

# Resource Management and Financial Seminar

## 9 May 2013



**World Food Programme**

# Seminar Objectives and Agenda

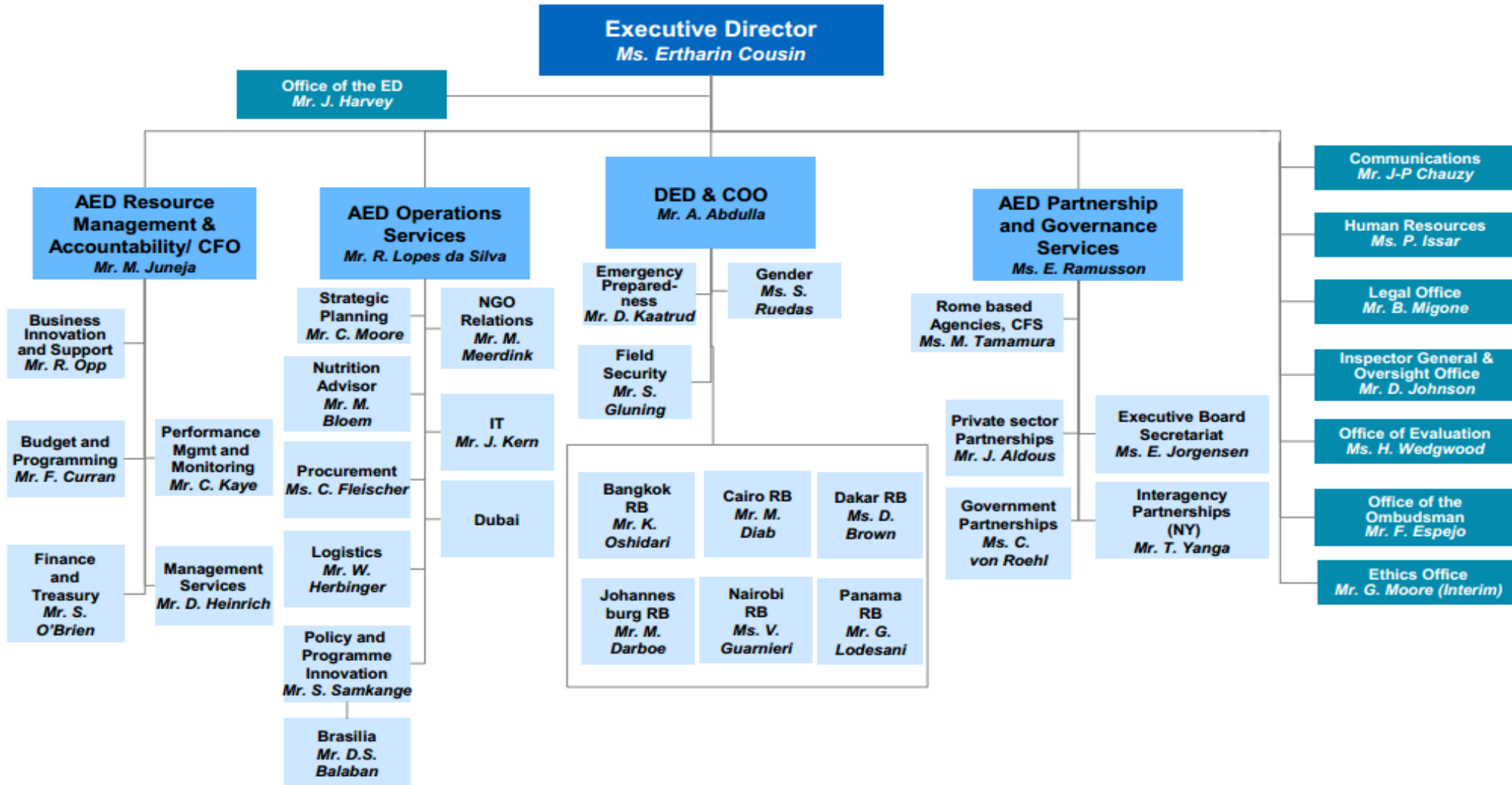
## **Morning Session:**

- **Overview of Resource Management Processes**
  - Updated organizational structure
  - Key aspects of our financial processes
- **Key Elements of the Financial Statements**
- **Introduction to the Annual Performance Report**

