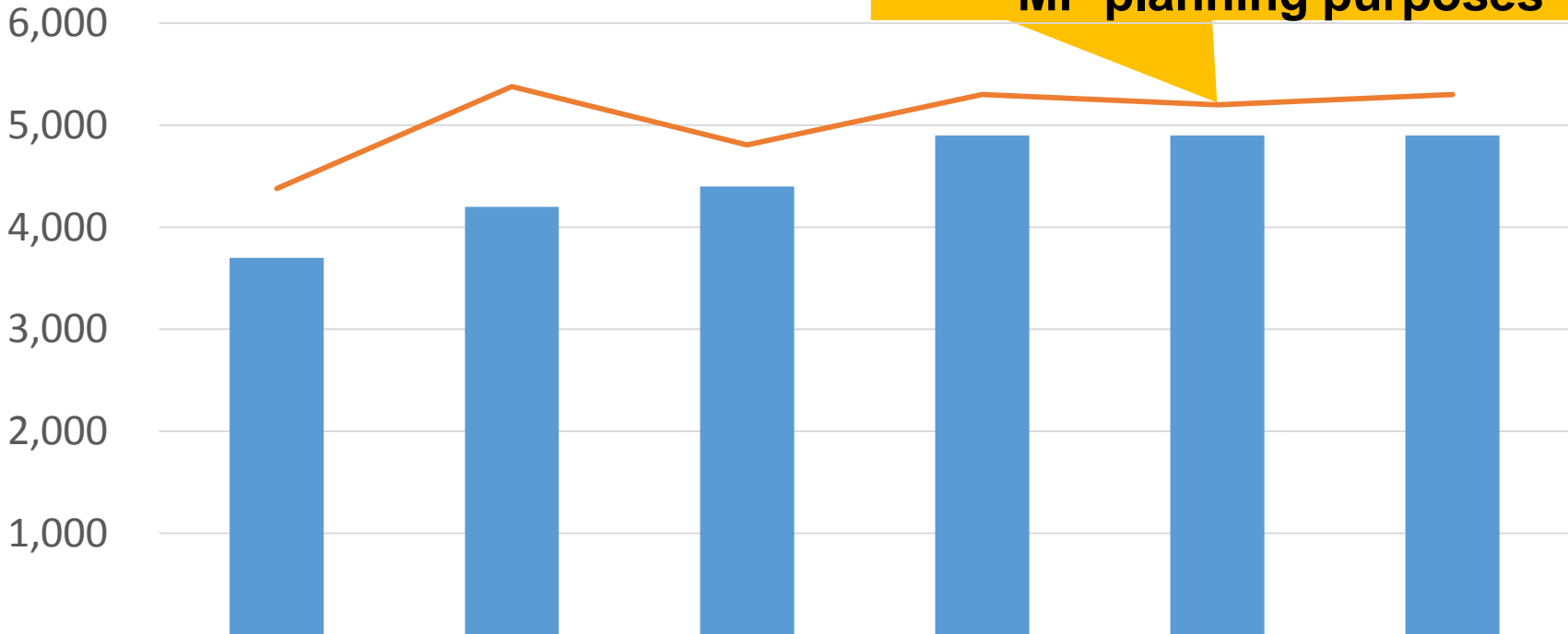
3a.4. Key principles for Management Plan 2017-19 PSA planning (II/II)

Resource Allocation

- Document effective cost savings of 5% to be redirected to strategic priorities
- Consider PSA levels with allocations from other sources
- Increases **documented by Investment cases** and in line with corporate priorities, VfM and field focused
- **Strengthened links** between performance and budgetary allocations
- Limited PSA baseline growth for Global HQ
- PSA used to **increase beneficiary value-transfer**

3a.5. Management Plan Income forecast

Forecast of USD 5.2B for 2017 for MP planning purposes



	2013	2014	2015	2016	2017	2018
Forecast Contribution	3,700	4,200	4,400	4,900	4,900	4,900
Actual Contributions FS/ Updated Projections	4,380	5,378	4,808	5,300	5,200	5,300

3a.6. 2017 PSA Planning proposal (I/II)

Living within our means for 2017	USD M
	2017 Planning
Estimated Overall Income	5,200.0
Estimated ISC Income	✓ 335.4
Proposed PSA level	✓ 335.4

WFP is living within its indirect support cost (ISC) means, and matching its PSA to its income levels

3a.7. 2017 PSA Planning proposal (II/II)

How we are living within our means for 2017	USD M
	2017 Planning
2016 PSA Recurring Expenditure	290.3
Real increase to GHQ baseline	10.0
Increase to beneficiaries (direct to COs)	35.1
Estimated ISC Income and Proposed PSA level	✓ 335.4

