

WFP Management Plan 2014—2016

Executive Board Session
Rome, 5 November 2013



World Food Programme

Management Plan highlights

1. Matters for noting

- Funding forecast
- Projected operational requirements and funding gap

2. Matters for decision

- Programme Support and Administrative (PSA) Budget

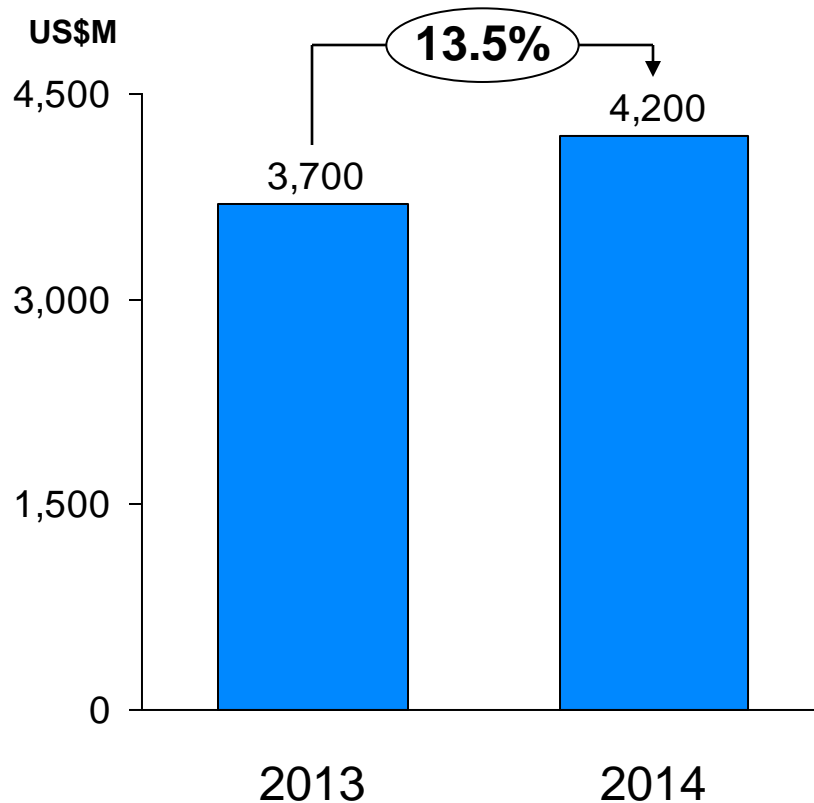
3. Review of draft decisions

4. Secretariat initiatives and commitments for 2014

Matters for Noting

The 2014 funding forecast of US\$4,200M is based on observed trends

Funding forecast increased by 13.5% from 2013 to 2014



Forecast based on observed trends

International response to Syria crisis

- Response to funding Syria crisis is positive and expected to continue through 2014

Trends in funding levels

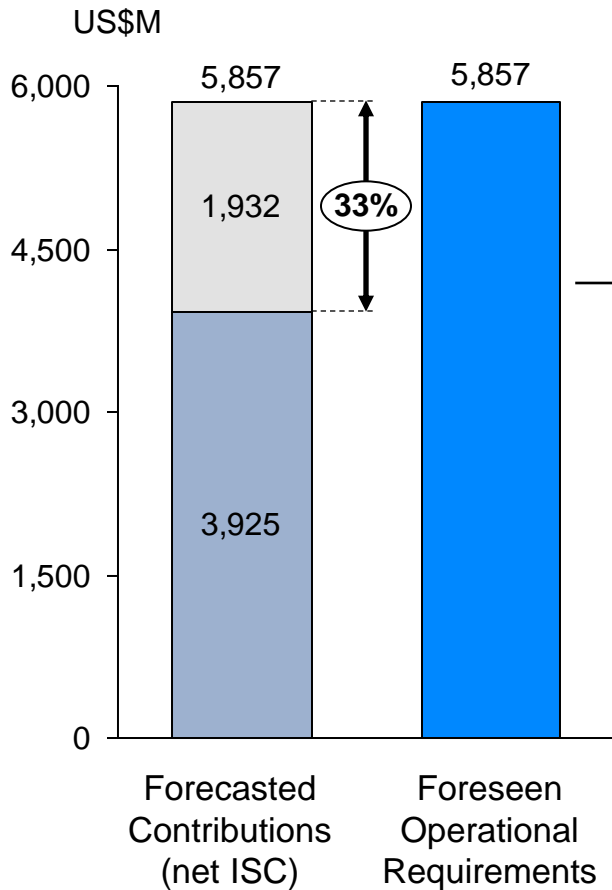
- Since 2008, funding has reached US\$4.0B every year except 2011
- 2013 funding expected to exceed US\$4.0B

Change in donor and resource dynamics

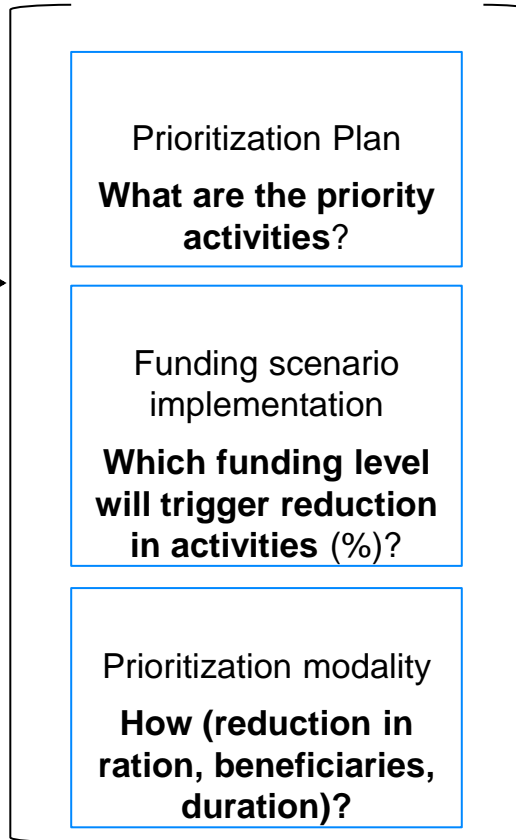
- Broadening the donor base and innovative financing

Operational requirements identified by Country Offices and activities prioritized to address funding shortfall