## **Afternoon Session:**

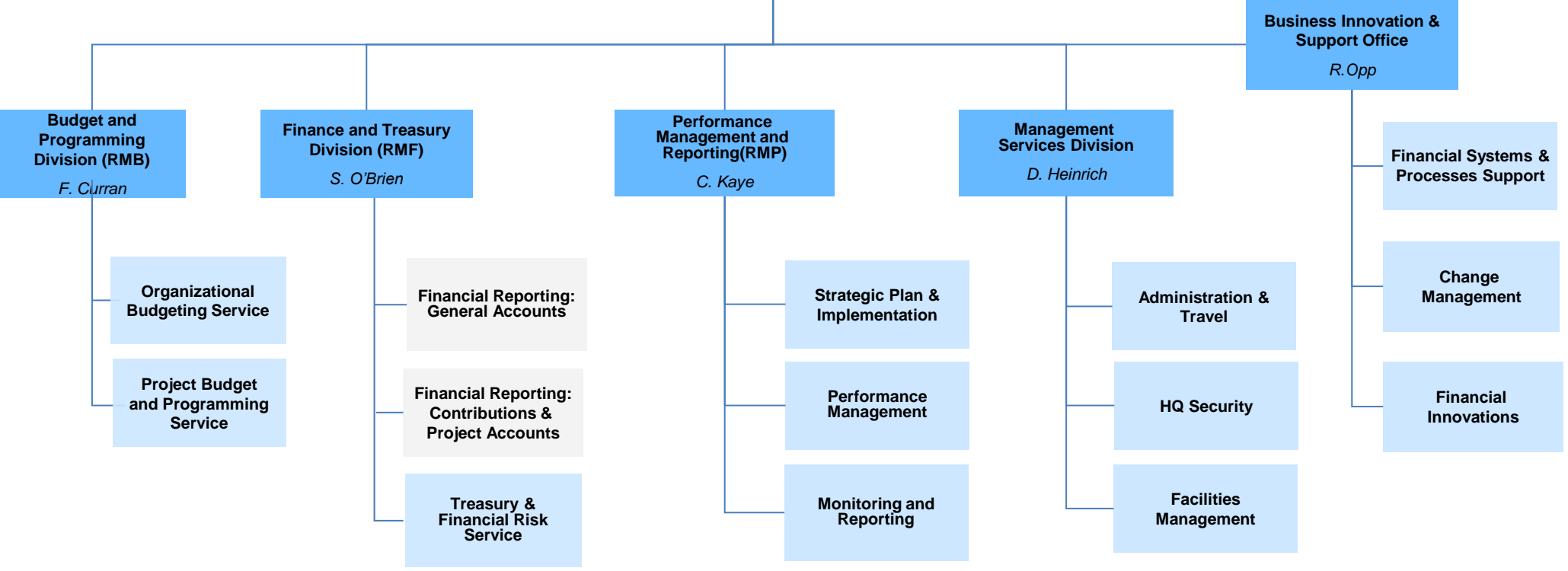
- **Update on the Statement of Internal Control**
- **Discussion on the gap between the funding level and the Programme of Work**
- **Update on twinning in 2012**

# World Food Programme Organisational Structure



# Resource Management and Accountability Department

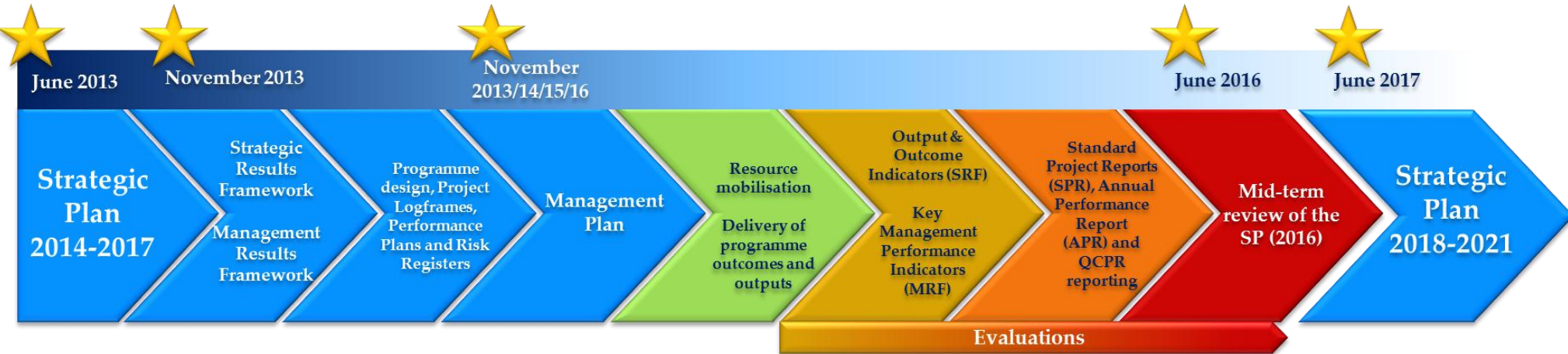
**Assistant Executive Director & CFO**  
*Manoj Juneja*



