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Second Regular Session**

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Agenda item 5

For consideration

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REPORT OF THE EXTERNAL AUDITOR ON MANAGEMENT OF PROJECTS

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for consideration

The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal point indicated below, preferably well in advance of the Board's meeting.

Director of External Audit: Ms R. Mathai tel.: 066513-3071

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact Ms I. Carpitella, Administrative Assistant, Conference Servicing Unit (tel.: 066513-2645).

The Comptroller and Auditor General of India (CAG) was appointed as the external auditor for the period from July 2010 to June 2016 of the World Food Programme (WFP).

CAG's audit aims to provide independent assurance to the World Food Programme and to add value to WFP's management by making constructive recommendations.

For further information please contact:

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Report of the External Auditor on “Management of Projects”

World Food Programme



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COMPTROLLER AND AUDITOR GENERAL OF INDIA

Executive Summary

This report presents the results of the Comptroller and Auditor General of India's audit of the World Food Programme (WFP) with regard to its performance on Management of Project Budgets. The main objective of the audit was to assess the controls that ensure that projects are designed, budgeted and resourced in a manner that they address the needs and achieve their outcomes. Our audit spanned the WFP Headquarters in Rome, eight Country Offices (CO) and 2 Regional Bureaux (RB).

The voluntary funding model and dynamically changing needs in insecure environments, constitute the twin challenges in project management in WFP. In a situation where the funds mobilized do not ordinarily match the projected requirement, it is imperative that the project design and the beneficiary targeting are sharply aligned to the needs. The needs assessment, in turn, should be informed by relevant and credible data. This will also help determine and monitor outcomes in monitoring and evaluation of projects.

When projects suffer from inadequate funding, the allocation of resources on critical areas —needs assessment, monitoring & evaluation— tends to wane. We found instances of disconnect between the needs and the project deliverables. Our findings point to the need to add pith to the process of project reviews at the Headquarters which will help identify weaknesses as also the best practices.

Budget revisions tend to be frequent and perception of an inherent time lag fosters a tendency to keep the costs within the delegated powers of COs/RBs. At times, the revisions lag behind the fluctuating needs or bear little correlation with the actual expenditure.

During the period 2006-10, WFP faced funding annual funding gaps in the range of 16 percent to 42 percent. The Country Offices tide over shortfalls in funding by scaling down the operation: cut down rations or decrease the number of days of food provisioning. A laid down process that is able to project realistic scenarios of funding and pre-determine the most effective response to each scenario, has not yet been integrated into programming in WFP. The present method of beneficiary counting generates misleading reports on project achievements even as it renders systematic measurement of outcomes difficult.

An ideal response to inadequate funding would be invigorated efforts towards mobilization of resources. WFP has diversified its donor base; the private sector's share is small but is growing. The dip in the share of contributions from 11-20 top countries is a challenge. The tools of "twinning" and "Emerging Donor Matching Fund" have lent opportunities to bring more donors into the fold.

Several factors contribute to donor weariness, one of which is the continuation of projects with the same set of activities over long periods. Not all donors are comfortable with WFP's development projects. WFP needs to gain donor confidence in its ability to deliver effectively and measurably on this category of projects and also to co-ordinate with sister UN agencies to minimize overlap in mandate.

Summary of recommendations

We recommend:

- 1 *Funds for needs assessment and evaluation, should be set aside and mandatorily utilized. Where felt necessary, corporate funding not necessarily linked to project funds, should be provided for these activities;*
- 2 *In view of the time and cost-intensive nature of baseline studies, we recommend an assessment of the extent to which they have informed the decisions on project designs;*
- 3 *Needs assessment should be linked closely to the selection of project responses. It should also feed into defining clearly measurable project outcomes. WFP should segregate in the process, the internal and external factors, that can impact achievement of outcomes;*
- 4 *The processes and the delegation of authority be reviewed to identify any bottlenecks that prevent timely project review and approvals;*
- 5 *Once realistically set, the limits in the delegation of authority must be respected and a process established for early identification of potential non-compliance. While we recognize that in a dynamic situation project revisions may be inevitable, frequent revisions may signal a problem and should be reviewed in Headquarters;*
- 6 *In addition to efforts with Top 10 donors, WFP should focus on 11 to 30 top countries, investing in new strategic partnerships, particularly with emerging economies. This may not only increase the quantum of contributions but also create a greater sense of ownership of the Programme across a wider base of countries;*
- 7 *WFP should revisit the norms for the use of Emerging Donors Matching Fund to align it to the current levels of need;*
- 8 *The good practices should be used as a starting point to prepare broad guidelines for multiple-scenario prioritization at the level of the RB or HQ, as found suitable;*
- 9 *The method of beneficiary counting should also include measurement of beneficiary days or meal days, which together will provide a more sound basis for determining outcomes and achievements;*
- 10 *The reasons for delays in project closures and transfer of resources from the old to the new projects should be analyzed and guidance provided to make the process timely;*
- 11 *The timeline for monitoring and evaluation of projects be closely integrated to the project implementation in order to provide an opportunity for mid-term corrections as well provide inputs at the design stage of future projects.*

I INTRODUCTION

Strategic objectives

1. The strategic plan of WFP for 2008–2013 lays out five objectives for the organization:
 - Save lives and protect livelihoods in emergencies;
 - Prevent acute hunger and invest in disaster preparedness and mitigation measures;
 - Restore and rebuild lives and livelihoods in post-conflict, post-disaster or transition situations;
 - Reduce chronic hunger and under nutrition and;
 - Strengthen the capacities of countries to reduce hunger, including through hand-over strategies and local purchase

Project Categories

2. WFP operations are categorized into four:
 - *Emergency operations* (EMOPs) for food assistance to meet emergency needs;
 - *Protracted Relief and recovery operations* (PRROs) for food assistance to meet protracted relief needs and support recovery after an emergency,
 - *Development operations* (DEVs) to support economic and social development and;
 - *Special operations* (SOs) to rehabilitate and enhance transport infrastructure to permit speedy delivery of food assistance and to enhance coordination with the UN and partners through providing designated common services.
3. *WFP's operational* requirement for the 2010–2011 biennium is US\$8.85 billion. Of this, 55 *percent* relates to PRROs, followed by EMOPs with 31 *percent*, DEVs with 10 *percent* and SOs with 4 *percent*.

