

برنامج
الأغذية
العالمي



Programme
Alimentaire
Mondial

World
Food
Programme

Programa
Mundial
de Alimentos

**Executive Board
Third Regular Session**

Rome, 11–14 October 2004

RESOURCE, FINANCIAL AND BUDGETARY MATTERS

Agenda item 5

*For information**

E

Distribution: GENERAL
WFP/EB.3/2004/5-C/1
9 September 2004
ORIGINAL: ENGLISH

UPDATE TO THE WFP MANAGEMENT PLAN FOR 2004–2005

* 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.

This document is printed in a limited number of copies. Executive Board documents are available on WFP's WEB site (<http://www.wfp.org/eb>).

NOTE TO THE EXECUTIVE BOARD

This document is submitted for information to the Executive Board.

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.

Director, Office of Budget (OEDB): Mr A. Abdulla tel.: 066513-2605

Chief Budget Officer, OEDB: Ms K. Muiu-Heinemann tel.: 066513-2771

Should you have any questions regarding matters of dispatch of documentation for the Executive Board, please contact the Supervisor, Meeting Servicing and Distribution Unit (tel.: 066513-2328).



EXECUTIVE SUMMARY

The purpose of this document is to provide the update on implementation of the Management Plan 2004–2005 requested by the Board at its October 2003 session. This is the second note on updating the Management Plan; the first was submitted to the Board in May 2004.

The estimated level of operations in terms of volume has increased by 25 percent from 8.97 million mt to 11.2 million mt. In terms of expenditure, the programme of work is estimated to increase by 33 percent from US\$4.7 billion to US\$6.2 billion.

The Secretariat currently plans to hold Programme Support and Administrative expenditure to the Management Plan level of US\$305 million despite the 33 percent increase in programme of work expenditure, because funding is projected for only 79 percent of the estimated US\$6.2 billion of programme activity. Indirect Support Cost income is projected at only US\$295 million.

PROGRAMME BUDGET AND FUNDING (US\$ million)		
	Revised projections	Original projections – Management Plan
	US\$ million	
Programme budget	6 196	4 667
Programme donations	4 881	4 667
Percentage of funding	79	100
PSA budget	305	305

DRAFT DECISION*

The Board takes note of the information contained in “Update to the WFP Management Plan for 2004–2005” (WFP/EB.A/2004/5-C/1).

* 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. The first note, WFP/EB.A/2004/6-E/1, submitted to the Executive Board in May 2004, informed the Board of the creation of the Budget Monitoring Group and the Secretariat's decision to keep Programme Support and Administrative (PSA) expenditure at 90 percent of the approved level. The first note also gave an update on the status of other resources approved by the Board – the Direct Support Cost (DSC) Advance Facility, the Immediate Response Account (IRA), the foreign exchange provision, security upgrades, strengthening of financial management, the Capital Asset Fund (CAF) and results-based management (RBM).
2. This second information note focuses on the increase in programme of work and expected Indirect Support Cost (ISC) availability to fund the PSA budget.

BACKGROUND

3. The Executive Director set up a Budget Monitoring Group to help monitor implementation of the Management Plan consisting of (i) the Chief of Staff, (ii) the Deputy Executive Directors of Operations, Administration, Fundraising and Communications, and Policy and External Affairs and (iii) the divisional directors of RBM, Finance and Human Resources. The group is chaired by the Director of Budget.
4. The group meets once a month to review the operational level, the projected resource level including ISC income and actual expenditure against Management Plan allotments. By monitoring these areas, the group is able to issue guidance on the level of PSA expenditure that can be incurred, taking into account the expected level of donations. To facilitate the process, a monthly expenditure report for each division is published indicating each unit's status against the guidance level.
5. The Management Plan approved a PSA budget of US\$305 million, with a further US\$21 million of anticipated trust funds against Management Plan activities, a total of US\$326 million. Approximately US\$21 million of trust funds have already been allotted, but only US\$1 million of this was against the original Management Plan. There was therefore a need to adjust Management Plan activities to the US\$305 million level and account for US\$20 million of the US\$21 million of trust funds as additional programmes to be added to the Management Plan.
6. ISC projections currently amount to US\$295 million, notwithstanding the increase in the programme of work.