Regional Finance Officers, Regional Resource Management Analysts, Regional M&E Advisors

Finance Officers, Resource Management Analysts, M&E Officers, Compliance Officers

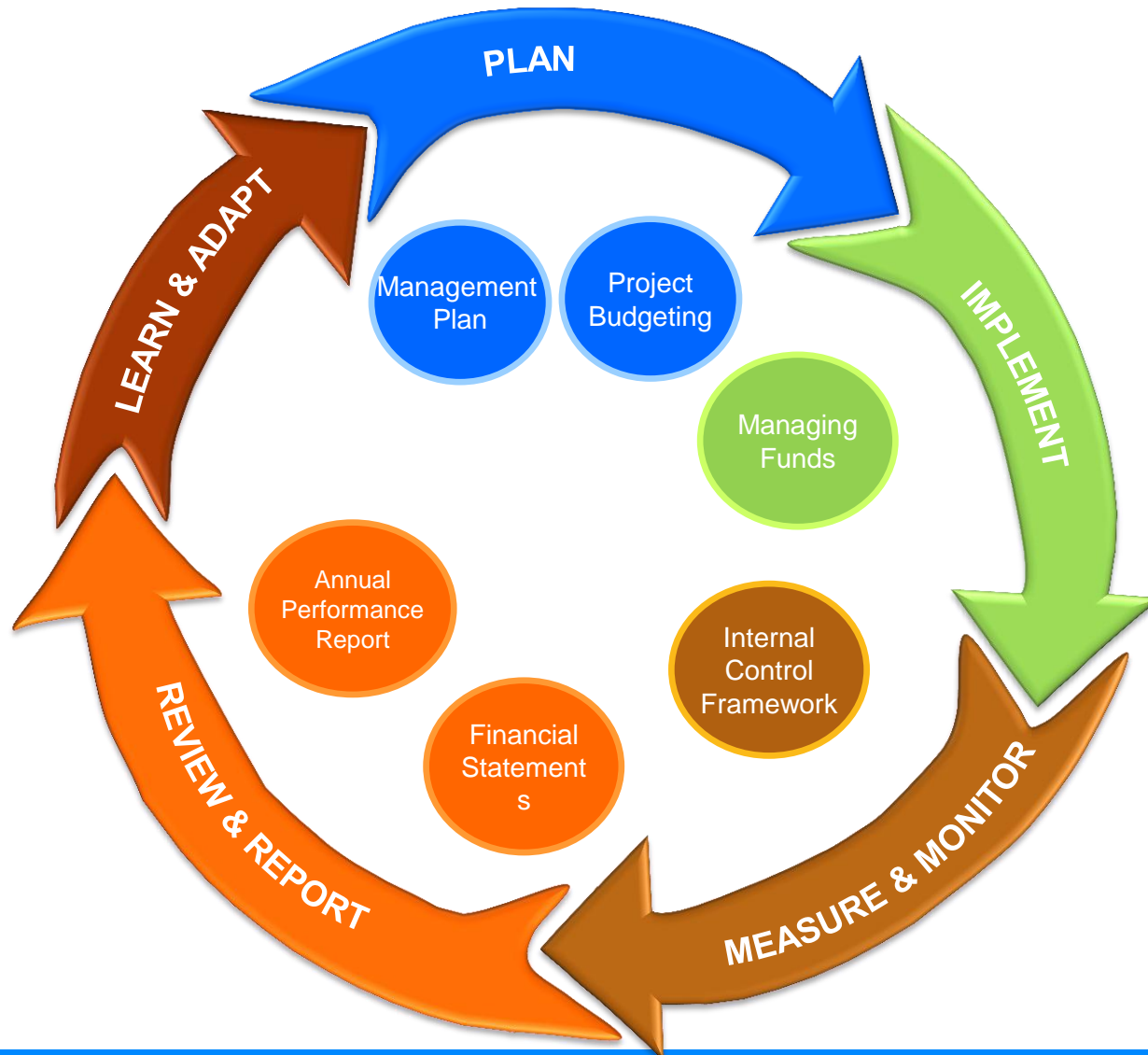
# WFP Planning Cycle



★ Approval dates by the Executive Board



# Overview of Financial Processes: Today's coverage



# Management Plan & Project Budgeting



- **Management Plan**
- **Project Budgets**
- **New Project Structure**

# Management Plan

## Management Plan & Project Budgeting

- **The Executive Director is required, under the General Regulations of WFP, to submit to the Board for approval the WFP budget.**
  