Project approval

4. The projects are prepared by the WFP Country Offices (CO), generally within a common UN framework¹. The authority to approve a project vests with the Executive Board (EB) which has further delegated the powers, within prescribed caps, to the Executive Director. Emergency operations requiring funding that exceeds the level of authority delegated to the Executive Director are approved jointly by the Executive Director and the Director-General of Food and Agriculture Organization (FAO). Further delegation of the powers to the Chief Operating Officer/country directors is predicated to the category of the project and the levels of funding.

¹ called United Nations Development Assistance Framework –UNDAF- for the country

Funding model

5. All contributions to WFP are on a voluntary basis. Contributions are made by governments, intergovernmental bodies, other public and non-governmental, including private, sources. The resource mobilization strategy of WFP seeks to enhance the predictability, flexibility and security of its funding by broadening its donor base and increasing engagement with the private sector for advocacy and fund-raising.
6. The Financial Policy Framework is based on the principle of full-cost recovery. Donors fund all direct and indirect costs² of projects supported by them. WFP characterizes contributions to its projects mainly³ as:
 - **Multilateral:** where WFP determines the projects on which the contribution will be used.
 - **Directed Multilateral Contribution:** A contribution earmarked to a specific country by the donor.

II OUR AUDIT WORK

Audit objectives

7. The voluntary nature of the funding introduces a risk to the organization that the projects may be curtailed when resource expectations are not matched by funding commitments. Our performance review seeks an assurance that the:
 - i. projects are designed on a needs assessment and through a standardized process;*
 - ii. formulation of budgets for projects is done within a framework of laid down matrices for estimation;*
 - iii. commitment to a project is supported by strategies for resource mobilization with responsibilities distributed at levels best suited to shoulder them ;*
 - iv. impact of mismatch of fund requirements and actual commitments, on achievement of project objectives, is minimized.*

Scope of audit

8. Our work spanned the WFP Headquarters (HQ) in Rome, 8 Country Offices⁴(CO) under 2 Regional Bureaux⁵ (RB). The work in the field offices was conducted between December 2010 and February 2011. We took a sample of at least one project in each CO under EMOPs, PRROs, DEV and SO. The total number of projects selected in each CO was limited to four. We studied the projects in the

² WFP accepts contributions of commodities or services from non-traditional donors that are unable to provide cash to cover the associated costs.

³ Another funding window is of **bilateral contribution** which is directed by the donor to be used to support an activity not initiated by WFP, provided it is consistent with the objectives and policies of WFP. This is essentially a service provided by WFP.

⁴ Afghanistan, Bangladesh, Ethiopia, Kenya, Malawi, Uganda, Myanmar and Nepal

⁵ Johannesburg and Bangkok

selected samples through their life cycle from the stage of the needs assessment to project formulation, implementation and review. To get the donor perspective, we met representatives of few donor nations.

9. We covered the period 2009 to 2010. For trend analyses, we used the data and figures for the past five years wherever necessary.
10. We discussed the audit objectives, scope and methodology with the Management at the HQ in Rome during an Entry Conference on 23 November 2010. Our field audit teams also held entry and exit meetings in the COs and RBs to discuss the preliminary audit observations and obtain responses.
11. Our audit findings and recommendations are strictly based on information made available to us. We are not responsible for erroneous audit findings attributable to inaccurate/incomplete information provided to us.
12. Our findings and recommendations are detailed in the succeeding paragraphs. The illustrative examples are only from the COs where we have cross checked the data on ground.
13. *We acknowledge the cooperation and assistance extended by the WFP staff and Management during various stages of this audit.*

III PROJECT FORMULATION AND APPROVAL

Project design

14. An assessment on the food security situation in a country is the first step for an informed decision on the design of the operations in that country. This assessment is normally carried out by technical staff in the COs, augmented by RB and HQ experts if needed , which produces a report that identifies :
 - *the most food insecure people, the areas and the seasonality of the need*
 - *the appropriate type and scale of intervention*
15. Detailed guidelines exist in WFP with regard to the process of collection and analysis of data for independent assessments through use of different techniques as well in collaboration with other UN agencies and NGOs.
16. We found that analytical work underpinned the programming designs. But the needs assessment did not always translate to informed choices that are adjusted to changing contexts in the country. Some projects were based on dated data which would have lost relevance over the elapsed period. In some others, past experience was not factored in the project design. Needs assessment must be better supported as evidenced in the following illustrative case studies.

Case study 1: Afghanistan: PRRO 104270

The number of actual beneficiaries under the category “Pregnant and lactating women participating in mother and child health mission supplementary feeding” was nil in two years —2007 and 2008. In 2009, the coverage was only 9.7 *percent* of the target (26199 beneficiaries). Yet, the CO assessed and planned for 125,000 beneficiaries for the 3 month period: 1 January to 31 March 2010. The CO attributed it to delays in securing coordination with NGOs and UNICEF as well as to rotation of staff. We feel that a realistic estimation of such administrative arrangements must be integrated into project planning.

Against the assessment of 656,500 per year for 2007, 2008 and 2009 under the category of “school children receiving take home ration”, the actual beneficiaries were much higher: 125.5 *percent*, 126.2 *percent* and 214.8 *percent* respectively. CO told us that the objective was to increase girls’ enrolment at schools. We are of the opinion that an objective assessment of project deliveries can be made only when realistic targets are set based on authentic data.

Case study 2: Ethiopia: CP 104300

A project: Food For Education (FFE) was to be implemented in 137 chronically food insecure districts covering 438000 children. Actual number of beneficiaries was 137 *percent* of the planned numbers in 2007 because beneficiaries carried over from the previous project were not included; annual increase in enrolment was also not factored. The CO told us that it was a mistake.

Case study 3: Afghanistan: PRRO 20063

Needs assessment on anemic women and children was based on the UNICEF Report and other reports issued in the year 2004. CO responded that it was not possible for WFP to conduct studies on its own and other actors such as UNICEF and WHO faced similar difficulties in collecting this data. We feel that using six year old reports as the basis of need assessment without them being corroborated with the impact studies of earlier interventions made by WFP itself or other agencies, presents WFP with the risk of mismatch of project designs with the actual needs.