Proposal to use PSA to increase quality and/or quantity of assistance and support to programming

3a.8. Putting PSA to work means more goes to beneficiaries in 2017

Spending more PSA in Country Offices will:



Increase quantity and/or quality of assistance to beneficiaries



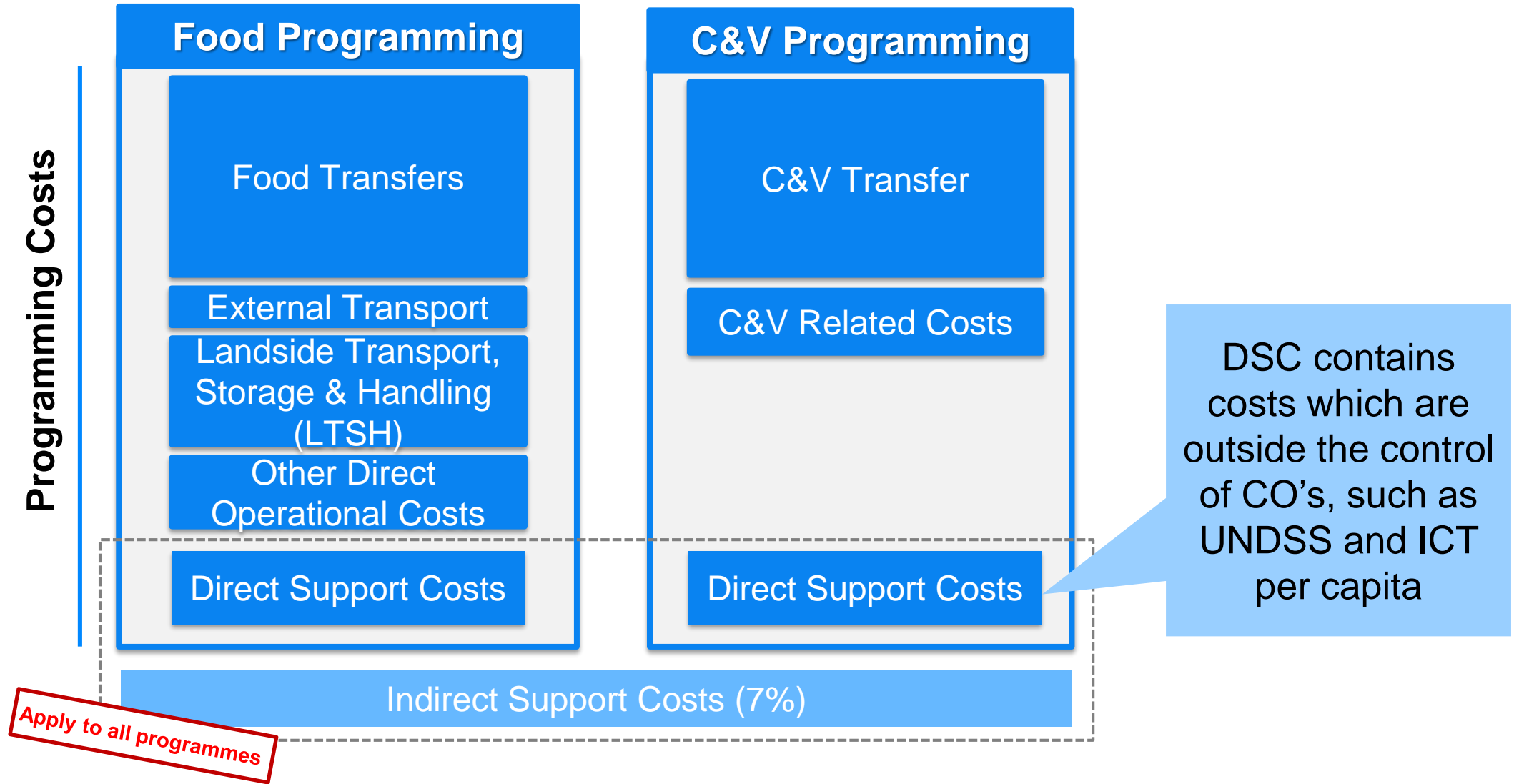
Enhance comparability of underlying costs with other agencies, in line with QCPR