- **The WFP Budget:**
  - A component of the Management Plan document
  - Presents estimated resources and expenditures for projects and programmes
  - Presents the programme support and administrative budget for approval



# Project Budget Plans

## Management Plan & Project Budgeting

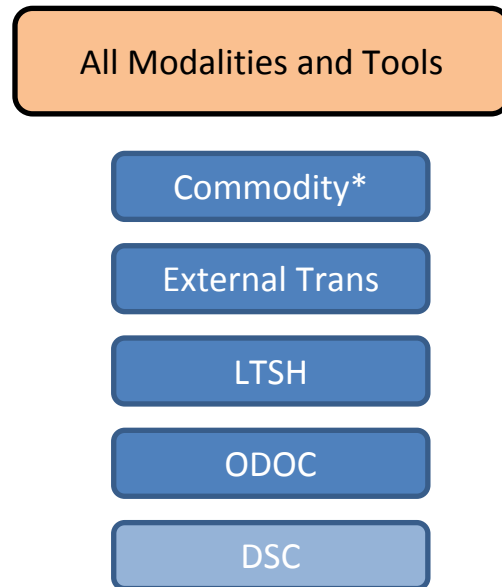
- **Prepared for all Emergency Operations, Protracted Relief and Recovery Operations, Development Projects and Special Operations.**
- **Provides an estimate of the requirements anticipated to implement activities and achieve a project's objectives and outcomes. Implementation is dependent on funding availability.**
  - Budget plans for EMOPs and PRROs are needs driven
  - Development projects are needs driven but must be implementable with foreseen available resources (General Rule X.8)
- **All programmes are approved by the Executive Board or under the authority delegated to the Executive Director. Approval of a budget plan authorizes WFP to raise resources.**
- **Three-year rolling Management Plan [approved during Executive Board's 2<sup>nd</sup> Session] presents aggregated projected operational requirements of all active projects and foreseen logical extensions.**

# New Financial Framework for Project Budgets



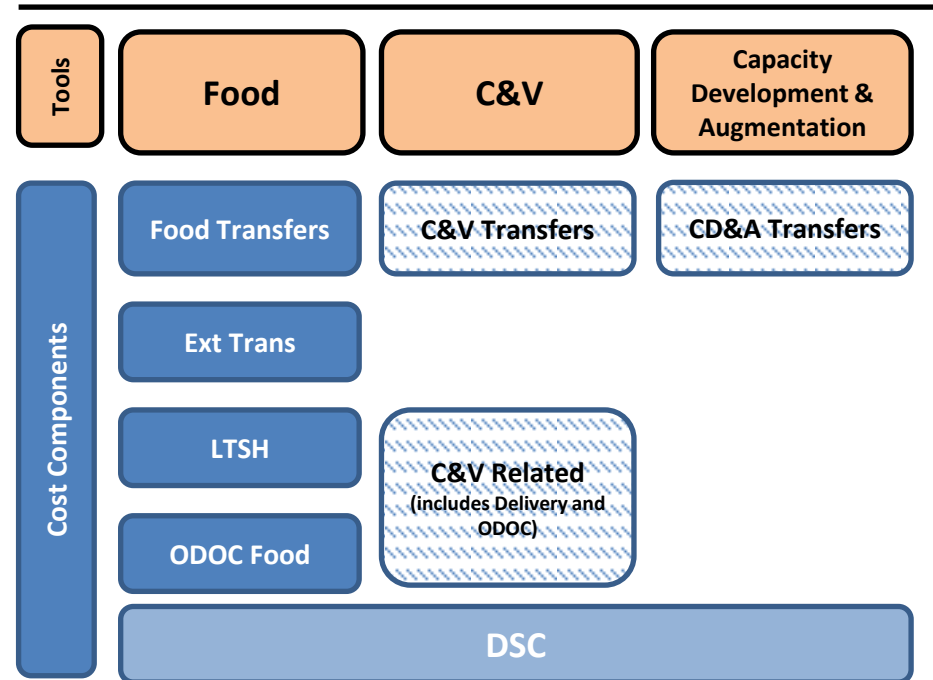
- As approved by the Executive Board in 2010, the new project structure segregates non-commodity activities within projects.
- Implemented for corporate reporting from 2012.
- To be fully implemented within WFP systems in the 4th Quarter of 2013.

