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FINANCIAL AND BUDGETARY MATTERS

Agenda item 5



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REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS (ACABQ)

The Executive Director is pleased to submit herewith the report of the ACABQ pertaining to WFP. The report covers different agenda items as follows:

- Item 5-A—Strategic and Financial Plan (2000–2003)
- Item 5-B—Budgetary Performance Report for 1998
- Item 5-C—Financial Management Improvement Programme (FMIP)

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Advisory Committee on
Administrative and Budgetary Questions

13 May 1999

Dear Ms Bertini,

Enclosed please find the report of the Advisory Committee on Administrative and Budgetary Questions on the World Food Programme's Strategic and Financial Plan for 2000–2003, the Budgetary Performance for 1998 and the funding of the Financial Management Improvement Programme (FMIP). I should be grateful if you would arrange for this to be placed before the Executive Board at its forthcoming session.

Yours sincerely,

(Signed) C.S.M. Mselle
Chairman

Ms Catherine Bertini
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WORLD FOOD PROGRAMME

Financial and Budgetary Matters

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports of the Executive Director of the World Food Programme on the WFP Strategic and Financial Plan for 2000–2003, the WFP Budgetary Performance for 1998 and the funding of the Financial Management Improvement Programme (FMIP). During its considerations of the reports, the Advisory Committee met with the Executive Director and her representatives, who provided additional information.

Strategic and financial plan for 2000–2003

2. The Executive Director has submitted the WFP Strategic and Financial Plan for 2000–2003 to the Executive Board in accordance with WFP General Regulation XIV.4. As indicated in paragraph 1 of the report, section I (the Programme) reviews the progress made in 1998, in the context of internal and external situational analyses, and provides the information base for the strategy and planning for the period 2000–2003 that are contained in section II (the Strategic Plan). Section III (the Financial Plan) shows, the proposed allocation of resources to implement the strategy and actions set out in section II (WFP/EB.A/99/5-A/1, paragraph 128).
3. In paragraph 15 of the report, a progress' review is presented for six operational priorities of WFP, under the heading "1998–2001 Strategic Priorities for People-centred Approach to Programming Food Aid" and four priority support areas, under the heading "1998–2001 Strategic Priorities for Organizational Capacity and Resources". For the period 2000–2003, WFP's strategy is "to continue its emphasis on the same priority areas, but introducing a results orientation to support the process" (WFP/EB.A/99/5-A/1, paragraph 50). The Advisory Committee notes the improvements in the content of the report, which as indicated in paragraph 84 of the report is a transition document. As indicated below, the Committee believes that some further refinements may be necessary.
4. The Committee is of the view that discussion of the review of the Strategic Plan 1998–2001 in section I of the report does not clearly differentiate between the results that have been attained during the period under review with those that are in progress. The report does not explain the implementation of the activities, as compared with benchmarks and targets established in the original plan; practically, no discussion is provided on lapses in implementation of planned activities and reasons for it. The report indicates that the first year of implementation of the 1998–2001 plan "has seen substantial progress in all priority areas; it will require a further three or four years to implement them fully with the additional tasks of the Food Aid and Development policy proposals" (WFP/EB.A/99/5-A/1, paragraph 49).
5. In the Committee's opinion, the narratives of the plan remain too general, making it difficult to identify linkages of priorities of the plan with the resources required to carry on the work programme and with the targets to be achieved during implementation of the plan.



The Advisory Committee reiterates its views that the strategic plan presented in section II of the report should be more concise, with more specific indication of objective targets against which success of plan implementation would be measured.