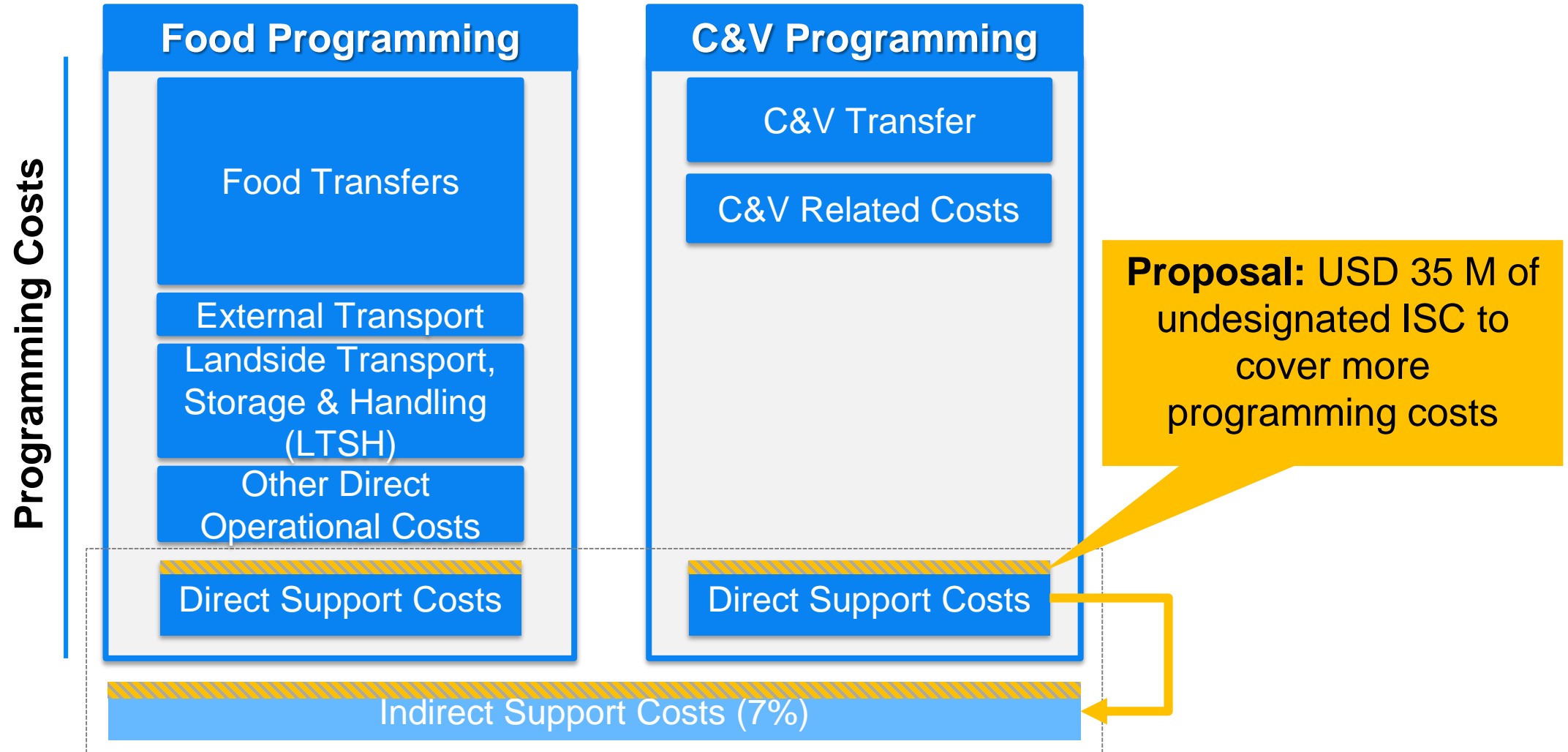
Help cover costs which may be outside the control of COs