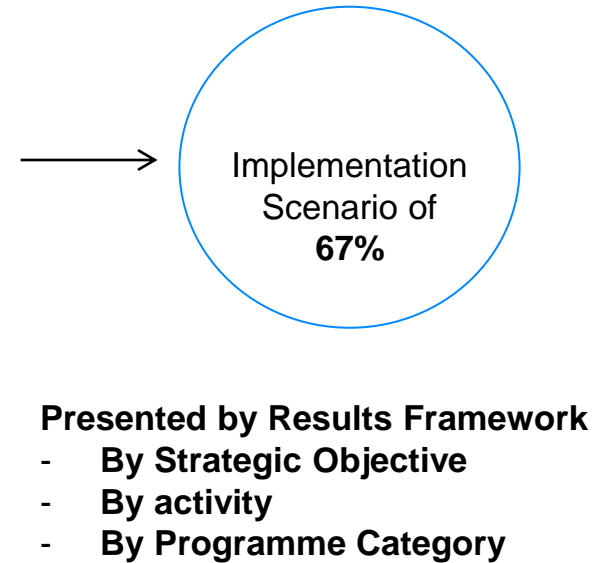
Global Needs and Funding Gap



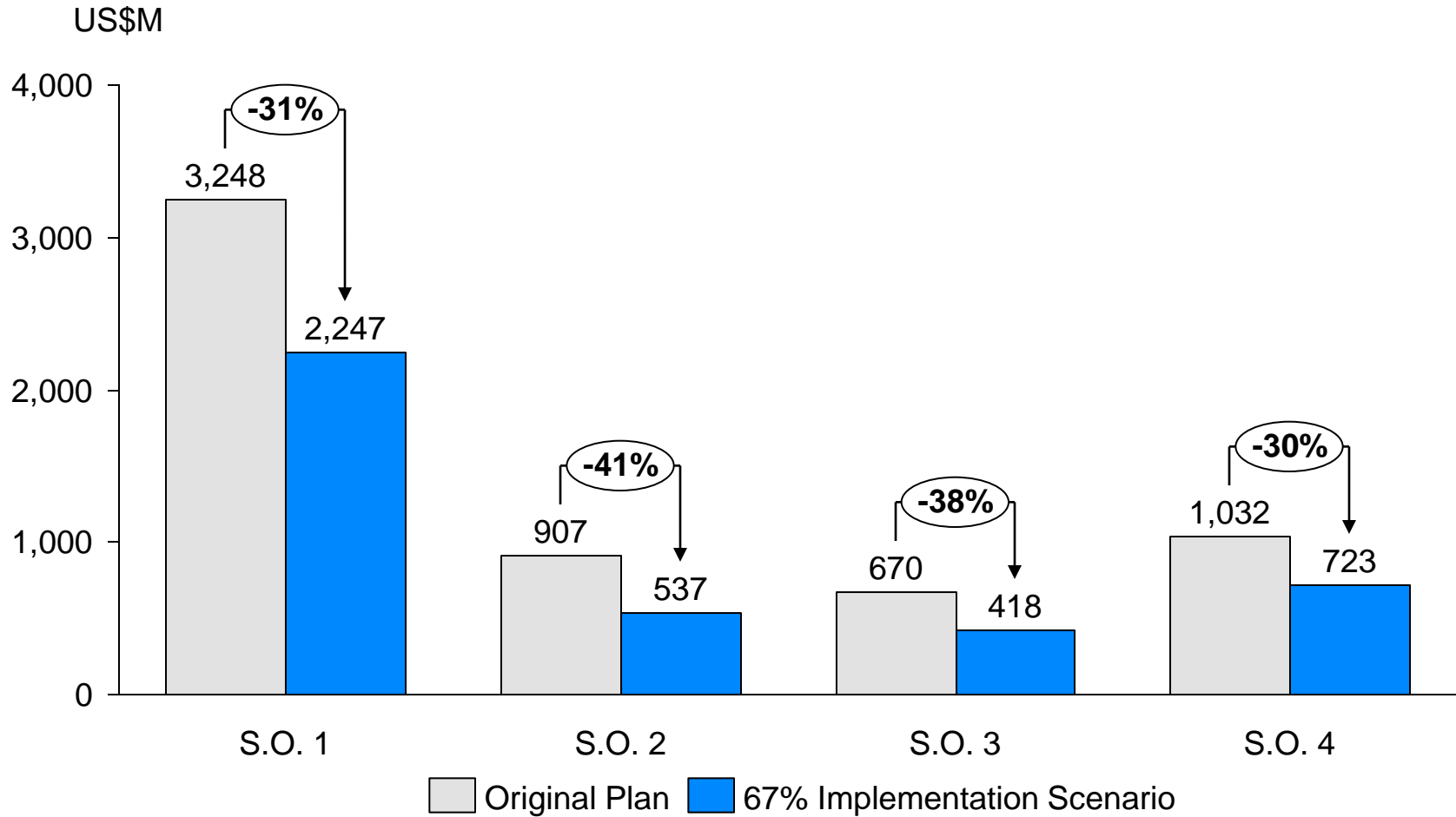
Prioritization Approach



Implementation Plan

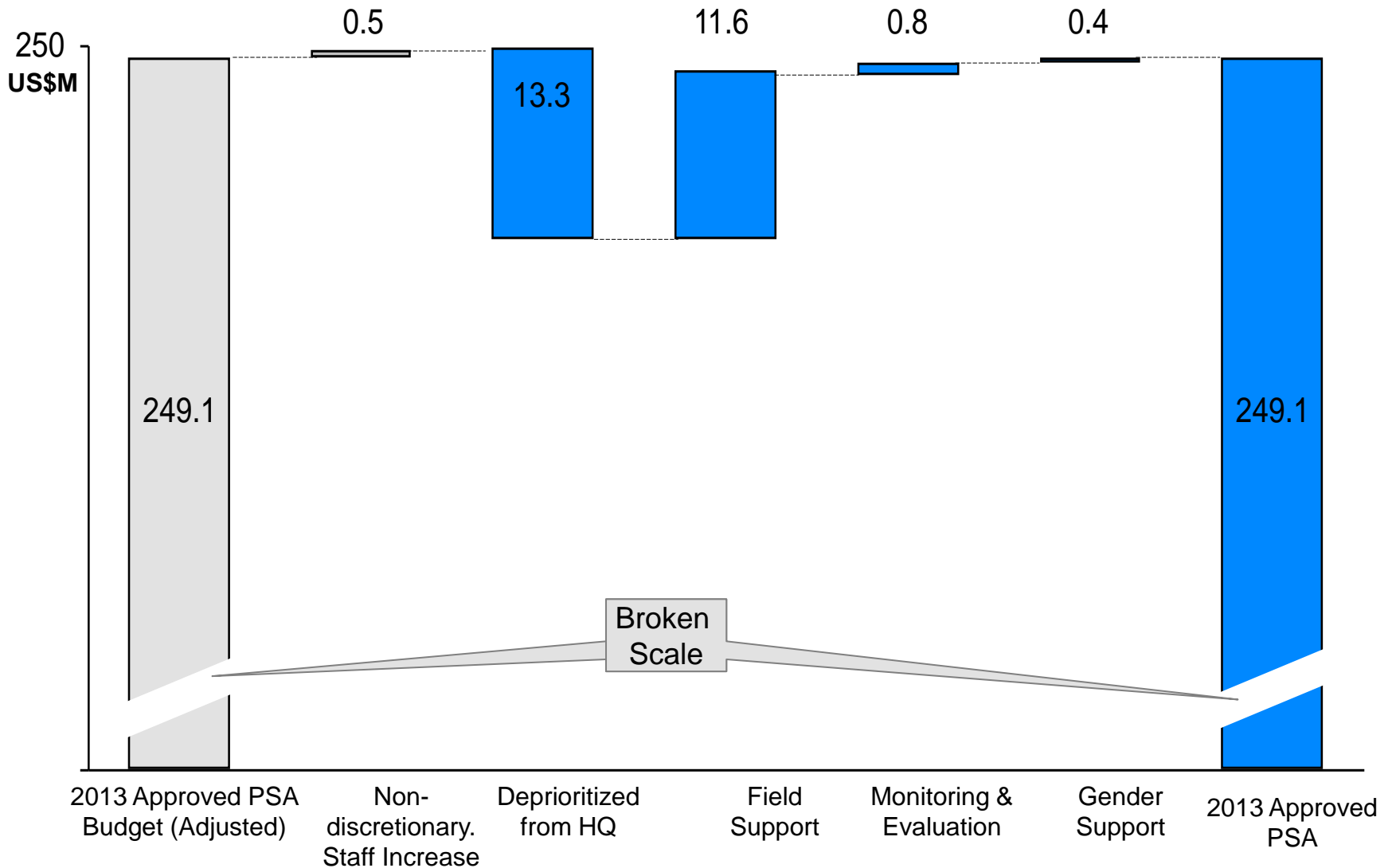


Prioritization to address anticipated 33% funding shortfall: strategic objectives 1 and 4 will be less impacted