## Current Project Structure



\* In project documents, commodity is segregated between "Food" and "C&V".

## Approved Project Structure



# Definition of Tools

## Management Plan & Project Budgeting

- **Food: Activities which use food transfers to beneficiaries to address food insecurity**
- **Cash and Vouchers: Activities which use cash or voucher transfers to beneficiaries to address food insecurity**
- **Capacity Development and Augmentation: Integrated activities which establish strengthen or augment the institutions and processes necessary to manage food security programmes**

# Managing Funds



- **Contributions and Full Cost Recovery**
- **Advance Financing**
- **Forward Purchase Facility**
- **Implementation**
- **Cash Management**
- **Investment Management**

# Contributions and the Full Cost Recovery Principle

## Managing Funds

- **Contributions to WFP are on a voluntary basis. They can be in the form of monetary contribution, or in-kind contributions of food commodities; or goods and services.**
- **The full cost recovery principle is applied to all contributions to ensure all associated operational, direct support costs and indirect support costs are completely satisfied.**
- **As per General Rule XIII.4 (e) and (f), exceptions to the full-cost-recovery principle are possible in limited circumstances.**
- **According to General Rule XIII.4 (h), such contributions must be reported to the Executive Board at its Annual session.**

# Advance Financing

## Managing Funds

- **WFP is 100% voluntarily funded and applies Full Cost Recovery principle to all contributions (and therefore has no 'regular resources').**
- **Without advance financing all operations would be fully dependent on the timing of individual contributions.**
- **Advance financing was introduced to speed WFP response time and allow more proactive approach.**

# Advance Financing and Forward Purchase

## Managing Funds

### **Immediate Response Account (target level \$ 70 million)**

- Provides advance funding for immediate needs in life-threatening situations without requiring forecasted contributions.

### **Working Capital Financing facility (\$ 257 million, excluding FPF)**

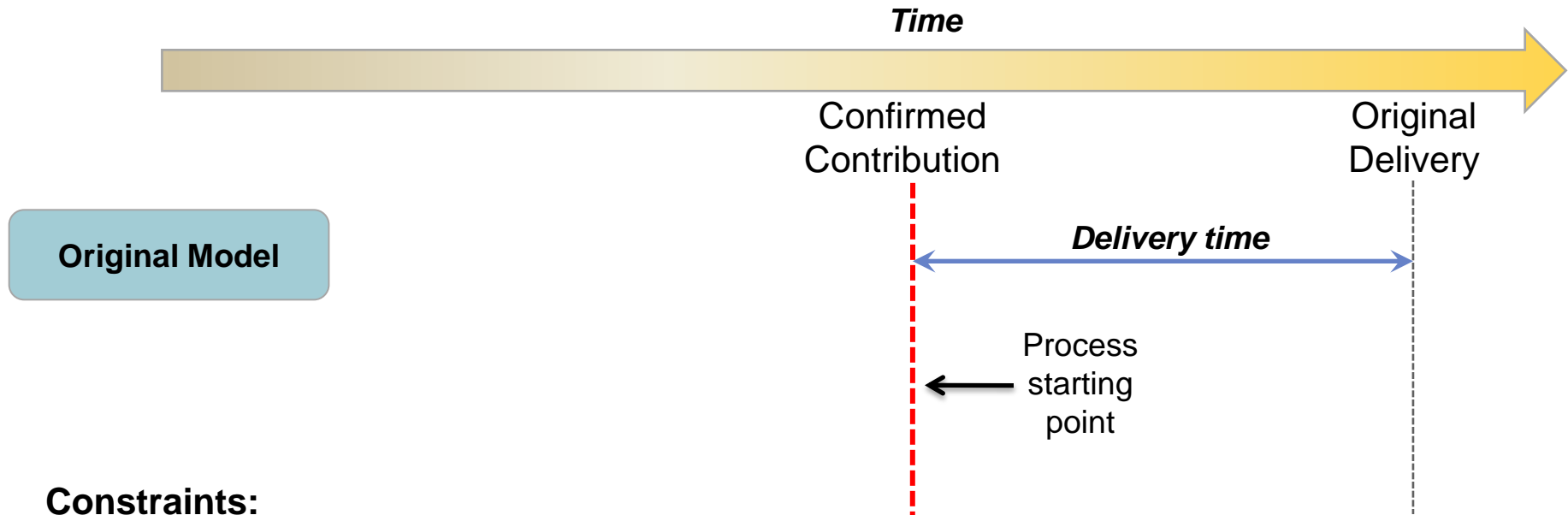
- Advances funds to projects and corporate services using forecast income as collateral.
- Enables operation of the Forward Purchase Facility (FPF) special account.