Case study 4: Nepal: PRRO 106760

The project for “Food assistance for vulnerable population affected by conflict and high food prices in Nepal”, included (among other activities) to provide micronutrient powder (MNP) in 21 chronically food insecure districts. Only 17 districts were actually covered, the justification given to us being that WFP was phasing out its work in the remaining four districts. It was unclear as to why the four districts were included for coverage in the PRRO; further, one of these districts continued to be covered under a successive PRRO (200152) with same activities.

17. Evaluations conducted in WFP have directed the attention of the Management to the complex project designs with many fragmented, dispersed activities and the inadequate integration of project activities within an operation and across operations at the country level. Allocation of resources to enhance the analytical capacity that supports appropriate project designs, is inadequate.

18. It is important that WFP has an understanding of what it would cost to collect timely data to inform the projects, taking into account the risks of not doing so, which could lead to the development of improper project designs. Particular attention will be necessitated to determine the reliability of secondary sources of relevant data in each context. We would like to point that the quality of data not only impacts on project design but also in identification of project outcomes and their monitoring, which in turn, would help WFP make the necessary changes to increase the effectiveness of the projects.
19. The Management told us that since funding is linked to projects, there are limited budget mechanisms to cover expenses for both assessment and baseline prior to project approval. Funding through project funds, introduces an inherent conflict with the role of needs assessment in determining whether the project/ food aid is needed in the first place. In some countries, security considerations hamper collection of quality data.
20. During our discussions, we were told that baseline studies are cost and time intensive. It would be useful for WFP to assess the extent to which the baseline studies informed the decisions on project designs.
21. WFP functions in a decentralized environment and the primary responsibility on needs assessment is that of the Country Director. The HQ at Rome and the RB provide an oversight at the stage of project clearance as well as among other functions, by issuing guidelines laying down standardized practices. The methodologies are detailed in the assessment documents as well as in standard reference documents⁶.
22. We found that the project proposals provide the broad picture and do not provide specifically, for instance, the approach and methodology adopted by the CO; the rationale for choosing one implementation tool over the others; or possible overlap of the assistance from other agencies. The Programme Division at WFP Headquarters told us that the oversight in the RB and HQ within the context of Programme Review Committee (PRC), provides a quality assurance process. Our findings point to the need to add pith to this process which will help identify weaknesses as also the best practices, provide inputs for guidance material as well as identify areas for training.
23. From the donors' perspective, they felt that when the projects are presented individually, it was difficult to appreciate the strategic context or to situate these documents in the framework of a broader project of activities in the country. The presentation of Country Strategy⁷ (CS) to the EB, fills this requirement; WFP has laid down a roll-out plan towards a CS for each CO. The donors also felt that a

⁶ Methodologies and procedures are defined in the assessment documents, "Emergency Food Security Assessment Guidelines 2009", "FAO/WFP Joint Guidelines for Crop and Food Security Assessment Missions 2009", "UNHCR/WFP Joint Assessment Mission (JAM) Guidelines 2008" and "Comprehensive Food Security and Vulnerability Analysis Guidelines 2009"

⁷ A country strategy is a road map that outlines the direction WFP will take in a given country over a four to five year period in order to reach a vision. It is prepared in consultation with the government and other stakeholders.

formal consultative process, in which the donors' inputs are systematically incorporated during the project design stage, would be a welcome step.

Timelines for approvals

24. The delegation of authority ensures that the projects are aligned with the corporate priorities as also allow an opportunity for timely intervention in project designs. The roll-out of a project should factor the timeframe for securing the approvals to ensure timeliness. We found delays in the process and instances when the COs began implementation of the projects even as they awaited the project approvals.

Case Study 5: Malawi: PRRO 200087

The PRRO for providing food assistance to refugees was due for implementation from January 2010. The Joint Assessment Mission (with UNHCR and Government of Malawi) was conducted in September 2009. The RB forwarded the project proposal in November 2009; the project was reviewed by the PRC in the same month and was approved by the ED on 23 February 2010 by which time the project was already 7 weeks into implementation. The CO told us that the food distribution was managed through balance stock and by borrowing from other projects.

25. Dynamic situations present a challenge to ensure that the changing needs on the ground find cognizance in the project responses. The process for revisions has in-built delays which create a gap between the fluctuating needs and the project targets.

Case Study 6: Kenya: PRRO 106660

The project for "Protecting and Rebuilding Livelihoods in the Arid and Semi-Arid Area" approved by the EB in June 2009, was to be implemented from May 2009 to April 2012. The 3rd budget revision in October 2010 proposed to increase the number of beneficiaries by 182 *percent* from the planned 1.07 million to 1.94 million. This was based on the Short Rain Assessment led by the Kenyan Government that was concluded in March 2010 following the October to December 2009 season. However, by the time the project revisions were approved (the process taking 5–6 months), the Long Rain Assessment report after March to June 2010 season had showed a sustained improvement in the rain and crop situation.

Case Study 7: Ethiopia: PRRO 10665

The project was taken up in January 2008 to cover 3.80 million beneficiaries on the basis of a needs assessment in early 2007. The 4th budget revision to raise the number of beneficiaries to 7.56 million was based on the revision of the need to 4.6 million by the Ethiopian Government in May 2008. By the time the revision was approved in September 2008, the government figures had gone up to 6 million but the CO sent the proposal for revision only in May 2009 targeting 8.6 million beneficiaries. However, the CO had already claimed to cover 11.44 million beneficiaries in 2008 and 8.30 million beneficiaries in 2009.

Clearly, the targets and the actual numbers of beneficiaries did not bear real-time correlation with the ground realities.

Delegation of authority

26. The COs generally felt that the process of approvals was a time consuming one. But we found instances where the COs also could not adhere to timely submission of proposals for approvals. We found a tendency to keep the budget revisions within the delegated authority of the Country Director/Regional Director. This tendency could, in part, be fostered by a perception that approvals from Headquarters, are time consuming. The following case studies illustrate this anomaly.

Case Study 8: Uganda: EMOP 108110

The project was initially proposed for 9 months from February 2009 to November 2009, which was later extended to 31 December 2010 through five budget revisions. The budget revisions no. 2, 3 and 4 (between January 2010 to June 2010) approved at the level of the Regional Director (RD) involved a total revision in food and non-food cost of US\$5.96 million and US\$6.52 million respectively. Under the Delegation of Authority, the RD may approve in a calendar year, budget revisions with increase of food and non-food value up to US\$6 million each. The CO admitted that, despite being aware that together the revisions exceeded RD's delegated powers, it had opted for short-term budget revisions repeatedly to avoid revisions that would necessitate approvals at a higher level (E.D and the D.G/FAO).