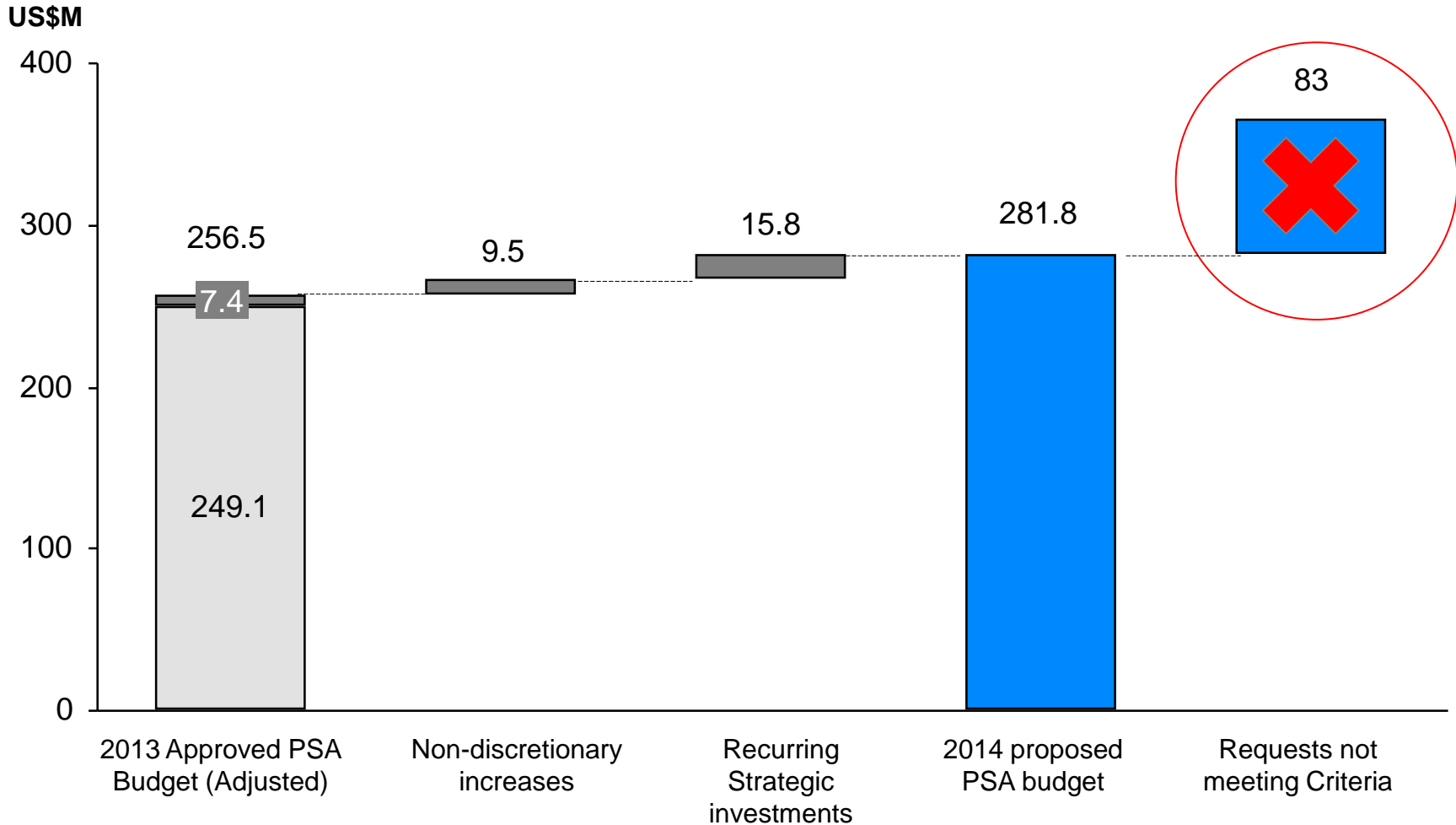


Matters for Decision

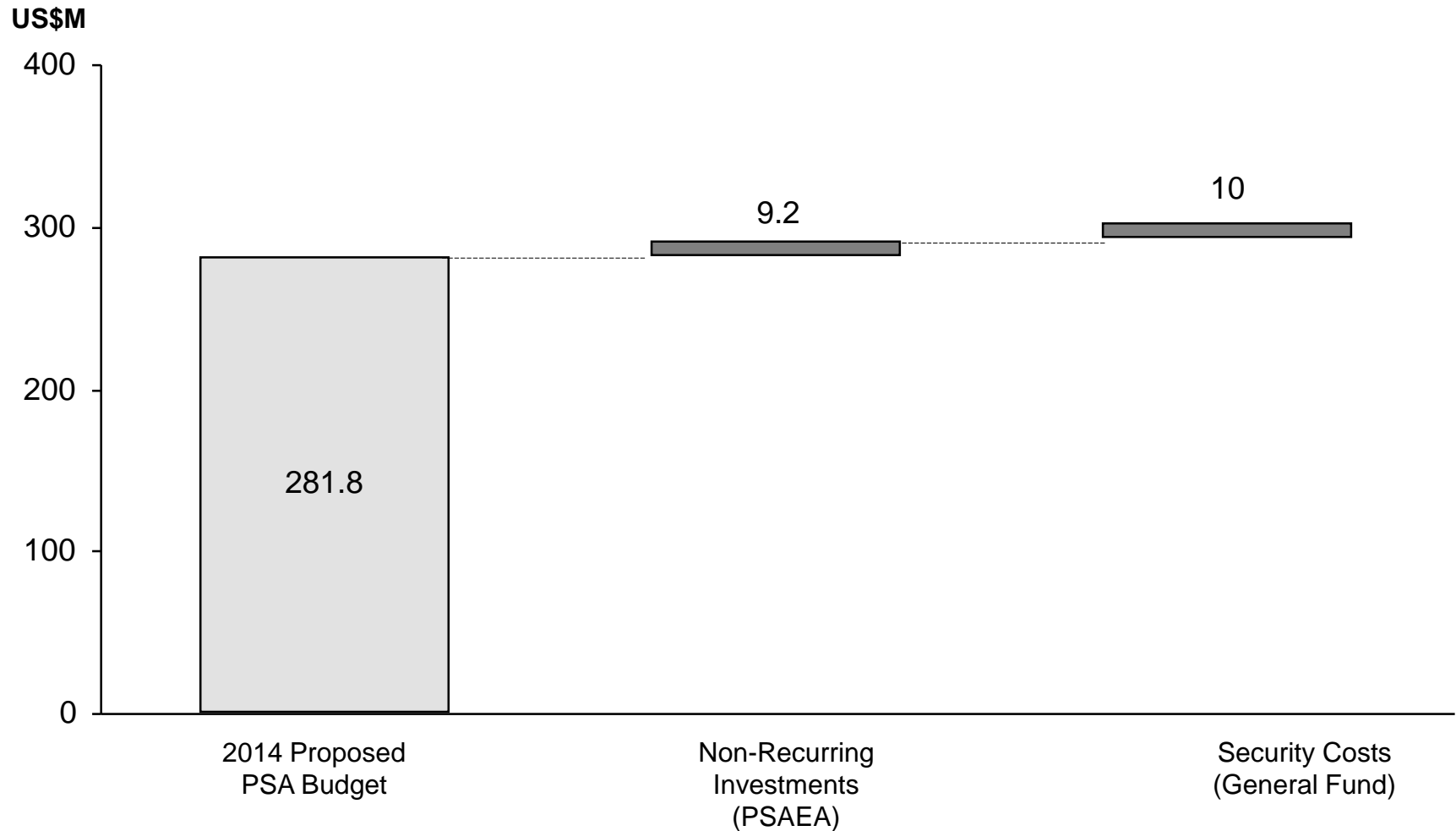
2013 approved PSA budget started Fit for Purpose and entailed reallocation & absorption of costs



Total 2014 PSA Budget Requested



Non-recurring investments and UNDSS security costs



Recurring and Non-recurring investments were viewed in terms of economy, efficiency and effectiveness

Economy

Investments will yield savings through the direct purchases of commodities, goods and services, e.g., lower prices due to renegotiation

Efficiency

Investments will yield savings through an improvement in processes, e.g., increased productivity or better delivery times

Effectiveness

Investments will enable activities to produce better outcomes, e.g. better programme results, such as higher household consumption scores

Results of the review:

- All investments will contribute to more effective operations
- Several investments focus on efficiency while specific investments will yield economy savings
- Benefits will be realised over varying timelines in global operations and/or the PSA budget

Specific example: Streamlining of Goods & Services Procurement