### **Forward Purchase Facility (\$ 300 million)**

- Reduce supply lead-times and improve on-time delivery of food.
- Enable procurement at best time/season (including developing countries' markets).
- Shorten response time (emergencies).

# WFP's Original Business Model

Managing Funds



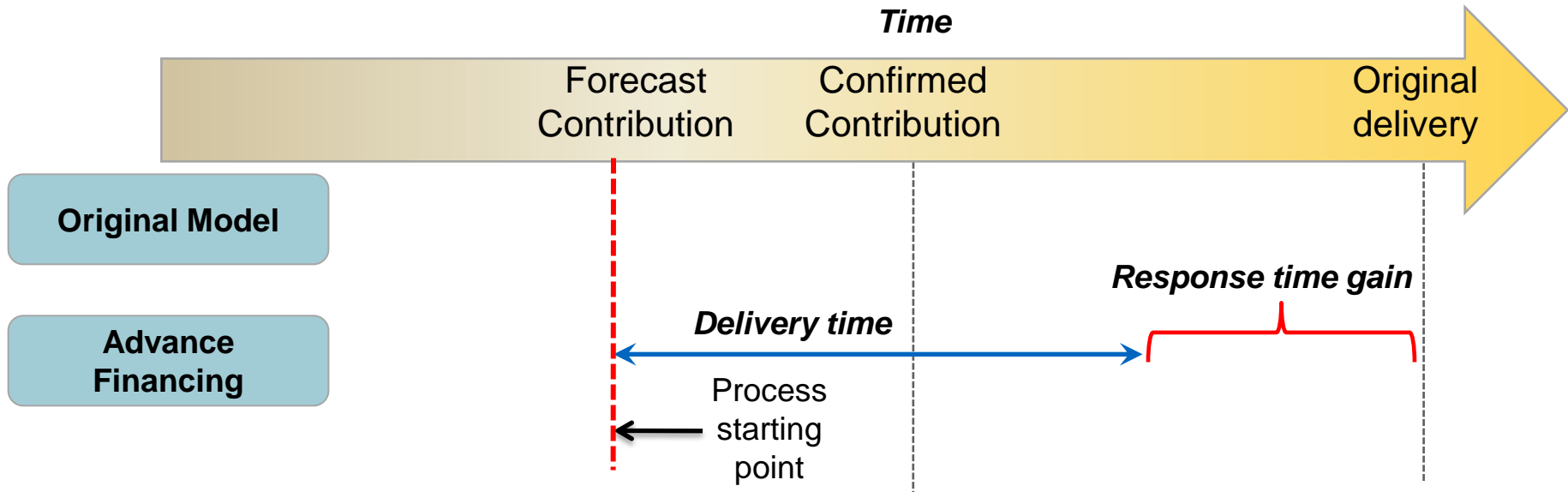
## Constraints:

- No action could be taken until after confirmation of contribution
- Delay could result in delivery after beneficiary needs
- Not possible to meet beneficiary needs retroactively