Case Study 9: Malawi: PRRO:105860 and DEV: 105810

The PRRO and the DEV were revised six times and four times respectively. The revisions were on account of addition of commodities, increase in associated costs, extensions in time, etc. The documents give the perception that the CO may have been trying to keep the overall increase in cost within the delegated powers of the RD. The total number of beneficiaries, commodity costs and other associated costs were adjusted accordingly. The CO, however, stated that the budget revisions were based on the needs and adjusted to the inadequate funding.

Budget Revisions

27. Budget revisions to projects are common in WFP and in some cases, fairly frequent. In 14 out of the 28 projects that we examined, we found that the budgets had undergone revisions in terms of the frequency as well as in the quantum of budgeted resources, some of the substantial revisions are tabulated below:

Country	Project Number	Category	No. of Budget revisions as reflected in		Project Duration (as of Dec 2010)	Original Budget	Revised Budget	Revised budget as percentage of original budget
			SPA	CO				
Afghanistan	104270	PRRO	16	16	5 years	360.2	846.7	235.1
	105140	SO	NA	3	4 years 9 months	16.8	51.9	308.4
Ethiopia	106650	PRRO	10	6	3 years	561.9	1998.2	355.6
Kenya	106660	PRRO	3	4	1 year 8 months	474.3	505.8	106.6
Nepal	106760	PRRO	9	10	3 years 4 months	48.8	169.7	347.9
Uganda	108110	EMOP	5	5	1 year 10 months	77.8	114.7	147.5

28. We found instances where the budget revisions bore little correlation with the actual expenditure. In some cases, the revisions were sought but the actual expenditure was less than the original budgets. For instance in Uganda, the budget for EMOP 108110 was revised five times to increase the budget by 58 percent but the final project expenditure was less than 18 percent of the original budget. In Ethiopia, the budget of EMOP 10819 was revised twice although the expenditure was 45 percent less than the original budget.

Recommendation 1: *Funds for baseline studies, needs assessment and evaluation, should be set aside and mandatorily utilized. Where felt necessary, corporate funding not linked to project funds, should be provided for these activities;*

Recommendation 2: *In view of the time and cost-intensive nature of baseline studies, we recommend an assessment of the extent to which they have informed the decisions on project designs;*

Recommendation 3: *Needs assessment should be linked closely to the selection of project responses. It should also feed into defining clearly measurable project outcomes. WFP should segregate in the process, the internal and external factors, that can impact achievement of outcomes;*

Recommendation 4: *The processes and the delegation of authority be reviewed to identify any bottlenecks that prevent timely project review and approvals;*

Recommendation 5: *Once realistically set, the limits in the delegation of authority must be respected and a process established for early identification of potential non-compliance. While we recognize that in a dynamic situation project revisions may be inevitable, frequent revisions may signal a problem and should be reviewed in Headquarters.*

IV RESOURCE MOBILIZATION

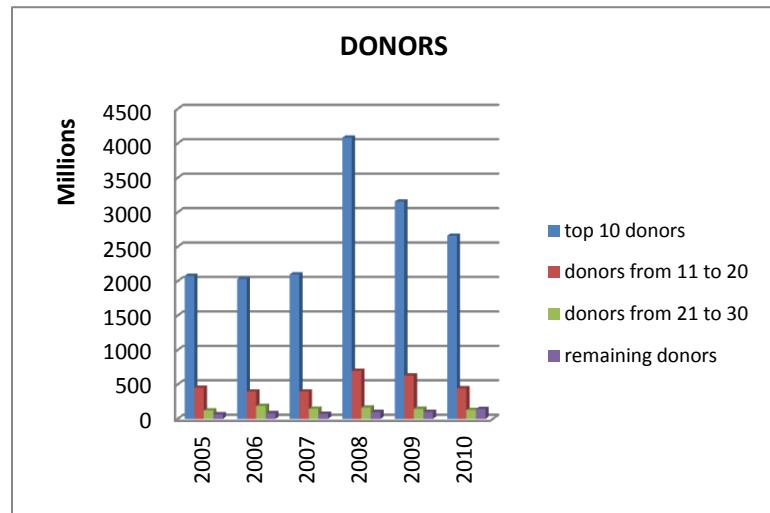
Trends in contributions

29. In a document presented to the Executive Board (February 2010): Resourcing for Changing Environment 2010, WFP's stated goals on resource mobilization include working with its main donors to improve predictability and flexibility; investing in new strategic partnerships, particularly with emerging economies and new donor countries; engaging with multi-donor, pooled, vertical and thematic funding sources; promoting local resource mobilization through effective

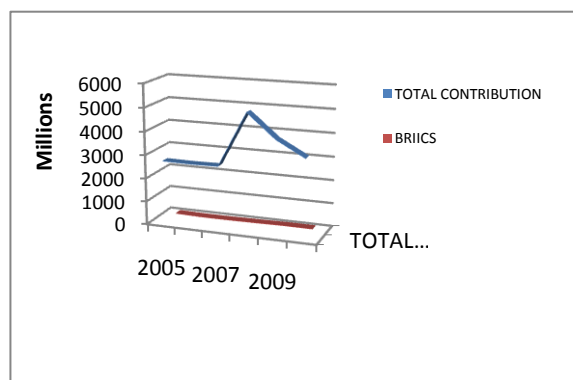
engagement with country led processes, and investment in WFP policy, evidence building and advocacy work; and identifying new funding channels.

30. We conducted an analysis of contributions over the period 2005 to November 2010 and noticed the following trends in resource mobilization:

- The Top 10 donors account for 75 to 84 percent of the total contributions from 2005 to 2010. There was a surge of 94 percent in the top 10 contributions in 2008 over the level in 2007; sustenance of that level has been a challenge. In other years, the growth in contributions of the top 10 on a year-to-year basis was negligible or negative.