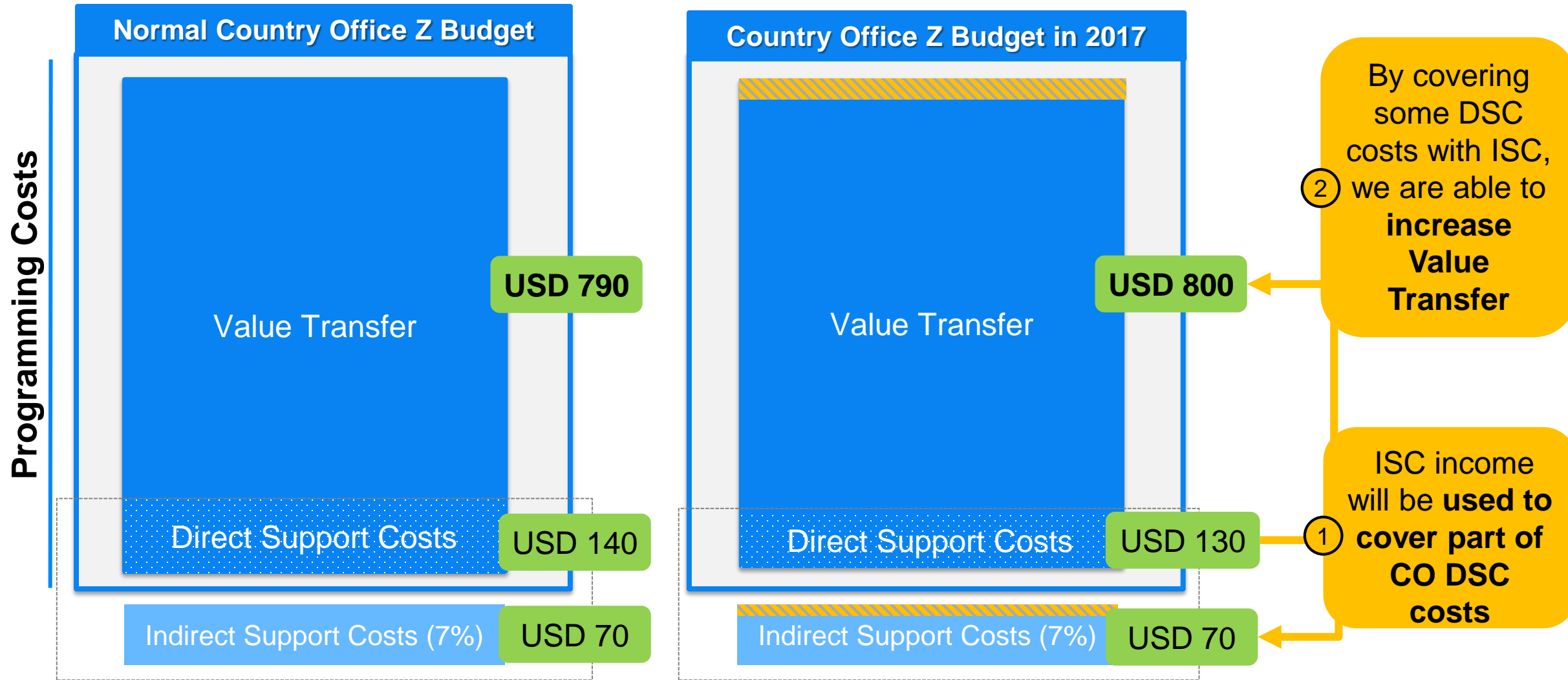
WFP's current structure for programming & support costs



We propose to increase value transfers to beneficiaries through covering more support costs by transferring undesignated ISC income



Example of how this will increase the quantity and/or quality of assistance provided (USD 1,000 contribution)



3. Part B.

Proposed PSA approach: PSAEA and Critical Corporate Initiatives

3b.1. What is the PSA Equalization Account?

- **Established in 2002 to manage surpluses or deficits between ISC revenue and PSA expenditures**

- **With EB approval the PSAEA may be used;**
 - to cover any difference between indirect support cost income and approved PSA expenditure;
 - as a reserve to underwrite the risk of decreases in indirect support cost income or underfunding of the PSA budget;
 - for critical corporate initiatives or thematic support funds; and
 - for maximizing WFP's reserves.

- **A target level of five months with a floor equal to 2 months PSA expenditure**

3b.2. Critical Corporate Initiatives

Definition (*WFP/EB.A/2015/6-C/1*): an activity to strengthen WFP's programming, operational and administrative capacity to fulfill its mission and delivering value for money

Critical Corporate Investments:

- One-off in nature
- focused on organizational change
- Require predictable funding
- unlikely to generate sufficient additional investment from donors
- Not recurring or regular PSA-type cost
- Not benefiting a single operational project