6. The Advisory Committee notes from paragraphs 84–88 that in 1999 the Executive Board approved the recommendations of its Formal Working Group to make changes to the Programme's Resource and Long-term Financing policies. These changes will enter into effect 1 January 2000. The direct and indirect support costs and the direct operational cost will be recategorized, and there will be substantial alterations to budgeting and other procedures within WFP. Furthermore, the Committee notes that WFP will develop performance indicators for results assessment to help WFP understand the extent to which the intended outcomes of each intervention have been achieved and, in consultation with the membership of the Programme, also intends to agree on appropriate, realistic programme-level outcomes, indicators and a timetable for their introduction.
7. With respect to the level of projected resources and their utilization, the Advisory Committee notes from paragraph 140 and 145 that WFP will continue to express its level of operation in terms of tonnage to be delivered. For the planning period 2000–2003, the overall tonnage for WFP is expected to be approximately 10.3 million tons of commodities, with an estimated value of US\$5,278 million. For the biennium 2000–2001, based on a projection of 5.1 million tons and indirect support costs of US\$193 million, WFP intends to estimate its Programme Support and Administrative (PSA) budget in an amount of about US\$195 million for 2000–2001 (WFP/EB.A/99/5-A/1, paragraph 145 and Annex II).
8. The Advisory Committee requests that, in the Strategic and Financial Plan for the period 2001–2004, information be given on the implementation of previous recommendations and/or decisions of the FAO Finance Committee, the Advisory Committee and the Executive Board. The Committee intends to review further, during its examination of the PSA budget for 2000–2001, the strategic priorities and actions taken for organizational capacity and resources, namely those on organizational change initiatives, staffing matters, accountability and resource mobilization.

Budgetary performance report for 1998

9. The Advisory Committee notes that the performance report for 1998 has been issued in an abbreviated version that excludes information which would be duplicative of that which is contained in the Annual Report of the Executive Director, 1998, and the Strategic and Financial Plan, 2000–2003. The report contains a review of 1998 activities in three sections: the first on resources, the second on budgetary performance of overall WFP operations and the third on PSA expenditure.
10. The Advisory Committee reiterates its view that the performance report for the first year of the biennium, in the format and content presented, is not very useful, unless it includes a proposal for additional resources to respond to a pressing need not previously anticipated. The Committee recommends that the review of resources and performance of overall programme activities of WFP be presented as part of the review of the first year of the implementation of the Strategic and Financial Plan. Furthermore, the review of the implementation of the first year of the PSA budget could be included in the Executive Director's report on the PSA biennial budget proposal, which the Committee examines every other year during its fall sessions.



11. The Advisory Committee recommends that the Executive Director continue to prepare a full biennial budgetary performance report for all activities of WFP, taking into account the Committee's prior observations and, particularly, those included in its report WFP/EB.3/98/4-C/2 on budgetary performance for the period 1996–1997. The Committee would review the budgetary performance of WFP activities for 1998–1999 during its fall session of the year 2000.
12. The Advisory Committee notes from paragraphs 4 and 18–21 of the report that a significant development in WFP operations in 1998 was the receipt of a large additional donation of over one million tons of wheat and wheat products, with an estimated value of about US\$389 million. The additional indirect support cost income generated by this donation is estimated by WFP to amount to some US\$24.5 million when all the tonnage had been called forward. The Committee notes that the Executive Director authorized the utilization of some US\$12 million from the additional US\$24.5 million earned as indirect support costs. The resources were allotted for PSA purposes in 1998 (see WFP/EB.A/99/5-B/1, paragraph 20 and table 5) . The Committee agrees with the proposed utilization of \$12 million under the PSA budget for the purposes detailed in paragraph 20.

Financial Management Improvement Programme(FMIP)

13. The report of the Executive Director on the Financial Management Improvement Programme (FMIP) was prepared pursuant the request of the Executive Board at its third regular session of 1998 to put forward a proposal aimed at the full funding of FMIP.
14. In paragraph 10 of the report, the Executive Director proposes that the initial US\$10 million advance from the General Fund to FMIP, approved by the Executive Board in October 1997, be converted into a grant. Furthermore, she also proposes that the unfunded balance, up to an overall FMIP cost ceiling of US\$37 million, be covered through a further grant from the General Fund, estimated at present at US\$6.6 million. The Advisory Committee agrees with these proposals. The Committee notes that efforts will continue to secure additional contributions and that interest income accruing to the FMIP Special Account will be applied to reduce the actual amount required from the General Fund.