US\$500K

WFP will streamline the Goods and Services procurement to reflect the increased value of goods and services and innovative procurement processes in offices

- Over the past decade the volume of goods & services purchased has tripled (\$140 million in 2002 to \$462 million in 2012)

This investment will contribute to savings and efficiency gains across the goods & services supply chain and permit to maintain the goods & services procurement service in line with WFP's evolving mandate

- The investment is expected to contribute to a minimum of 10% value savings (through innovative procurement tools and methods, on an annual basis in comparison to current year)
- A reduction in process-time by 40% through redesigned processes should be realized

Improved supply chain will facilitate effective program delivery at Country level

This investment should generate savings for both PSA and projects

PSA budget is presented across the Management Results Dimensions: this will facilitate performance management in terms of VfM

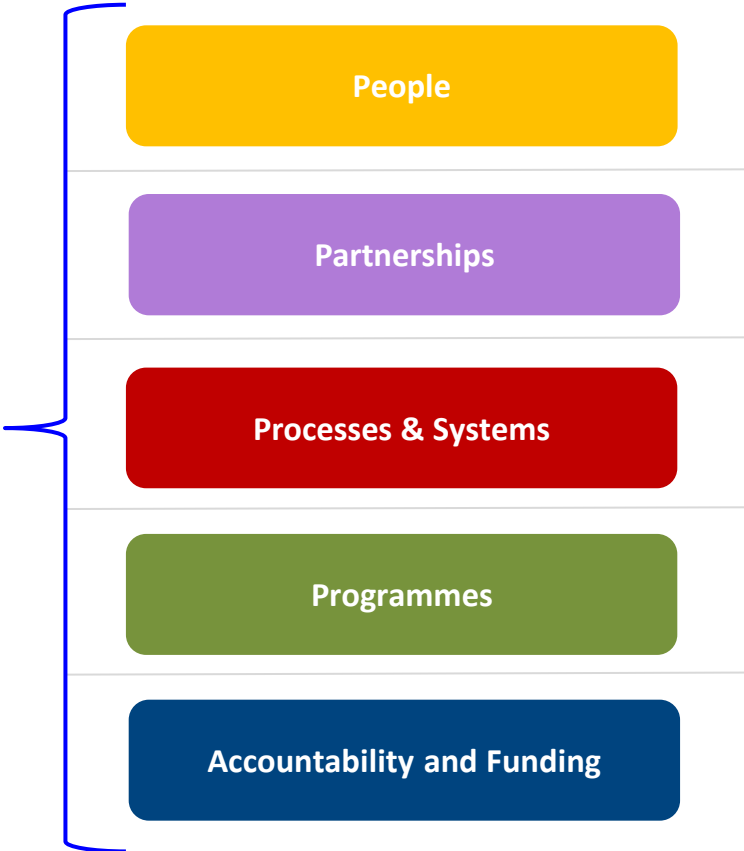
Detailed Results to be provided in APR under new MRDs