# Advance Financing

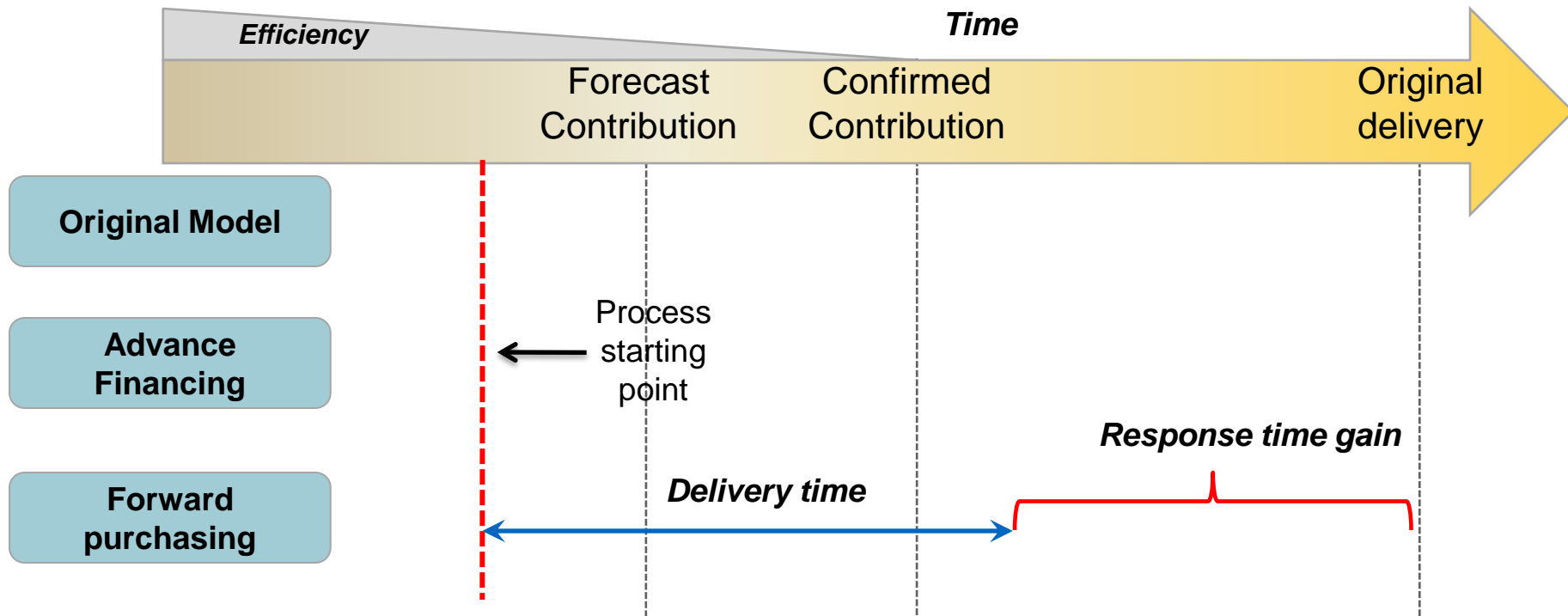
Managing Funds



- **Working Capital Facility:**
  - Allows advance financing to be provided to projects on the basis of forecast contributions (as 'collateral'): advances repaid when contributions are confirmed.

# Forward Purchasing Facility

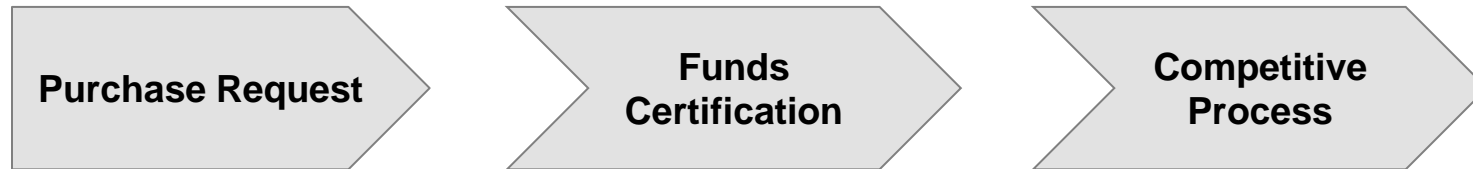
Managing Funds



- **2008: Forward Purchase Facility established**
  - Forward purchases are made based on aggregated need and aggregated forecasts (independent of individual projects or individual purchases)
  - Average response time gain of over 70 days

# Implementation: Allocation, Obligation and Disbursements (1)

## Managing Funds



- **Purchase Requisition (PR):**
  - Internal document to request procurement of food commodities, goods or services
  - Source of funding is identified prior to creating PR
- **Funds Certification:**
  - Certifying Officer attests the charge can be recorded against the project or other authorization, and that funds are available
- **Competitive Process**
  - WFP makes purchases through a competitive bidding process to guarantee that the best prices are obtained and that purchases are carried out in a transparent manner