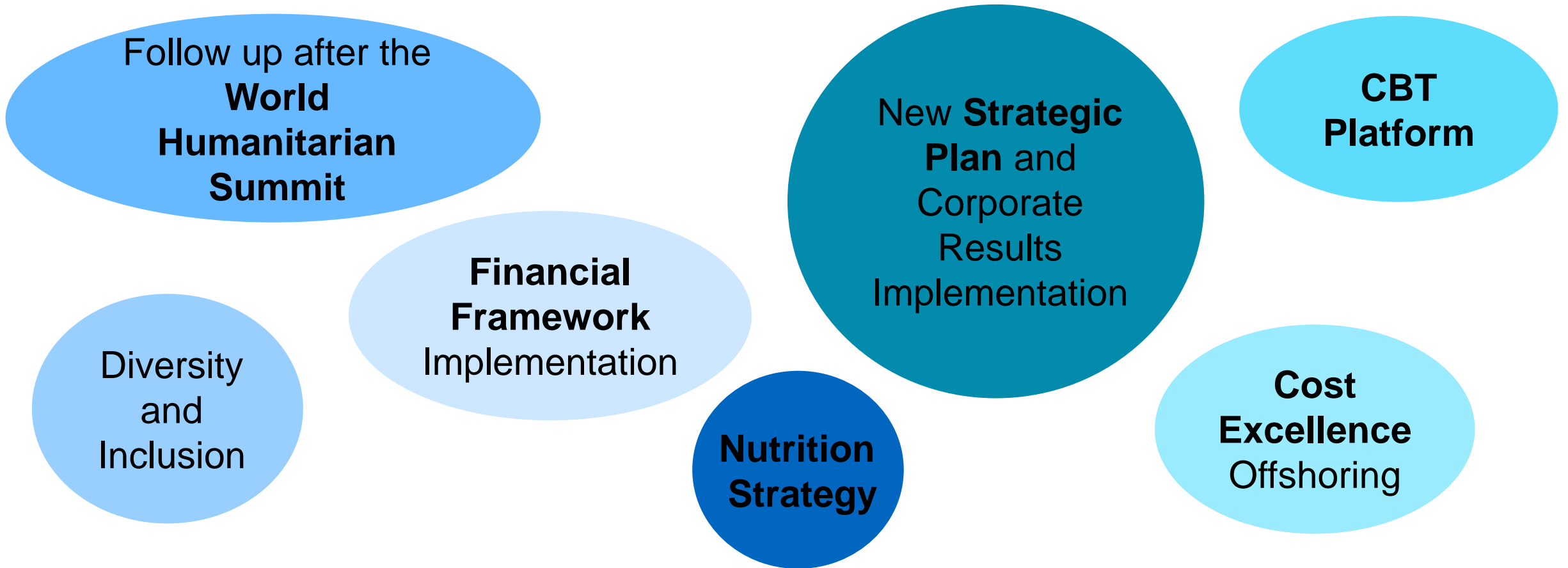
3b.3. Impact of proposed PSA budget and CCIs for 2017 on PSAEA

Despite healthy projected PSAEA balance at end 2017, Secretariat proposes postponing CCI proposals until the Fit for Purpose review has been completed

CCIs may be proposed at EB 1/2017

Current Project PSAEA end 2017	In USD M
Projected PSAEA balance end 2016	169.9
Proposed transfer from 2017 ISC (USD 335.4) less PSA (335.4)	(-)
Proposed 2017 Critical Corporate Initiatives	(-)
Projected PSAEA balance end 2017	169.9
Less 5 Month Reserve (based on proposed 2017 PSA)	139.0
Excess Balance over 5-month target	30.9

