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**Executive Board
Annual Session**

Rome, 7–11 June 2010

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 6

*For information**

E

Distribution: GENERAL

WFP/EB.A/2010/6-K/1/Add.2

4 June 2010

ORIGINAL: ENGLISH

INVESTIGATION ON WFP OPERATIONS IN SOMALIA: ADDENDUM 2

**UPDATE ON WFP MANAGEMENT
ACTIONS IN SOMALIA**

* In accordance with the Executive Board's decisions on governance, approved at the Annual and Third Regular Sessions, 2000, items for information should not be discussed unless a Board member specifically requests it, well in advance of the meeting, and the Chair accepts the request on the grounds that it is a proper use of the Board's time

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NOTE TO THE EXECUTIVE BOARD

This document is submitted to the Executive Board for information

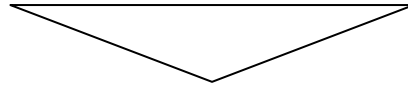
The Secretariat invites members of the Board who may have questions of a technical nature with regard to this document to contact the WFP staff focal points indicated below, preferably well in advance of the Board's meeting.

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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).

DRAFT DECISION*



The Board takes note of “Investigation on WFP Operations in Somalia” (WFP/EB.A/2010/6-K/1) and its addenda.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

INTRODUCTION

1. At the request of the Executive Board, the Secretariat prepared this update of the management actions taken in response to recommendations from the December 2009 report by the Inspector General and a March 2010 Report by the Monitoring Group on Somalia (MGS) that alleged diversion of food provided by WFP.
2. WFP is committed to being as transparent and effective as possible, ensuring the integrity and efficiency of its operation in Somalia on which nearly 2 million Somalis depend. WFP is applying the decades of knowledge, skills and experience it has accumulated in challenging environments to strengthen its systems of control and oversight for Somalia. The improvements required to implement more effective, credible and transparent control systems are a top priority for WFP's management. The management actions outlined in this note are consistent with those WFP puts in place in any insecure environment. In the past three years, the Inspector General has carried out three internal audits, an inspection and an investigation of WFP's Somalia operations. The ensuing recommendations prompted a wide range of initiatives to strengthen supply chain controls.

UPDATE OVERVIEW

3. The management actions outlined in this note fall within the following categories:
 - Augmenting management oversight
 - Follow-up to the Report by the Monitoring Group on Somalia
 - Implementation of Inspector General's recommendations
 - Additional supply chain controls

Augmenting Management Oversight

4. WFP has developed and is implementing an action plan based on the recommendations from the December 2009 report by the Inspector General, as well as issues raised in the MGS report. This will be a living document with additional items added as they emerge, including results from a review analysing each allegation from the MGS. This analysis was tasked by the Executive Director and will be completed by the Inspector General in June.
5. The Executive Director has established and is chairing a senior internal Somalia Steering Group that will ensure: i) the action plan is fully implemented in a timely fashion; ii) gaps identified by the Inspector General are adequately incorporated into the action plan and; addressed iii) sufficient resources are made available to accomplish these objectives.
6. On 1 May 2010, the Executive Director appointed Mr Tun Myat, a former United Nations Assistant Secretary-General and WFP senior manager, as her Special Envoy to Somalia. He subsequently visited the country office based in Nairobi, met with partners and donors in Nairobi, reviewed the implementation status of recommendations by previous oversight missions, and identified ways to improve the management and control environment.
7. On 18 May, WFP convened a panel of global experts in logistics and supply-line management from the humanitarian, military and private sectors for consultations on how best to control and manage supply chain risks in volatile environments such as Somalia. Acknowledging the very significant challenges such contexts pose and that there is no easy solution, the experts recommended exploring market-driven solutions for achieving hunger

goals in areas with limited access; and a more proactive and public WFP approach in debates about political and security challenges in complex emergencies. The experts' recommendations will be shared with the Board, and a meeting with the Board membership is planned for 25 June. A number of the experts from the panel will be invited to act as advisors to the Executive Director.