- Of the top 10 donors, 5 (excluding UNCFERF) have consistently been in the Top 10 list since 2005.
- The contributions from the top 11–20 donors has come down from 16.6 percent (2005) to 13.1 percent (2010) and that of the top 21–30 donors has come down from 7.0 percent (2006) to 3.9 percent (2010) of the total contributions.
- The trends in growth in the top 11–20 donors and in the top 21–30 donors mirrored the trend in the top 10 contributions: surge in contributions in 2008 and negligible or negative growth in other years. Few donors that feature consistently among the top 11–20 group, have in odd years spiked their contribution to place them in the top 10 category: an indication of higher potential. The contribution from the remaining countries has shown a gradual increase over the years from 2.5 percent (2005) to 4.3 percent (2010).



- The emerging economies (the BRIC countries) find a place in the top 21–30 donors. Their contributions, although fluctuating, have shown a gradual increase from 2008.

- 11 and 12 countries made no contributions for 2 and 3 years respectively and 40 countries contributed for only 1 or 2 years during 2005–2010. These donors present potential that could be tapped for more regular sustained contributions.
 - The consolidated contribution from Private Donors showed a steady increase from 0.99 percent to 3.60 percent of the total contribution over 2005–10 and has been in the top 10 category consistently since 2008.
31. The primary focus is on increasing contribution levels from the traditional/main donors. Management emphasized that changing the composition and level of donor funding happens over a very significant period of time and that substantial differences would probably best be seen over a 10 year period. We were also informed that 2010 had seen increased contributions from 18 funding sources.

Expanding the donor base

32. Since WFP does not have assessed contributions or a core budget with a separate funding mechanism, it applies the principle of “Full-cost recovery” on every contribution. This means that donors are required to meet their contribution’s share of all associated costs⁸.
33. In a bid to expand the donor base, WFP allows **Twinning** by which an in-kind contribution or in-kind service from a donor (who is not able to bear the associated costs) can be matched with a cash donation from another donor to meet the associated costs of a contribution. In supporting twinning arrangements, donor preferences determine (on a case-by-case basis) the recipients and countries with twinning can be negotiated, in full or in part.

TWINNING	YEAR			
	2007	2008	2009	2010
A. NUMBER OF DONORS WHO CONTRIBUTED IN-KIND				
Self in-kind contribution	9	8	6	3
Value (US\$ million)	24.2	17.6	42.9	16.2
Contributed to other countries	4	2	6	6
Value (US\$ million)	1.2	1.1	18	25
Total No. of Donors	13	10	12	9
Total Value (US\$ million)	25.5	18.7	60.9	41.2
B. NUMBER OF DONORS WHO CONTRIBUTED CASH				
Directed Multilateral twinning	9	4	10	5
Multilateral twinning	4	3	5	5
Private Funding (both Directed and Multilateral)	8	2	1	5
Number of cash contributors for Twinning	21	8	14	14
Total cash provided for twinning (US\$ million)	15.2	10.3	33.9	22
EDMF cash approved for twinning (US\$ million)	3.8	2.9	5.9	11.8
C. TOTAL VALUE OF TWINNING ARRANGEMENTS				
Total value of twinned contributions (US\$ million)	44.4	31.8	100.7	75

⁸ including external transport, landside transport, storage and handling (LTSH), other direct operational costs (ODOC) and indirect support costs (ISC)

34. In case the twinned cash component is insufficient, WFP may use the [Emerging Donor Matching Fund \(EDMF\)](#) to cover the balance. The rules of the Fund allow WFP to use up to US\$1 million per eligible donor per year, with a cap of US\$4 million in any calendar year.
35. Twinning contributions have registered a quantum jump over the years (Graph). Through twinning, WFP was able to fund projects to the tune of US\$100.7 million in 2009 and US\$75.0 million in 2010 (as of 6 December 2010). This constituted 2.5 *percent* and 2.0 *percent* of the total contributions received by WFP in 2009 and 2010. It also aided 10, 12 and 9 countries to provide in-kind contributions in 2008, 2009 and 2010 respectively. Cash support by private donors for twinning arrangement have also gradually increased
36. Directed twinning support of cash component is supported by a larger number of countries rather than undirected multilateral twinning cash support. While undirected multilateral contributions provide more flexibility, the WFP should continue to encourage both directed multilateral as well as multilateral contributions of cash for twinning.
37. Our analysis of the utilization of the EDMF showed the following trends :
 - In 2009 and 2010, the utilisation of the Fund was US\$5.9 million and US\$11.8 million respectively, being 46 *percent* and 193 *percent* more than the cap.
 - The utilization was more than the stipulated norm of US\$1 million in respect of Brazil (203 *percent*), Kenya (177 *percent*) and Malawi (131 *percent*) in 2009 and Cuba (150 *percent*), Kenya (127 *percent*) and Malawi (379 *percent*) in 2010.
 - The available balances in the Fund stood at US\$27.8 million and US\$16 million in 2009 and 2010 (up to November 2010) respectively.
38. The trends in utilization indicate that the caps are unrealistic. We feel that a revision of the caps would enable WFP to use the twinning tool more effectively with emerging in-kind donors. The Management assured us that they are in the process of revisiting the circular that establishes and outlines the use of EDMF.

Recommendation 6: *We recommend that, in addition to efforts with Top 10 donors, WFP should focus on 11 to 30 countries, investing in new strategic partnerships, particularly with emerging economies. This may not only increase the quantum of contributions but also create a greater sense of ownership of the Programme across a wider base of countries;*

Recommendation 7: *We recommend that WFP revisit the norms for the use of Emerging Donors Matching Fund to align it to the current levels of need.*

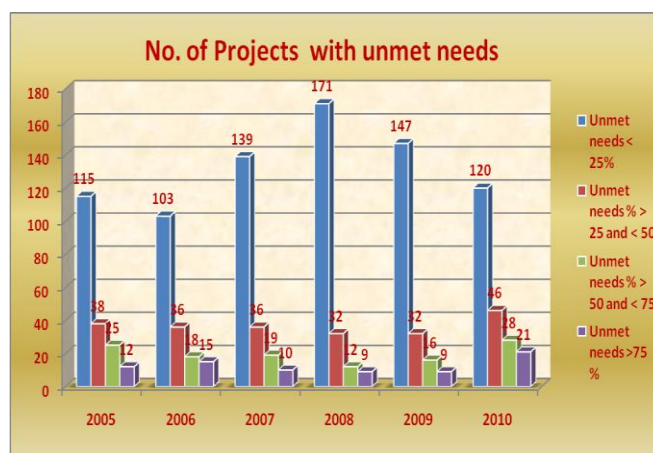
V FUNDING SHORTFALLS

Extent of shortfall

39. While the projects are designed on an assumption that they will be fully funded by voluntary contributions, 100 percent funding is difficult to achieve. WFP has been facing funding shortfalls in the range of 15.7 percent to 41.5 percent over 2006 to 2010. The only exception was 2008 which was an exceptional year of high contributions when the funding shortfall fell to 15.7 percent.