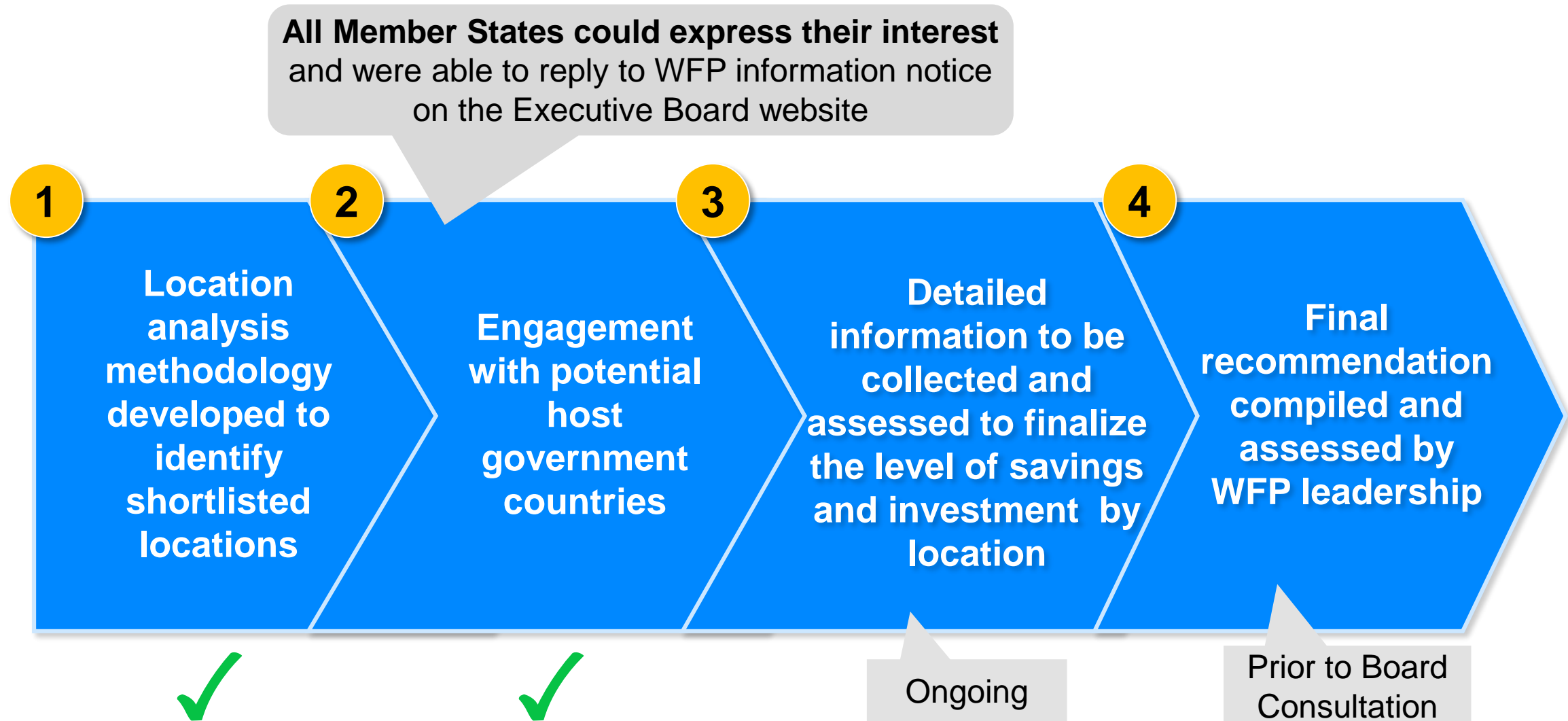
3b.4. Potential Critical Corporate Initiative Areas *(for consideration at EB 1/2017)*



Illustrative priority areas for structural Multilateral funds during 2016 and for potential consideration at EB.1/2017

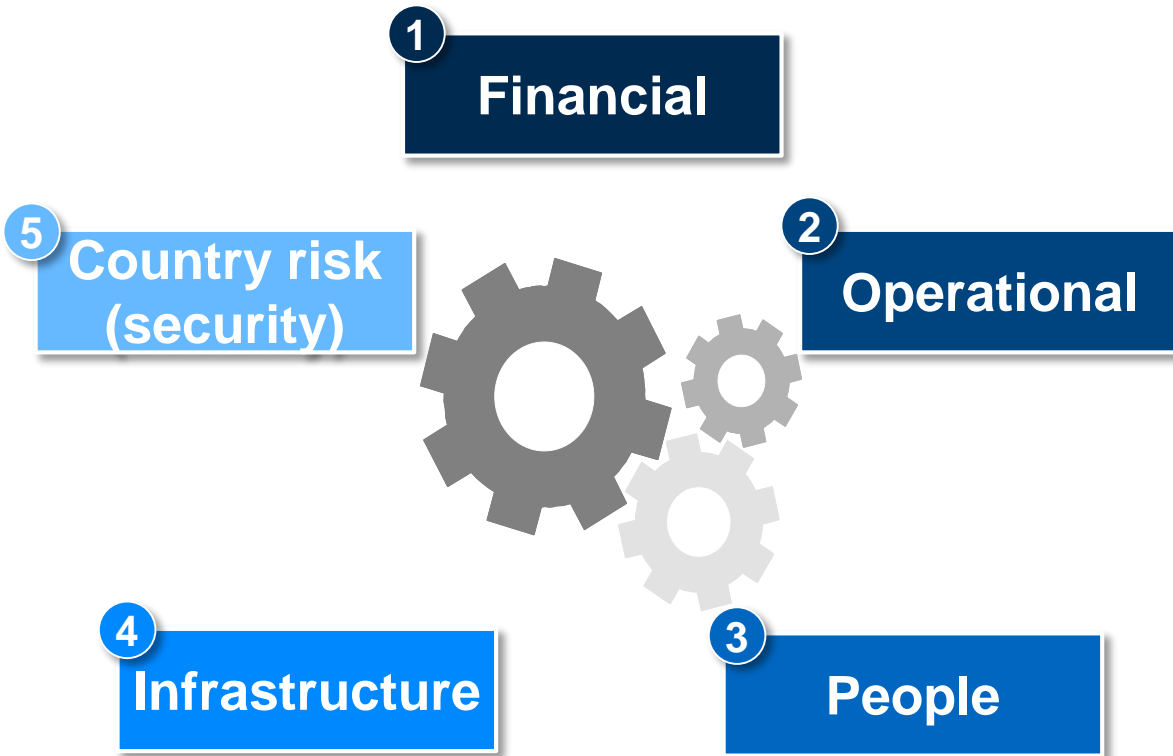
3. Part C. Cost Excellence Update

3c.1. Cost Excellence Update on WFP Service Centre: Engagement with potential host governments for location selection process will be concluded in 2016



3c.2. Location selection update: 7 potential host government proposals received

Locations to be evaluated across five main criteria...