PROGRAMME OF WORK

7. The programme budget for Direct Operational Costs (DOC) presented in the Management Plan was US\$3.9 billion for the biennium, 50 percent of which was for food commodities. Since the Management Plan was approved, the DOC budget has increased by approximately US\$1.5 billion to US\$5.4 billion. The total programme of work is now projected at US\$6.2 billion, a 33 percent increase over the Management Plan projections of US\$4.7 billion. The increase results mainly from the addition of the bilateral Iraq Oil-For-Food programme, which totalled US\$969 million, and new emergency operation (EMOP) requirements that were not included in the original plan (see Table 1). The programme of work for 2005 has been kept at the Management Plan level of US\$2 billion for the purposes of this information note. There is a possibility that the 2005



programme of work may be higher because of additional requirements in Sudan/Chad and other new needs estimated at US\$750 million.

TABLE 1: 2004–2005 PROGRAMME OF WORK			
	2004	2005	Total
Expenditure* (US\$ million)			
Current projections	4 167	2 029	6 196
Management Plan	2 638	2 029	4 667
Net increase	(1 529)	-	(1 529)
Explanation of change			
- Iraq bilateral	(969)		
- Sudan/Chad	(224)		
- Etiopía	(123)		
- Uganda	(118)		
- Kenya	(76)		
- Bangladesh	(39)		
- Iraq EMOP	(32)		
- Other changes	52		
Net increase	(1 529)	-	(1 529)

*Projections and Management Plan figures exclude US\$127 million of non-programme expenditures for trust funds and one-time expenditures.

TOTAL EXPENDITURE AND INCOME UPDATE

8. Total expenditure needs for 2004–2005 are now projected at US\$6.3 billion, US\$1.5 billion more than the Management Plan. Details are provided in Table 2.



TABLE 2: TOTAL EXPENDITURE NEEDS (US\$ million)			
	2004–2005 Revised projections	2004–2005 original Management Plan	Variance %
DOC	4 464	3 901	14
Support costs			
DSC	458	461	–1
PSA (ISC)	305	305	0
Sub-total	5 227	4 667	12
Iraq Food-for-Oil	969		
Programme of work	6 196	4 667	33
Other support			
Capacity/capital investments	29	29	0
Trust funds	21	21	0
Security upgrades	20	20	0
Exchange rate variance	46	41	12
Special accounts/general fund	16	16	0
Total expenditure	6 328	4 794	32
Food delivered, without Iraq (mt)	9 491	8 967	6
Iraq Food-for-Oil (mt)	1 704		
Total (mt)	11 195	8 967	25

9. At the end of July 2004, total actual expenditures amounted to US\$1.9 billion. Food purchases stood at US\$825 million and commodities in-kind at US\$262 million, a combined food cost of US\$1.1 billion, or 58 percent of total expenditures. The remaining US\$800 million, or 42 percent, is related to transport, other direct operational costs (ODOC) and support costs. DSC expenditures amounted to US\$159 million, or 8 percent; PSA expenditures were US\$86 million, or 5 percent.
10. Income for the seven months ending 31 July 2004 totalled US\$1.9 billion, including US\$969 million from the Iraq bilateral programme. Total projected donations for the 2004–2005 biennium are projected at US\$4.9 billion (see Table 3).

TABLE 3: INCOME PROJECTIONS (US\$ million)	
Non-Iraq programme donations	3 912
Iraq bilateral donation	969
Total projected donations	4 881