8. To strengthen the leadership of the Somalia country office, WFP will appoint a second Deputy Country Director who will take the lead on compliance issues. In addition, the regional financial officer has already been deployed to the country office to ensure compliance with the recommendations included in the December 2009 report by the Inspector General and to lead a rigorous risk analysis exercise.
9. In the interest of transparency and collaboration, on 21 May 2010, the Executive Director shared the Inspector General's confidential December investigation report with the chairman of the Somalia Sanctions Committee. She had made this document available to Board members in March. In an accompanying letter, she requested that all supporting documents underpinning the allegations made in the MGS report be shared with the Inspector General so that he can follow up on allegations and, if necessary, WFP could take immediate corrective measures on behalf of the beneficiaries in Somalia.
10. In June 2010 the Deputy Executive Director and Chief Operating Officer, the newly appointed country director and the Regional Director briefed donor representatives in Nairobi, updating them on the steps taken by WFP to address current challenges. They also met with other partners and senior United Nations representatives to discuss how the humanitarian community can ensure that the vital lifeline of humanitarian assistance is maintained.

Follow-up on the Report by the Monitoring Group on Somalia

11. Following the release of the MGS report in March, WFP announced that pending the result of further investigation it would not award new contracts to three transporters named in the document.
12. The Board asked the WFP External Auditor to undertake an independent review of the MGS allegations. The External Auditor – the National Audit Office of the United Kingdom – subsequently wrote, for consideration at the Board's 2010 Annual Session, an Advice that included terms of reference for a detailed review of WFP procedures for the delivery of food in Somalia. This is expected to be one of the first tasks undertaken by the new External Auditor, which assumes its responsibility on 1 July 2010.
13. The Executive Director also requested WFP's Inspector General to undertake a review of the allegations. The Inspector General is currently analysing the allegations in light of the evidence already collected in the course of previous oversight exercises. The current review is expected to be completed in June. In addition to addressing the allegations, the review will identify other issues that require further investigation in order to strengthen WFP's internal control systems.

Implementation of the Investigation Report's Recommendations

14. WFP is working on the following recommendations of the Inspector General to implement:
- development of a framework for cost and benefit analysis and identification of level of risk tolerance;
 - more rigorous performance appraisals of cooperating partners and transporters;
 - broader choice of potential contractors;
 - stricter compliance with the WFP Transport Manual;
 - regular rotation of staff to avoid entrenchment in any one location;
 - establishment of precautionary measures to address the eventuality of large-scale food sales;
 - stricter approval and reporting processes governing the allocation of contracts to service providers;
 - streamlining of reconciliations between inventories, distribution plans, dispatches and deliveries;
 - removal of a potential conflict of interest between a cooperating partner and transporter; and
 - enhanced communication with external parties, including donor representatives.

Additional Supply Chain Controls

15. In many areas, particularly in south and central Somalia, the security environment precludes the presence of WFP staff, or impedes their movement. WFP has devised measures to counter the targeting and assessment, delivery and monitoring challenges this imposes.

⇒ *Targeting and assessment*

16. WFP is working more closely with agencies including the United Nations Development Programme (UNDP) and the United Nations High Commissioner for Refugees (UNHCR) that are mandated to calculate numbers of general population and internally displaced person (IDP) beneficiaries. WFP is refining those numbers using information from other sources and has developed databases at the village level. The challenges of identifying the most vulnerable Somalis are considerable, as underscored by a WFP-commissioned study carried out by Tufts University's Feinstein Center in 2008. WFP is also designing and implementing programming mechanisms that facilitate targeting, such as the wet feeding programmes in Mogadishu.

⇒ *Delivery*

17. Significant steps have been taken to increase the number of transportation services used by employing more companies to transport smaller quantities. In 2006, 23 companies were on WFP's short list. By 2010, the number had risen to 42. WFP is cognizant that many companies are unable to meet WFP's obligation to deposit 30 percent of the cost, insurance and freight value of a cargo as a performance bond.
18. WFP adds codes to bags sent to the Afgoye corridor, where leakages are more likely to occur because lack of access prevents adequate monitoring.

19. WFP is constructing a 20,000 mt warehouse at Mogadishu Port within an area protected by the African Union Mission in Somalia. The warehouse will be managed by WFP. It will eliminate the need to use multiple contractor storage facilities, and ensure that stocks are under WFP's supervision, thereby rendering the supply chain less vulnerable to abuse.
20. As a member of the United Nations country team's joint risk management committee, WFP has access to the partnership management database, which will improve WFP's ability to qualify cooperating partners.

⇒ *Monitoring*

21. To improve monitoring where access is difficult, WFP continues to explore options for third-party monitoring, and undertakes some cross-border monitoring exercises, as well as monitoring local markets on both sides of the Somali border.
22. WFP and a cooperating partner, the Danish Refugee Council, have set up a telephone hotline for beneficiaries in the northern town of Bosasso. WFP is setting up similar hotlines for beneficiaries in other parts of the country where access permits. WFP is also establishing a network of contacts of traditional and religious leaders and others to validate cooperating partners' distribution data.