PSA investment proposed in Management Plan:

- Presented across *Management Result Dimensions*

PSA outcomes to be provided in Annual Performance Report:

- Presented across *Management Result Dimensions*

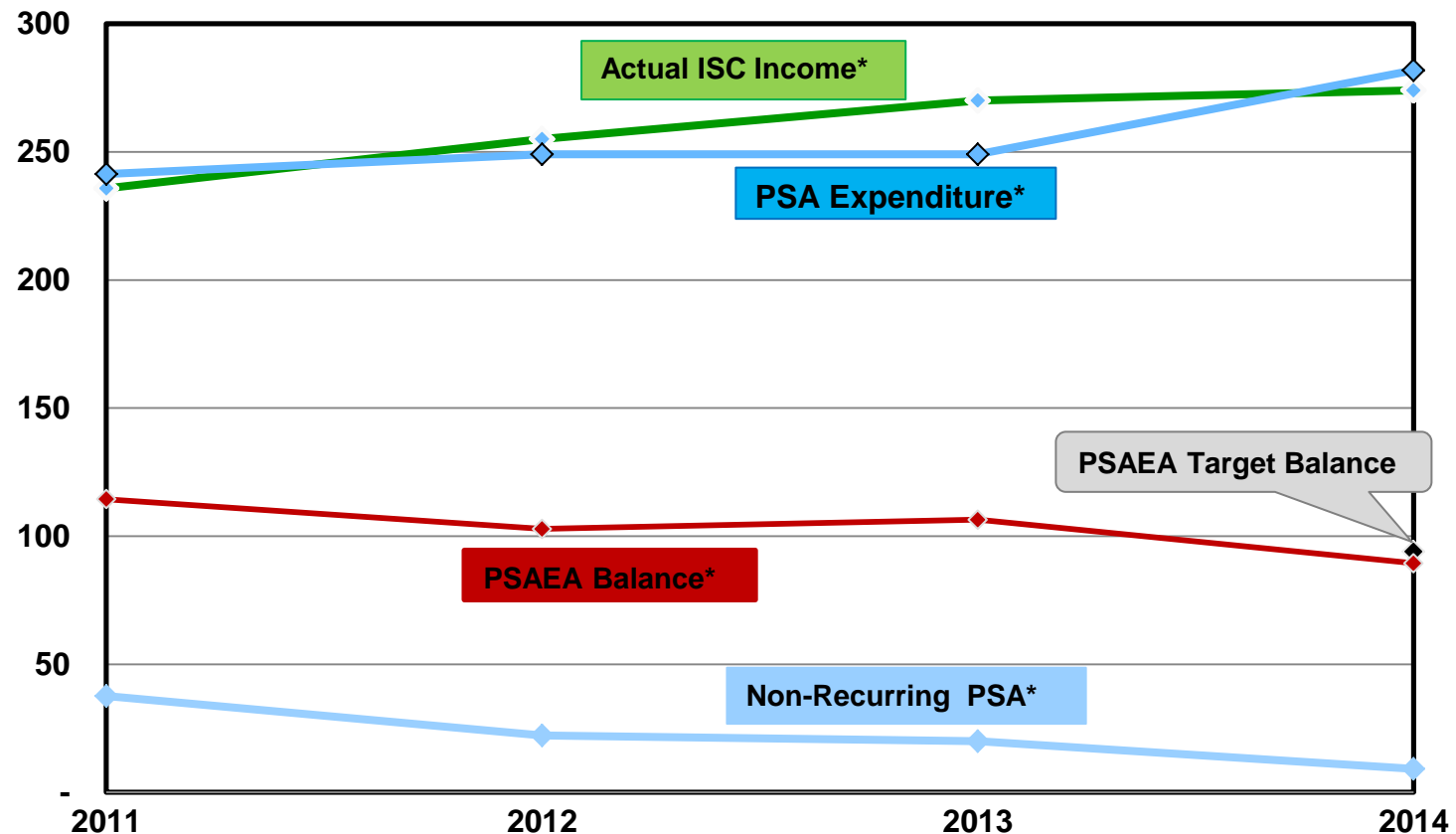


Proposed Reallocation of HQ Staff to Strategic Investment Activities

Total	Unit	Prof
<i>Rome Based Offices</i>	Operations Management	1
	Legal Office	1
	Human Resources	3
	Budget and Programming	2
	Partnership and Governance Services	1
	NGO Office	1
<i>Other WFP Offices</i>	Dubai Office	1
	Brussels Liaison Office	1
	Washington DC Liaison Office	1
	Reduction/Reallocation	(12)
	Total Additional	0

- Shift posts towards strategic priorities & new expertise
- Minimize long-term (staff) liability: maximize flexibility
- Dollar value maintained for transition, due to staff contracts

PSAEA Balances adjusted for 2013 increased income



* actual for 2011 & 2012, revised estimate for 2013, MP estimate for 2014

Summary: 2014 PSA budget proposal

- Rigorous prioritisation & appraisal of recurring & non-recurring strategic investments, but more details to be provided in future Management Plans
- Framework established for better performance reporting through the new MRF
- 2014 PSA budget US\$282M (+9.8%) for non-discretionary costs & recurring strategic investments
- Proposing non-recurring investments of US\$9.2M (vs. US\$20M in 2013)
- Total 2014 PSA budget & non-recurring investments of US\$291M (+5.2%)
- Projected 31 December 2014 PSA Equalization Account balance is now US\$89.4M (up from the \$74.4 M in MP), almost at recommended 4 months PSA expenditure

Draft Decisions

Favourable Recommendations from Advisory Bodies

Finance Committee Overall Endorsement and Recommendation:

- Recommended endorsement of the regular and non-recurring PSA budget for 2014
- Recommended for endorsement the approval of the draft decisions contained in the document at the Second Regular Session of the Executive Board.