11. This level of donations represents 79 percent of the total revised expenditure needs for the biennium.

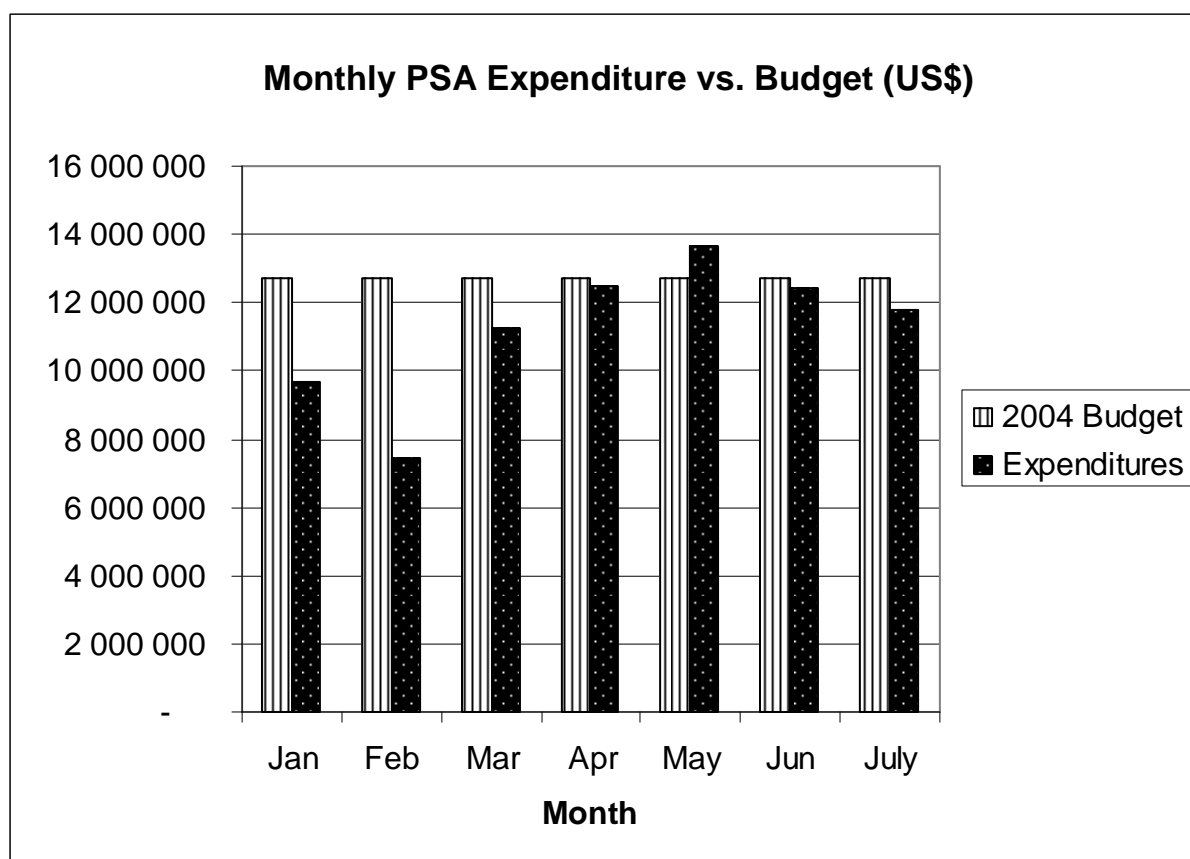
PSA FUNDING LEVELS AND EXPENDITURE

12. The projected level of US\$4.9 billion in donations will generate ISC income of US\$295 million, US\$10 million less than the original ISC of US\$305 million.
13. The approved PSA level of US\$305 million could be funded from the PSA Equalization Account if the forecast donations remain at a level that will only generate US\$295 million during 2004–2005 (see Table 4).

TABLE 4: FUND BALANCE PROJECTION AND PSA FUNDING (US\$ million)		
PSA Equalization Account/General Fund	General Fund	PSA Equalization
31 December 2003 closing balance	30.9	230.6
Less 2004/05 earmarking	(20)	(178)
(A) Net balance as 31 December 2003 GF/PSA equalization	10.9	53.5
ISC/PSA income 2004–2005		295.0
PSA expenditure 2004–2005		(305.0)
(B) Net ISC/PSA		(10.0)
(C) Estimated PSA equalization balance at 31 December 2005 (A – B)		43.5

14. As of 31 July 2004, PSA expenditure amounted to US\$86 million, or 28 percent of the approved PSA budget of US\$305 million, and lower than the budget of US\$89 million for the period (29 percent of the total budget). The following figure shows monthly PSA expenditure against budget for the first seven months of the biennium.





2004–2005 PSA BUDGET PROJECTION

15. The Secretariat currently plans to hold PSA expenditure to the Management Plan level of US\$305 million, despite the 33 percent increase in the programme of work, because funding is projected for only 79 percent of the estimated US\$6.2 billion of programme activity. ISC income is projected at only US\$295 million at the budgeted 7.0 percent ISC rate, which would cause the Executive Director to use US\$10 million of the surplus in the PSA equalization account, which is projected at US\$43.5 million at 31 December 2005.
16. The Secretariat will continue its efforts to increase the US\$6.2 billion funding of its 2004–2005 programme of work to a level higher than US\$4.9 billion, or 79 percent of the total programme of work. A by-product of improved programme funding will be the addition of ISC income above the US\$295 million level, which could preclude use of the surplus in the PSA Equalization Account.



ACRONYMS USED IN THE DOCUMENT

CAF	Capital Asset Fund
DOC	direct operational costs
DSC	direct support costs
EMOP	emergency operation
IRA	Immediate Response Account
ISC	indirect support costs
ODOC	other direct operational costs
PSA	Programme Support and Administrative (budget)
RBM	results-based management