BACKGROUND AND OPERATIONAL CONTEXT

23. WFP's emergency operation in Somalia is a function of conflict and drought. The conflict in much of south and central Somalia has resulted in an almost permanent state of population displacement as people move in and out of the capital and other areas, depending on the ebb and flow of the fighting. There are close to 1.4 million displaced people in Somalia, almost all of whom are concentrated in the south and centre. Furthermore, the most recent food security assessment by the Food and Agriculture Organization of the United Nations (FAO)/Food Security and Nutrition Analysis Unit in Somalia (FSNAU),¹ conducted in early 2010, found that in spite of relatively good rains, an extremely difficult humanitarian situation persists and an estimated 3.25 million people, or 42 percent of the population, require livelihood and humanitarian assistance.
24. In an effort to keep pace with the rapidly rising food assistance needs, WFP increased deliveries, from supporting 1.5 million people in 2007 with 94,000 mt of food, to reaching 3.2 million people in 2009 with 334,600 mt of food. This rapid expansion necessitated significant investments in all areas of WFP's work and was achieved in the face of an increasingly difficult operating environment. In 2009 Somalia was described as the most dangerous country in the world for aid workers. WFP staff members have been killed while monitoring food distributions (four of them between August 2008 and January 2009) and its contractors and compounds attacked. The increase in threats to staff and the setting by Al Shabaab in January 2010 of 11 unacceptable conditions governing food-aid distribution in areas under its control – including a ban on the employment of women, the imposition of new food distribution modalities and the levying of substantial security fees – forced WFP to temporarily suspend operations in those areas. Because of the nature and magnitude of its operations, WFP bore the brunt of the attention of armed groups such as Al Shabaab. Additional conditions were decreed in late May 2010 for agencies and

¹ The FSNAU is a body broadly supported by donors, agencies and non-governmental organizations, and managed by FAO. It provides evidence-based analysis to enable short-term emergency responses and long-term strategic planning to promote food and livelihood security.

non-governmental organizations still operating in those areas. Their impact has yet to be determined.

25. While WFP continues its relief activities through general food distribution, targeted feeding and supplementary feeding programmes, particularly for children and pregnant and lactating women, WFP is actively pursuing early recovery activities to support the re-establishment of livelihoods of targeted households in the relatively more stable northern parts of the country. WFP is working to ensure that vital food support can help Somali efforts to strengthen development goals through school meals, food for work and local purchase of food when feasible. WFP also employs many Somali citizens in its rehabilitation and humanitarian work. It has invested heavily in the rehabilitation of such crucial infrastructure as the Mogadishu port, and some vital roads. These projects have provided employment directly to local populations through the rehabilitation work, and increased employment through the enhanced commercial activity resulting from the improved port. The importance of WFP's continued presence was repeatedly reiterated at the high-level conference on Somalia held in Istanbul in late May 2010, where the Executive Director formed part of the Secretary-General's delegation.
26. The tension between the humanitarian and political objectives of the United Nations in Somalia has been a challenge to all agencies – but particularly to WFP, which is by far the largest agency, rendering it susceptible to pressures and threats from a range of political entities in Somalia and placing a heavy strain on an already complex humanitarian operation. WFP is committed to remaining fully engaged with the United Nations Political Office for Somalia (UNPOS). WFP is participating in an interagency mission deployed from New York to review the United Nations system engagement in Somalia, with a focus on better policy coherence and improved effectiveness. This is part of a general move towards creating an integrated mission in the country – a daunting challenge, given the extreme security and political realities on the ground.
27. WFP's activities in areas subject to sanctions remain very complex. United Nations Security Council Resolution 1916 (2010) may provide some leeway for humanitarian assistance.
28. WFP has tried to maintain humanitarian deliveries into areas of the country inaccessible to international humanitarian workers – areas fraught with fighting, lawlessness and other serious security concerns, realizing that the establishment of a credible control environment is a non-negotiable imperative. However, given the prevailing risks and challenges the country presents, the international community needs to be aware that any proposed systems of monitoring and control may not be able to ensure zero diversions and complete accountability, at least not until the situation substantially improves.
29. As requested by the Board, WFP will provide a response to each issue raised in the MGS report, once it has considered the review by the Inspector General. WFP is also committed to keeping its Board membership, donors and partners abreast of both its progress in improving the control environment and of the challenges it faces, including extreme situations as they may arise.