ACABQ Overall Conclusion & Recommendation:

Taking into account the observations and recommendation in the present report, the Advisory Committee recommends approval of WFP's proposals regarding the management plan for the period 2014-2016

Guidance for future improvements contained within their reports

Draft Decisions for 2014

- i. **Takes note of** the projected operational requirements of **US\$5,857 million** for 2014, excluding any provision for unforeseen emergencies and including direct support costs, as outlined in Section II
- ii. **Takes note** that the 2014 Programme Support and Administrative appropriation assumes a funding level of **US\$4,200 million** in 2014
- iii. **Approves** a 2014 Programme Support and Administrative appropriation of **US\$281.8 million** (...by appropriation line)
- iv. **Approves** a supplementary Programme Support and Administrative appropriation of **US\$9.2 million**, as outlined in Section III
- v. **Approves** expenditures of up to **US\$10.0 million** funded from the General Fund for the United Nations Department of Safety and Security and for the WFP Security Emergency Fund
- vi. **Approves** an indirect support cost recovery rate of 7.0% for 2014
- viii. **Authorizes** the Executive Director to adjust the Programme Support and Administrative component of the budget in accordance with any variation in the volume of operational requirements of more than 10 percent from levels outlined in Section II.

Additional Decisions for 2014

- vii. Approve an increase in the WCF fund level, from \$557 million to \$607 million, through increasing the Operational Reserve by \$8.3 million in order to be able to meet a sudden surge in supply chain capacity in any emergency**

Context

- Advance financing tools have become a central part of WFP's response capability but are reaching their ceiling
- FPF successes seen with response in Pakistan, South Sudan, Sahel, Syria etc.
- Continually volatile situation in Syria and the Middle East makes it imperative to cater to unforeseen events leading to sudden escalation in demand

Proposed solution

- Enhance advance procurement capacity in the event of an unforeseen escalation of crises requiring immediate food supply response
- Facility to be funded by increasing the FPF by US\$50M from US\$300M to US\$350M
- Maintain existing risk mitigation principles and approach:
 - Keep current leverage ratio of 6:1
 - Increase the operational reserve by US\$8.3M



Secretariat initiatives and commitments for 2014

The Board can also take note of the Secretariat's various commitments mentioned in the MP, to be fulfilled in 2014

Section	Secretariat initiatives and commitments
Section I	<ul style="list-style-type: none">• Determine appropriate level, timing, and structure of information for the next Management Plan, in consultation with EB
Section II	<ul style="list-style-type: none">• Task force to review beneficiary metrics• Proactively prioritize activities in anticipation of funding gaps• Innovative financing
Section III	<ul style="list-style-type: none">• Establish Capital Budgeting Facility (2014 ceiling US\$20M)• Future PSA budget proposals to include information on long term financial and staffing implications of investments• Increased specificity in measuring efficiency and effectiveness including a presentation of monetary and non-monetary savings• Financial Framework and ISC rate reviews• Earlier review of PSA details

Financial Framework and ISC Reviews

Financial Framework

- Key elements of financial architecture, including advance financing tools based on financial risk management
- Initial proposals to EB in February 2014 with outline of areas for further review

ISC Review

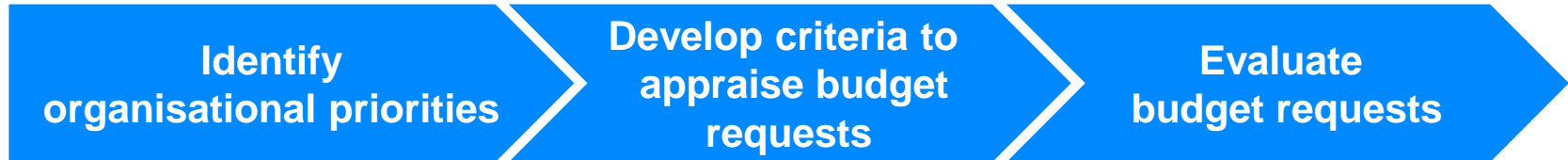
- Two stages process for the review
 - Identification of method for calculating a new ISC rate (February 2014)
 - Application of the ISC rate to calculate the projected rate for 2015-2016 Management Plan (June 2014)
- Determine strategies for what should be funded through PSA and the unearmarked portion of the General fund and reserves
- Articulate strategies for setting PSA ceiling

Thank you

APPENDIX

Supplementary presentation on investments provided to FAO Finance Committee (FC 150/3)

Strategic PSA investments are the result of a careful review of budget needs against top priorities



The Secretariat identified organisational priorities based on:

- Strategic Plan 2014 – 2017
- Organisational strengthening needs to meet “Fit for Purpose” goals
- Views of Executive Board, as reflected in discussion at June 2013 session
- New Management Results Dimensions (MRDs)

Criteria ensured consistent and rigorous evaluation of budget requests. They include:

- Strategic and operational importance
- Corporate risks addressed
- Availability of alternative funding sources
- Potential to deliver efficiency gains
- Urgency of action in 2014
- Recurring vs. one-time nature

Budget requests reviewed against criteria by leadership group to finalise recommendations:

- Several days of meetings to review assumptions and proposals against organisational priorities and MRDs
- Executive Director challenged recommendations with leadership group
- Recommendations finalised

Every recommended investment is supported by a description of objective, savings and expected outcome

Analysis of recurring investments for economy, efficiency and effectiveness was carried out

Methodology

All owners of recurring investments were required to submit details of effectiveness/efficiency /economy gains of investment

The investments were analysed across four key dimensions:

- ▶ What will the activity deliver?
- ▶ Does the activity lead to cost / time savings?
- ▶ Does the activity lead to better outcomes, e.g. better programme results?
- ▶ How will performance of the activity be measured?