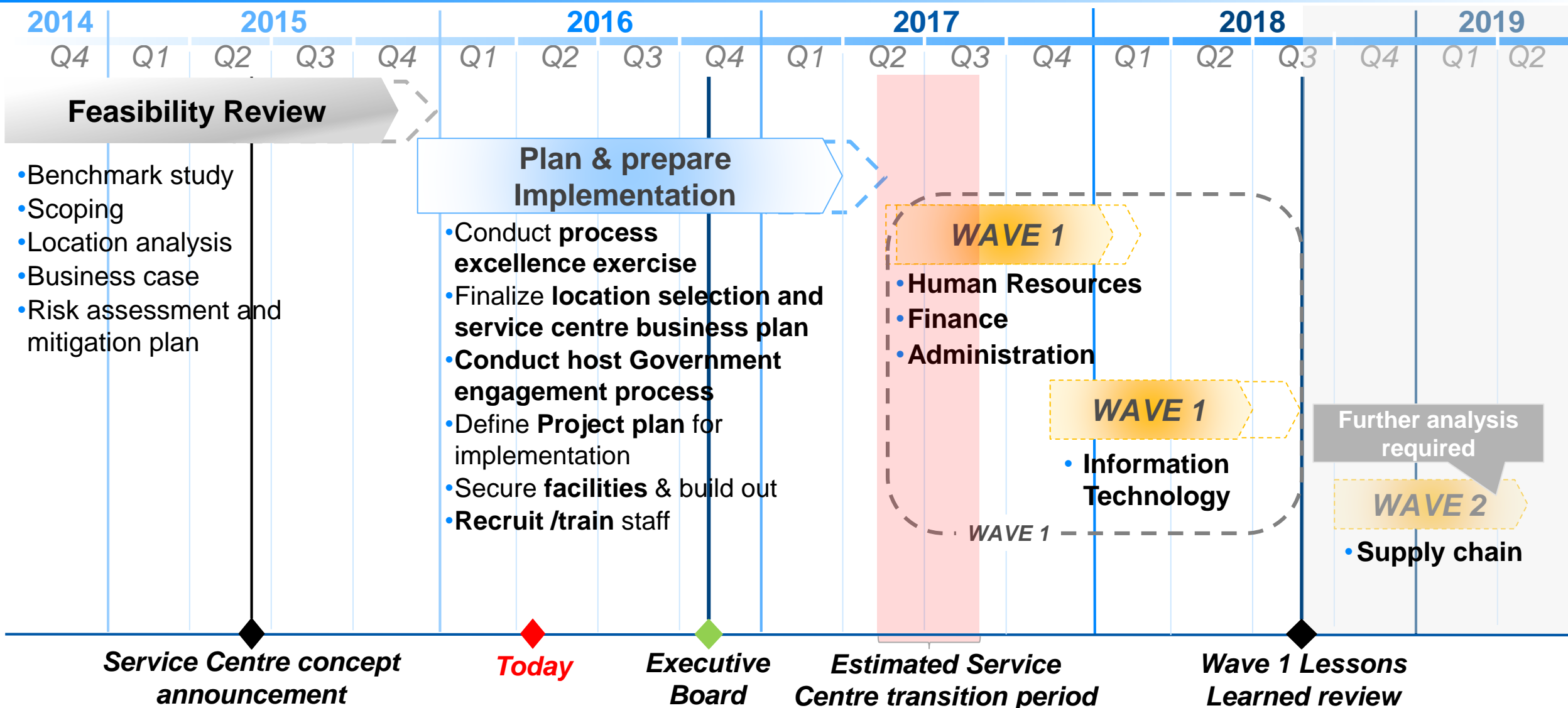


...to assist in the selection process (in alphabetical order)



Criteria serve as initial guide for review of proposals; additional analysis to be done through engagement with governments