# Implementation: Allocation, Obligation and Disbursements (2)

## Managing Funds



- **Obligating documents** (purchase orders, HR contracts, travel authorizations..)
  - Record final obligations and document WFP's financial and legal commitments to specific vendors
- **Payments and Disbursements**
  - Physical action of paying out money after all verifications, controls, approvals and authorizations have been carried out
  - Payments are categorized as payments to external vendors or payments to employees (i.e. payroll)
  - The vast majority of disbursements (85%) are effected as bank transfers, including transfers integrated with WINGS and disbursements via electronic banking. The remainder is disbursed via cheques, UNDP or as cash transfers

# Cash Management

## Managing Funds

**WFP's Cash Management Strategy involves:**

- **Pooling cash resources at headquarters and making funds available to field offices as needed to minimize exposure to counterparty, country and foreign exchange risks**
- **Undertaking monthly cash forecasting as the basis for funding field offices, and monitoring field offices' cash balances relative to expenditures**
- **Monitoring cash balances daily against expected outflows at headquarters**
- **Competitive bidding process for foreign exchange transactions to ensure value for money on conversion of donor funds into local currency**
- **Reconciling all bank accounts at the end of each month**
- **Managing centrally at headquarters WFP's banking infrastructure, including bank accounts, bank signatory panels, and electronic payment systems (EPS)**

### WFP's Investment Management Strategy involves:

- Financial Regulation 11.2 states: ***“Monies not required immediately may be invested by the Executive Director, bearing in mind the need for safety, liquidity and profitability”.***
- **Liquidity portfolio holds surplus cash balances in three portfolio tranches :**
  - ‘Working capital’ portfolio tranche (P0) for funds that may be required in the near future
  - ‘Short term’ portfolio tranche (P1) accommodates operational funds with 3-month horizon
  - ‘Medium term’ portfolio tranche (P2) accommodates funds and reserves with 1-year horizon
- **Conservative investment policy and guidelines are issued by the Executive Director upon review by the World Bank Treasury as technical advisor, the Investment Advisory Panel consisting of external experts, and the WFP Investment Committee**
- **Pro-active investment monitoring processes to ensure compliance and adequate risk management, using independent custodian bank for safekeeping, administration and reporting on compliance, risk and performance**

# Internal Controls



- **Internal Control Framework**

# WFP's Internal Control Framework serves as 'coat hanger' for all activities required for good management

## Internal Controls

Based on COSO international best practice

### 1. Internal Environment



- Ethical values
- Organization structure
- Strategic objectives
- HR policies
- Management style

### 2. Risk Management



- Identification of threats & opportunities
- Risk assessment
- Risk response

### 3. Control Activities



- Management review of actions
- Segregation of roles in WINGS II
- IT systems password policy

### 4. Information & Communication



- Sharing of relevant information
- Information escalation
- Timeliness & quality of information

### 5. Monitoring



- Balancing supervision & micro management
- Periodic review of systems
- Reporting deficiencies

The five components of Internal Control are used as framework for all Internal Control improvement tools



# Financial and Performance Reporting



- **Financial Statements**
- **Annual Performance Report**

## Annual Financial Statements [\[separate session on 2012 annual FS later today\]](#)

- **As per *Financial Regulation 13.3*, the Executive Director is required to certify the financial statements and submit them not later than 31 March following the end of each financial period, to the External Auditor for examination and opinion.**
- **Annual Financial Statements should be submitted to the Executive Board at its Annual Session.**
- **Letters of Representation**
  - Submitted by directors' of all WFP's offices
  - Form the basis for the ED's assurances on accuracy of the annual financial statements to the External Auditor
- **Statement on Internal Control** [\[separate session on 2012 SIC later today\]](#)

# Annual Performance Report (APR)

[separate session on APR later today]

Financial and  
Performance  
Reporting

- **Under *General Rule VII.2: Reporting*, the Executive Director is required to submit to the Executive Board (EB) each year for its consideration and approval an Annual Report and other reports as directed by the Board**
- **The APR is the main accountability and learning tool for WFP, and one of the primary oversight mechanisms for the EB and WFP's donors**
- **The APR provides an overview of WFP's performance during the reporting year. Performance results are measured against WFP's Strategic Objectives and Management Results Dimensions**
- **The APR draws information from WFP's accounting and reporting systems (Data Collection Telecoms Application (DACOTA); SPRs)**
- **A Standard Project Report (SPR) is produced annually for each project**

# Overview of Financial Processes: Today's coverage