Investments were viewed in terms of economy, efficiency and effectiveness

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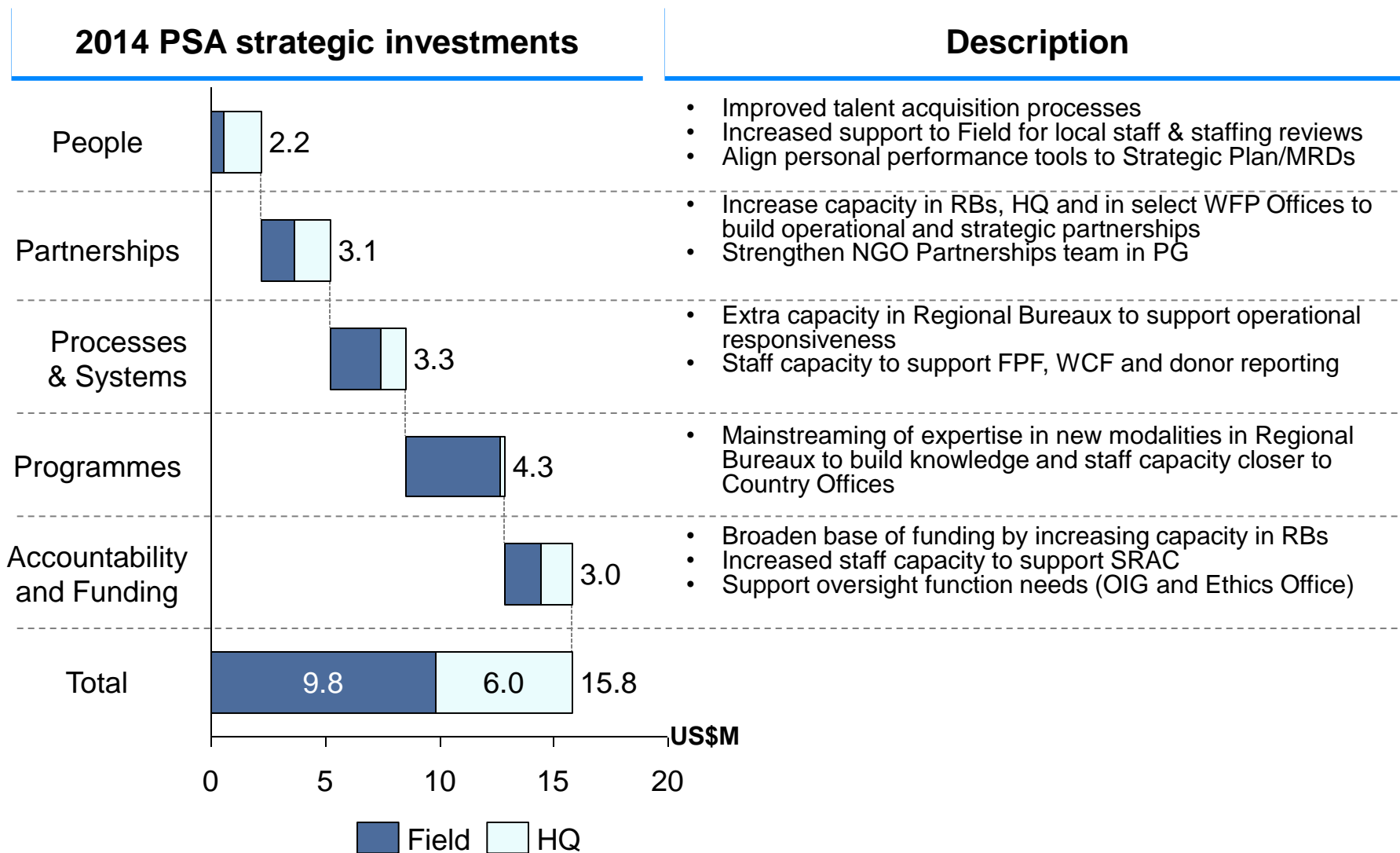
Effectiveness

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Results of the review:

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Incremental recurring PSA investments of US\$15.8M are mostly for the Field and support the Fit for Purpose shift



Specific example 1/4: Support to Regional Bureaux (RBs)

US\$8.4M

2014 investments into ‘Fit for Purpose’ Regional Bureaux to provide support among several key areas to address specific structural gaps per RB—especially:

- Expertise in programmatic areas like market analysis, VAM, cash & voucher or emergency preparedness
- Improvement of functional management and support in areas like human resources or resource management

The investment in RBs will strengthen critical quality assurance and support from RBs to Country Offices.

Results Expected:

- Better quality of WFP operations in planning and implementation (e.g., project design, programmatic support)
- Increased efficiency of WFP’s processes throughout the whole project cycle from planning to reporting
- Clarified accountability of WFP operations across all RBs ensuring the COs have the support required to better serve the beneficiaries

These PSA investments will be reflected in effectiveness and efficiency at project level

Specific example 1/4: Support to Regional Bureaux (RBs)

Overview of key investments in RBs

Key investments in RBs will strengthen critical quality assurance and support from RBs to COs in the following key areas:

OMB

- Nutrition
- Logistics
- Human Resources

Exp. results

E.g. more effective response to stunting; cost savings from optimized supply chains

OMC

- Cash and Vouchers
- Safety nets
- Donor Relations

E.g. quality enhancements in CO programmes will maximise impact

OMD

- Safety nets
- Market analysis
- Donor Relations

E.g. better and more cost effective programme results in COs

OMJ

- Emergency Prep.
- Cash and Vouchers
- Resource Mgmt. Analyst

Exp. results

E.g. time savings through better emergency prep; Cost efficiencies in CO programmes

OMN

- VAM
- Market analysis
- Regional Pipeline (FPF)

E.g. Reduced delivery timelines by increasing the use of the FPF by better coordinating the FPF stock

OMP

- Resource Mgmt. Analyst
- Cash & Voucher
- School feeding

E.g. Lower unspent balances, more efficient programming; improved programme quality

Specific example 2/4: Establish capacity to support Forward Purchase Facility (FPF)

US\$500K

FPF is transforming WFP's supply chain with introduction of demand forecasting, trend analysis, monitoring and resourcing projections as driver to forward purchase actions

- However, to date, capacities to design, launch and establish forward planning and purchasing process have been funded exclusively from extra budgetary funding

Without predictable PSA funding, WFP will not be able to mainstream this initiative and maintain FPF as an integral part of WFP's business processes

Implementation of FPF approach has generated lead time improvements of about 70% or 75 days, e.g. : South Sudan, Sahel and Syria emergencies

- Ability to maintain FPF capacity will allow for continued efficiency and effectiveness in supply chain

Timely provision of food assistance is critical to achieving WFP's objectives

FPF has proven benefits in improving operational performance

Specific example 3/4: Strengthened staff capacity, learning and development function

US\$1,426 K

This activity will allow for new capability development functions within HR with the aim to strengthen the professional skills required in all jobs across the organization

- Creation of a learning and development strategy, necessary to achieve WFP's strategic objectives
- Develop a global learning curriculum including a "learning passport" for individual staff
- Build-up Learning Management System (LMS) to deliver cost-efficient training through technology-enabled solution for global access

Results expected

- Industry research demonstrates that **skills building has positive impact on employee engagement which is directly correlated to higher productivity and better results**
- Having **employees with the right skills** and capabilities will also **reduce the cost** of short-term and longer-term **recruitment**
- **Capability development** is also an **effective way to improve morale, job satisfaction for employees** as well as to bring efficiency and innovation to business processes

Equipping employees with the right skills is critical to achieve sustainable performance

Specific example 4/4: Increase capacity of NGO Partnership Office

A blue rectangular sticker with a white border and a slight shadow, containing the text "US\$200 K" in blue, slanted font.