3c.3. Multiyear workplan: First wave could start in Q2-Q3 2017



4. Capital Budgeting Facility

4.1. Proposed capital budgeting activities

Current Commitments for 2016

- **LESS now repaying CBF**
allocation in countries where LESS has gone 'live'. LESS currently covers 86% of WFP's annual food requirements (based on the Management Plan 2016-2018)
- Continued funding for field-based schemes approved in 2015 and 2016

2017 Proposed Funding levels

- Current CBF is USD 40m
- **No increase in the CBF is proposed for 2017**

5. Operational requirements and provisional prioritized plan of work

5.1. Operational requirements and provisional prioritized plan of work (I/II)

Key term

Operational requirements

All foreseen* operational needs related to approved projects and their logical extensions

Key term

Provisional prioritized plan of work

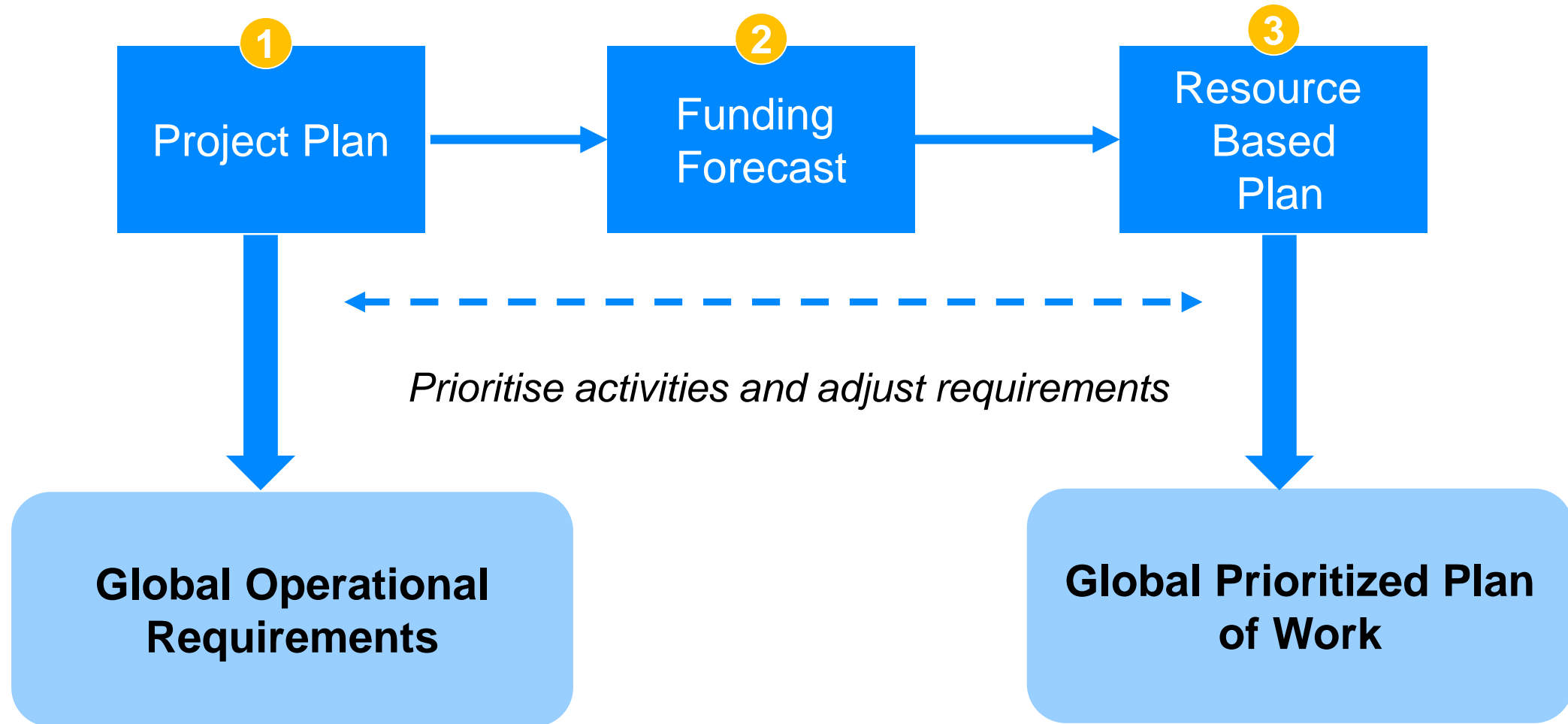
Sets out the utilization of anticipated funding on the basis of project funding forecasts

Key term

Implementation plan

Provisional prioritized plan of work + Trust Funds

5.2. Management Plan 2017-2019 moving towards Resource Based Budgeting



Thank you!