40. When translated to meeting of the operational needs, the shortfall⁹ during the period 2006 to 2010 was in the range of 12.3 percent to 24.6 percent. The shortfalls in funding during this period were mainly borne by the PRROs (ranging from 50 percent to 68 percent) and Development projects (50 percent).

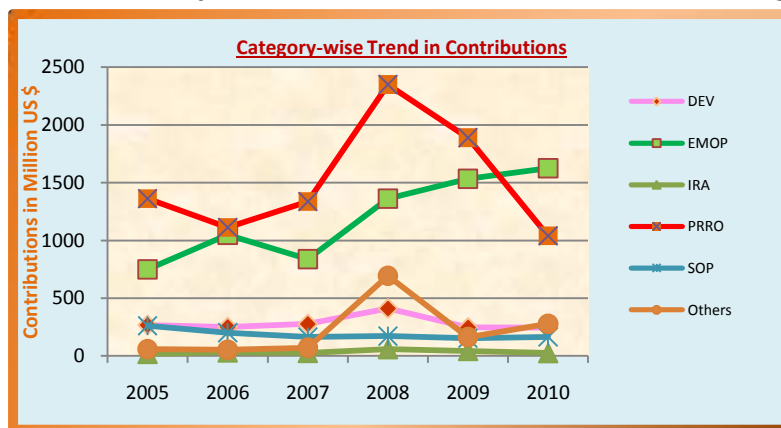
41. Analysis of the top 10 donors and the trends of their directed and multilateral contributions showed that directed contributions constitute the major portion of the contributions. Of the top 10, only 5 donors and of the next 10 donors, 6 donors have consistently given funds for both Directed and Multilateral operations.



Number of projects with unmet needs					
Category	<25%	25-50%	50-75 %	> 75 %	Total
2005					
PRRO	35	10	4	1	50
EMOP	18	5	8	2	33
DEV	37	14	6	3	60
Others	25	9	7	6	47
Total	115	38	25	12	190
2006					
PRRO	36	10	4	0	50
EMOP	13	6	3	1	23
DEV	35	14	3	2	54
Others	19	6	8	12	45
Total	103	36	18	15	172
2007					
PRRO	47	14	7	0	68
EMOP	19	2	4	0	25
DEV	29	16	7	1	53
Others	44	4	1	9	58
Total	139	36	19	10	204
2008					
PRRO	53	15	0	0	68
EMOP	21	6	2	4	33
DEV	47	5	0	1	53
Others	50	6	10	4	70
Total	171	32	12	9	224
2009					
PRRO	51	9	5	1	66
EMOP	23	6	1	1	31
DEV	37	9	4	2	52
Others	46	8	6	5	55
Total	147	32	16	9	204
2010					
PRRO	38	21	8	2	69
EMOP	20	7	8	1	36
DEV	31	8	7	9	55
Others	31	10	5	9	55
Total	120	46	28	21	215

⁹ The operating shortfall is the percentage difference between beneficiary needs and funds actually available for the projects concerned in that particular financial year. Funds actually available = Opening balance carried over from previous year + contributions received during the year – closing balance of unutilized funds.

42. Over the five years, donors have contributed increasingly to EMOPs, funding to



which has increased to 1642 million USD in 2010 from 749.5 million USD in 2006. While PRROs remain the largest funded category among projects, there is a decline in the trend in the funding of PRROs since 2008.

Issues of a diversified portfolio

43. From a primarily food aid provider, WFP has attempted to include in its programming priorities, a role as an aid to sustainable development. The intent would be to focus on using food to build human capital, in the form of nutrition, health and education. The principle is that inducement to participate in these programs because of the availability of food may be as important as the direct impact of food itself.
44. Our interviews with the donors indicate that not all donors are comfortable with the development projects. Further, some feel that the PRRO category is too broad and includes in its scope, activities that could be classified as development in nature. This concern is validated by the trend of donors to gradually reduce funding to the PRROs. There is also concern that the changing face of WFP operations may overlap with the mandate of other sister UN agencies; such overlap will also necessitate effective co-ordination.
45. Another factor that could contribute to donor weariness is the continuance of projects with the same set of activities over long periods. At one level, this may be arguably one way to retain country-level expertise and logistical capacity as insurance for emergency relief, even as emergency programs are not needed on a day-to-day basis. On the other hand, continuance of PRROs indefinitely without clearly defined parameters to measure outcomes of the projects (refer Section VI of the Report), can hamper exercise of discipline and accountability on effectiveness of projects. When the policy environment is hostile, projects may not add up to a development strategy. But it may be worthwhile to step back and review longer term PRROs in countries/areas within the country where the context has changed and improved.
46. The management recognised the need to enforce discipline and told us that following the outcome of the programme category review which was undertaken with the Executive Board, WFP has been transitioning some longer-term PRROs in countries where the context has improved towards development projects.