The NGO Partnership Office will be able to increase WFP's engagement with and its support to stakeholders on CO, RB and HQ level as envisioned in WFP's strategy

- Increased focus on partnerships is a key feature of WFP's strategy
- It will allow to better engage NGO partners at regional level and thus to increase the role for our RBs in the partnership management processes
- Accurate and relevant information regarding NGO partnerships will be made available for internal decision-making in a timely manner and new guidelines will enable COs to better manage their NGO partners

WFP partners with over 2,000 NGOs each year—results expected:

- Improved relationships through improved guidance and staff capacity should result in **corporate savings through better-formulated agreements**
- The automatization of data collection and provision **will lead to standard operating procedures at CO level and will save up to two working days per CO**
- **Better programme results through increased number of partnerships, deeper involvement of NGO expertise in WFP's programme design, intensified collaboration on a regional level, development of new partnership models**

Analysis of non-recurring investments also followed economy, efficiency and effectiveness methodology

Methodology

All owners of non-recurring investments were required to submit details of effectiveness/efficiency /economy gains of investment

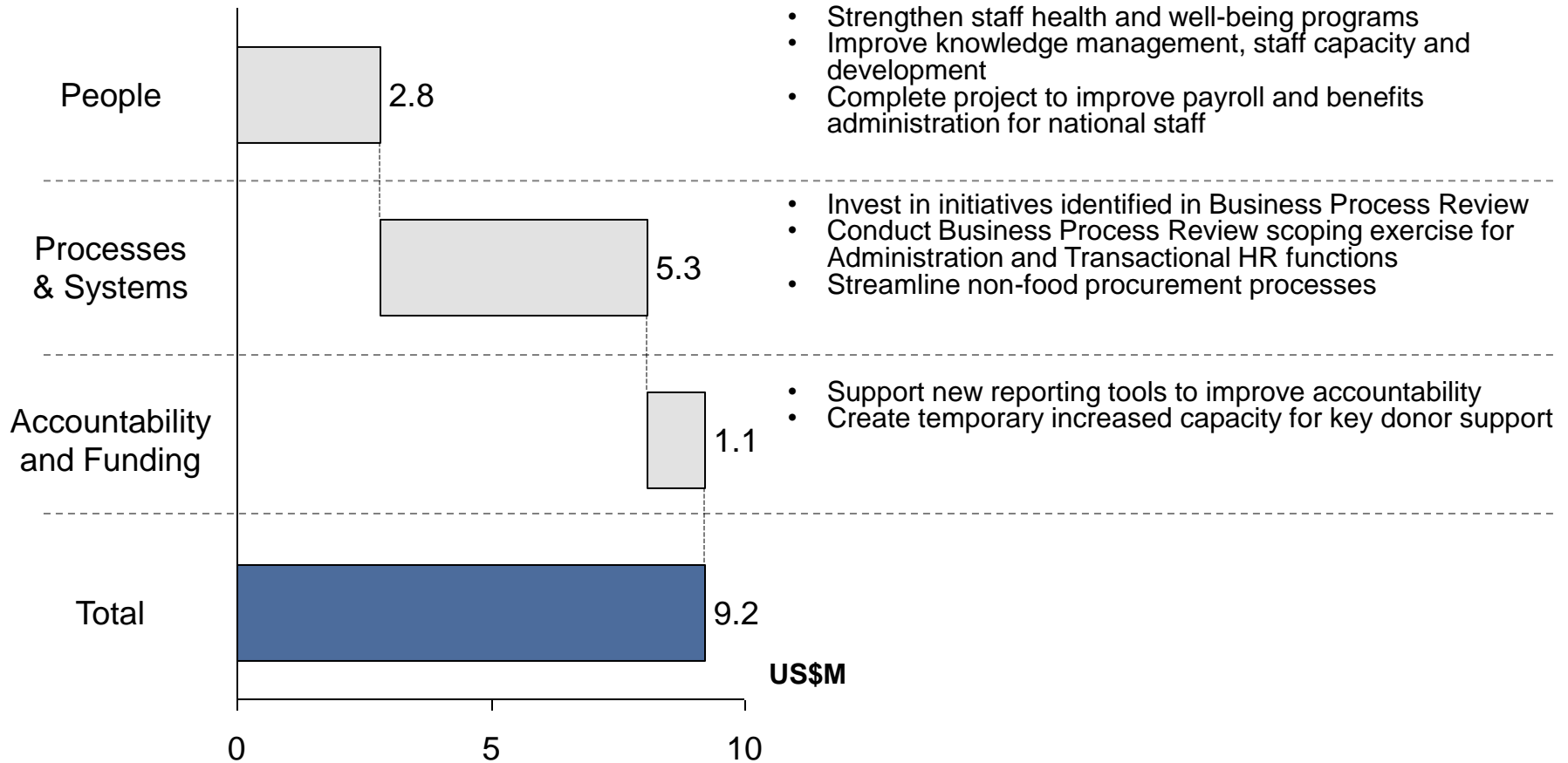
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US\$9.2M investment proposed for follow-on from Fit for Purpose workstreams

2014 PSA non-recurring investments

Description



- Strengthen staff health and well-being programs
 - Improve knowledge management, staff capacity and development
 - Complete project to improve payroll and benefits administration for national staff
-
- Invest in initiatives identified in Business Process Review
 - Conduct Business Process Review scoping exercise for Administration and Transactional HR functions
 - Streamline non-food procurement processes
-
- Support new reporting tools to improve accountability
 - Create temporary increased capacity for key donor support

Specific example: Streamlining of Goods & Services Procurement

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- A reduction in process-time by 40% through redesigned processes should be realized

Cost-efficient supply chain will facilitate effective program delivery at Country level

This investment should generate savings for both PSA and projects

PSA investments will be tracked to ensure delivery of efficiency and effectiveness gains

New Management Result Dimensions (MRDs)	Examples of existing and new indicators to track efficiency and effectiveness gains
People	<ul style="list-style-type: none">• Improvements in employee engagement• Improvements in employee satisfaction on manager effectiveness, growth and development
Partnerships	<ul style="list-style-type: none">• Improvements in size and trend in funding from non-government partners• Increase in percentage of partnership agreement objectives met
Programmes	<ul style="list-style-type: none">• Increase in percentage achievement of planned food assistance• Increase in percentage of projects that reported project outcomes target as achieved
Processes & Systems	<ul style="list-style-type: none">• Improved percentage lead time reduction thanks to FPF• Improved average response time for sudden onset emergencies
Accountability and Funding	<ul style="list-style-type: none">• Decrease in number of high risk oversight recommendations pending• Increase in percentage of gross funding needs met

Results in the Annual Performance Report (APR) to be provided under new MRDs