Managing shortfalls

47. The flow of funds must be adequate and timely for effective implementation of the projects. The voluntary funding model raises challenges on both the parameters —adequacy and timeliness— which can impact the project in many ways.
48. Inadequate funds leads to delays in implementation which in turn lead to increase in cost and need for budget revisions. The most immediate impact is a pipeline break in the project. For instance: PRRO 104270 in Afghanistan has faced 28 pipeline breaks during the project tenure January 2006–March 2010 and on seven occasions, the shortfall was more than US\$10 million. Drawals from the advance financing facilities could not completely stem these pipeline breaks. We found that pipeline breaks on account of funding, were not uncommon in the COs we audited. It may be noted that although instructions require COs to prepare contingency plans, these had not been prepared in the COs we visited.
49. We found that WFP was in a position to forecast the contributions on which was predicated the use of advance financing facility. But this data is not used for multiple scenario planning whereby alternate plans can be factored based on different scenarios in forecast of contributions. Management felt that a suggestion for formalized system that establishes project implementation levels based on resourcing trends/situation was not a small change and would necessitate discussions at different levels. We were also told that a Planning Module originally envisaged in the SAP (WINGS II) was de-scoped; this IT functionality was meant to support COs to align project implementation to progressive accumulation of resources. Re-inclusion of this module would be based on a cost-benefit analysis.
50. Nevertheless, we found that some offices have indeed taken the lead in this direction. For instance, RB, Bangkok had prepared a Contingency Plan with three scenarios of resource mobilization: (i) where the CO receives required resources; (ii) where the CO receives 70 *percent* of its needs; and (iii) where the CO receives only 50 *percent* of its needs. The components of the projects and number of beneficiaries were prioritized accordingly¹⁰. CO, Nepal also told us that a plan was under preparation to link different funding scenarios with prioritization of activities under the projects.
51. Analysis of the funding shortfalls with the project achievements (as reflected in the Standardized Project Reports [SPR] prepared annually in WFP) shows that the COs reported high coverage despite substantial funding shortfalls in the projects covered in our audit sample.

¹⁰ in scenario 2 situation the beneficiary number get reduced and scenario 3 situation the non-food component is proposed all together for de-prioritization.

Country	Project Number	Category	Beneficiary coverage (in %)	Short fall in resources	
				Contributions as % of budget	Expenditure as % of contributions
Afghanistan	104270	PRRO	102.3	86.7	88.1
Bangladesh	100454	PRRO	78.2	65.6	45.7
	104100	CP	96.7	42.6	78.3
	107880	EMOP	37.8	31.9	47.4
Ethiopia	104300	CP I	55.3	57.7	80.3
		CP II	110.1		
	106650	PRRO	96.7	56.8	65.5
Kenya	102582	PRRO	100.2	95.3	91.9
	106660	PRRO	104	48.4	57.7
	106680	CP I	111.9		
		CP II	104.6	35.5	87.5
	107450	EMOP	133.5	93.4	93.4
Malawi	105810	DP	106	57.1	87.3
Myanmar	100663	PRRO	97	65.6	88.1
	107490	EMOP	109.5	78.4	89.7
Nepal	106760	PRRO	96.5	63.3	73.0
Uganda	101212	PRRO	92.8	36.3	96.5
	104260	DP	106.9	38.5	93.5
	108110	EMOP	124.8	44.2	72.0

52. Further check showed that the beneficiary coverage was achieved¹¹ by taking recourse to the following measures:
- Reducing the quantum of rations: Ethiopia PRRO 101273 and CP 104300.
 - Reducing the number of days of assistance: Ethiopia CP 104300.
 - Not implementing certain components of the project: Nepal PRRO 200152 and Malawi DEV 105810.
 - Implementation limited to a few geographical areas/districts: Malawi DEV 105810, Ethiopia CP 104300 and Nepal PRRO 100093.
53. Thus during a resource crunch, the beneficiaries received smaller rations and over shorter periods than originally planned. On the other hand, a beneficiary receiving one ration once in a year is counted equally as one who received daily rations for the entire year. This leads to misleading reports of achievements against projects even as it makes systematic measurement of outcomes, difficult.

Case Study 10: Nepal: PRRO 106760

With a slow start in 2007 due to delayed confirmation of donor commitments, the project picked up in the subsequent years. 65 percent and 97 percent of the targeted beneficiaries could benefit from the project despite resource shortages in 2008 and 2009 respectively. But this was done by reducing the rations; the commodity distribution stood at 46 percent and 63 percent respectively in 2008 and 2009.

Some components of the PRRO came under cuts. For instance, only 5 percent and 51 percent of the needy children under the age group of 5, were targeted for supplementary feeding in 2008 and 2009 respectively. Even the relatively low level of targets could not be covered: only 30 percent and 6.5 percent of the

¹¹ CO Kenya told us that SPR statistics for PRRO 102582 for the beneficiaries used were taken as the highest number of beneficiaries served in a cycle for that year while food distributed was the accumulated total food distributed in the whole year measured against the planned tonnage. This method of reporting does not measure the actual achievement vis-à-vis target.

targeted number could actually be reached under the project. CO told us that inadequate funding led to cuts since priority was given to vulnerable households. We recognise that even as children under 5 also constitute a vulnerable category, the decision on assigning priorities is a subjective one and requires firmer framework of guidance.

54. On the other hand, we also found instances of shortcomings on project deliveries despite availability of funds. Other administrative factors also impair project implementation.

Case Study 11: Kenya: EMOP 10745

83 *percent* of the funds requirement for the project was met. The records showed a comfortable stock position of commodities; in addition, balance from an earlier project (10374) was also to be transferred to this project. Yet, the SPR showed that there was 48 *percent* shortage in actual commodity distribution in 2008.

Case Study 12: Kenya: CP 106680

The project received US\$65.8 million against an anticipated expenditure of US\$48.7 million. We found that despite this comfortable resource situation, there were pipeline breaks in both the components of the project. The CO stated that normally the in-kind contribution from the main donor took approximately 6 months from confirmation of contribution to receipt at the port of Mombasa and hence, the pipeline breaks. These delays, though anticipated, were not factored into the project proposal.

Case Study 13: Nepal: PRRO 106760

Distribution of 47 MT of Micro Nutrient Powder (MNP) was planned for the year 2009 but only 6 MT was actually distributed. CO told us that the planning process took longer than expected.

Use of advance financing facilities

55. Projects can be provided loans from the Immediate Response Account (IRA: US\$70 million) and the Working Capital Financing facility (WCF)¹² for specified purposes. These loans have to be recouped¹³ on receipt of the forecasted contributions. WFP has estimated that advance financing leads to an average 57-day reduction in response time to accelerate the provision of funds to projects and stabilize the delivery of assistance to beneficiaries.
56. We found that the COs were making use of the facility to reduce the incidence of pipeline breaks. There were instances of delays in placing requests for loans. We also found loans outstanding against projects which had been closed. For instance, US\$10 million was granted from IRA for PRRO 102582 in Kenya which was not repaid/adjusted though the project was closed in September 2009. The loan had ultimately to be converted into a grant. The CO told us that there were no contributions from donors to pay the IRA; refugees in Kenyan camps are

¹² WCF was leveraged on a 3:1 ratio on the Operational Reserve; this has been increased in 2010 to 6:1 to raise the ceiling on utilization to US\$ 557 million.

¹³ IRA is a revolving fund and although advances are expected to be recouped advances, in circumstances where no donations are received, the loan can be deemed to be a grant.

almost entirely dependent on WFP food for their survival. Loans were outstanding against closed projects in CO, Uganda as well.

57. We also found instances of non-recoupment despite a sound position on receipt of contributions. PRRO 106660 in Kenya borrowed loans on 10 occasions from IRA amounting to US\$5.95 million which was yet to be refunded. An amount of US\$47.2 million was taken as advance from the WCF on 11 occasions, of which US\$1.1 million was yet to be adjusted. The CO informed us that the borrowings were made in the initial stages of implementation of the project and that repayment is under discussion.

Project closure and transfer of commodities

58. Timely closure of a project helps the COs assess the availability of surplus resources, which can then be committed or transferred to the new projects to ensure smooth transitioning. Projects due for closure are to be given an alert three months before the operational closure, which in turn should be completed two months after the project end date. Financial closure should be completed within four months of operational closure.
59. We found instances of delays in closure and transfer of commodities, the opportunity cost of which would have been borne by the successive projects.

Case Study 14: Afghanistan: UNHAS-SO 10514

The project was given a closure alert in October 2009; operationally closed 5 months later in January 2010. Financial closure was 12 months later in December 2010. It may be noted that the successive project SO 200092 had a start date of 1 January 2010.

Case Study 15: Kenya: EMOP 10347

The balance available under this project that ended in August 2008, was to be transferred to EMOP 10745. However, the transfer was done only by way of 3rd budget revision in April 2009, after a delay of four months.

Case Study 16: Ethiopia: PRRO 106650

The SPR of 2008 reported that total quantity of 107,452 MT of commodities available under the closed project 10362 were to be transferred to the PRRO. We noticed that actual transfers were still not complete.

Case Study 17: Ethiopia: CP 104300

A total of 13755.427 MT of commodities was transferred from CP 10208 in June 2007 but was not accounted for in SPR 2007 as opening stock.

Recommendation 8: *We recommend that good practices be used as a starting point to prepare broad guidelines for multiple-scenario prioritization at the level of the RB or HQ, as found suitable.*

Recommendation 9: *The method of beneficiary counting should also include measurement of beneficiary days or meal days, which together will provide a more sound basis for determining outcomes and achievements.*

Recommendation 10: *The reasons for delays in project closures and transfer of resources from the old to the new projects should be analyzed and guidance provided to make the process timely.*

VI MONITORING AND EVALUATION

60. The Results and Resources Matrix annexed to the Project Document gives the performance indicators for the project period as a whole. The projects are also required to be evaluated periodically for their impact.
61. We found that the targeted outcomes are sometimes general. For instance in Uganda CP 108070, one of the outcomes is “build or restore community assets in targeted communities”, against which the performance indicator was creation of “100% community assets”. When we asked for details on the assets planned to be created during the project period 2009-2014, the CO told us that the assets are yet to be identified, prioritized and developed in consultation with local authorities and communities.

Case Study 18: Nepal: CP 10093

A key justification for the second revision was to align the CP objectives with the Government of Nepal Three Year Interim Plan (2008–2010). We found, however, that the key inputs provided in the Interim Plan e.g., the quantitative targets of Maternal mortality rate (250 per 100,000), infant mortality rates (30 per 1000 live births), child mortality rates (42 per 1000 live births), net enrolment rate at primary level (87.4 percent) were not factored into the revisions, thereby losing an opportunity to synchronize the CP’s outcome indicators with the Interim Plan targets. We also found that the outcome indicators of percentage increase over a base figure as projected in the CP document continued in the revision proposals instead of the available absolute figures. The CO told us that the outcome indicators were in line with the log frames approved for project documents.

62. We found that a culture of systematic collection of data on outcomes, is yet to be established in WFP. When project suffers from inadequate funding, the focus (and allocation of resources) on monitoring & evaluation tends to wane.
63. Evaluations in WFP had also emphasized on the need for identification of external factors (which are not part of the WFP project) that can affect the outcomes, for instance, impact of availability of potable drinking water, as well as internal factors such as the size of the ration, that can affect the actual intake and the nutritional value that a beneficiary received.
64. Timely monitoring and evaluations are an area on which focus needs to be accentuated. Delays in monitoring and evaluation rob an opportunity to make mid-term corrections to the projects.

Case Study 19: Afghanistan: PRRO 104270

No evaluation was conducted during the original project period of three years. The mid-term evaluation done in May–June 2009 (during the extended period) was finalized in January 2010 when the PRRO was about to be closed, leaving little scope for mid-term corrections. CO stated that recommendations of the evaluation were considered while designing new PRRO 200063.

Case Study 20: Malawi : DEV 10581

The project for “Support to Education” which started in January 2008 was to have a mid-term evaluation after 2 years. This was yet to be conducted when we audited the CO in January 2011. We also noted that due to repeated defaults, some schools had been suspended from the project by the CO.

Recommendation 11: *We recommend that the timeline for monitoring and evaluation of projects be closely integrated to the project implementation in order to provide an opportunity for mid-term corrections as well provide inputs at the design stage of future projects.*

ACRONYMS USED IN THE DOCUMENT

BRIC	Brazil, Russia, India and China
CO	Country Office
CS	Country Strategy
DEV	Development operation
EB	Executive Board
ED	Executive Director
EDMF	Emerging Donor Matching Fund
EMOPs	emergency operations
FAO	Food and Agriculture Organization of the United Nations
FFE	food for education
HQ	headquarters
IRA	Immediate Response Account
IT	information technology
MNP	micronutrient powder
NGOs	non-governmental organization
PRC	Programme review committee
PRRO	protracted relief and recovery operations
RB	Regional Bureau
RD	Regional Director
SO	Special Operation
SPA	System for programme approval
SPR	Standardized Project Report
UNCERF	United Nations Central Emergency Response Fund
UNHAS	United Nations Humanitarian Air Service
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WCF	Working Capital Financing Facility
WINGS II	WFP Information Network and Global System II