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de Alimentos

**Executive Board  
Annual Session**

**Rome, 21–24 May 2001**

# **FINANCIAL AND BUDGETARY MATTERS**

## **Agenda item 5**

## **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)—Budgetary Performance Report for 2000
- Item 5 b)—Strategic and Financial Plan (2002–2005)
- Item 5 c)—Amendments to the WFP Financial Regulations on the Operational Reserve
- Item 5 d)—Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (General Rules XII.4 and XIII.4 (g))
- Item 5 e)—Cash Management Report



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## COPY OF LETTER RECEIVED FROM THE UNITED NATIONS—NEW YORK

Reference: AC/1455

Advisory Committee on  
Administrative and Budgetary Questions

9 May 2001

Dear Ms Bertini,

Please find attached a copy of the report of the Advisory Committee on Administrative and Budgetary Questions on the reports entitled “Strategic and financial plan (2002–2005)” (WFP/EB.A/2001/5-B/1 and Corr.1) and “Amendments to the WFP financial regulations on the operational reserve” (WFP/EB.A/2001/5-C/1).

I should be grateful if you could arrange for the report to be reproduced *in verbatim* and placed before the Executive Board at its forthcoming session as a complete and separate document. A printed version (in all languages) of the document should be provided to the Advisory Committee at the earliest possible opportunity.

Yours sincerely,

(Signed) C.S.M. Mselle  
Chairman

Ms Catherine Bertini  
Executive Director  
World Food Programme  
Via Cesare Giulio Viola, 68/70  
00148 Rome  
Italy



## 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 World Food Programme (WFP) reports entitled Strategic and Financial Plan (2000–2005) (WFP/EB.A/2001/5-B/1 and Corr.1) and Amendments to the WFP Financial Regulations on the Operational Reserve (WFP/EB.A/2001/5-C/1). During its consideration of the reports, the Advisory Committee met with representatives of the Executive Director, who provided additional information and clarifications.
2. The Advisory Committee also had before it the WFP Budgetary Performance Report for 2000 (WFP/EB.A/2001/5-A/1), the Cash Management Report (WFP/EB.A/2001/5-E/1) and the Report of the Executive Director on the Utilization of Contributions and Waivers of Costs (WFP/EB.A/2001/5-D/1).

#### ***✦ Strategic and Financial Plan (2002–2005)***

3. The Advisory Committee notes, as indicated in paragraphs 66 to 71 and Annex II of the Strategic and Financial Plan (WFP/EB.A/2001/5-B/1), that, on the basis of a medium-range scenario of availability of resources, the projections in the plan are that WFP will be able to provide approximately 5.5 million tons of food aid in 2002–2003, declining to about 4.9 million tons in 2004–2005. The assumptions are that composite average commodity prices will rise each year from US\$214 per ton in 2001 to US\$267 per ton by 2005, that ocean freight rates will increase slightly from current levels, that resources for development activities will remain at current levels and that resources required for emergency and protracted relief and recovery will not differ greatly from current levels. For the biennium 2002–2003, WFP estimates that programme support and administrative (PSA) costs will be approximately US\$214 million, based on an indirect support cost recovery rate of 7.8 percent and that the PSA level for 2004–2005 will decline slightly from that of 2002–2003.
4. At its Annual and Third Regular Sessions in 2000, the Executive Board of WFP approved 22 governance recommendations (decisions 2000/EB.A/6 and 2000/EB.3/1). One of those recommendations called for the Strategic and Financial Plan to be adapted into a Strategic Plan, notably by the incorporation of results-based objectives. As indicated in the report (WFP/EB.A/2001/5-B/1 and Corr.1), this will require an amendment of General Rules VI.1 and X.2. The plan before the Advisory Committee is thus a transitional document, incorporating more strategic information and less financial information than previous plans, as well as results-based indicators, while still meeting the requirements of the current General Rules. The Committee understands that further changes are expected after the amendment of the General Rules.



5. Upon enquiry as to the projected timing of implementation of the governance decision of the Executive Board, the Advisory Committee was informed that the Executive Board, at its Annual Session in May 2001, would consider amendments to the General Rules to reflect the change from the Strategic and Financial Plan to the Strategic Plan. The budget to be submitted in September 2001 would retain the same presentation as it has had in recent years. Implementation would thus be affected as of 2003, when the new Strategic Plan would be submitted for consideration by the Executive Board.
6. It is the opinion of the Advisory Committee that much will need to be done to refine the presentation of the Strategic Plan. The Committee recalls its report on the Strategic and Financial Plan for 2000–2003 (WFP/EB.A/99/5-A, B, C/3), in which it stated that the narratives of the plan remain too general and reiterated its view that the plan should be more concise. Such problems persist in the strategic and financial plan for 2002–2005. The Committee recommends that the information provided in the executive summary, in the introduction and under programme issues be streamlined and integrated so as to permit ease of reference between them and thus avoid repetition and overlap. In this connection, the Committee would also point out that, while strategic planning falls within the purview of the Executive Director and the Secretariat of WFP, it is, in the first instance, incumbent upon the Executive Board to provide clear guidelines to the secretariat regarding the policy upon which the Strategic Plan would be based.
7. The Advisory Committee emphasizes that there is no need for a lengthy document; rather what is called for is a short document with precise strategic proposals for implementing the policy of the Executive Board. The Committee trusts that, in the next Strategic Plan, objectives will be precisely defined and realistically attainable. Moreover, clear performance indicators should be formulated to permit measurement of the achievement of objectives. Furthermore, all of these elements should be linked to resources; that is to say, the resource implications of objectives and targets identified in the plan and how the objectives and targets are to be achieved should be much more clearly indicated.
8. The Advisory Committee notes, for example, that in section II of the report, under development programmes and projects, objective I.A is “annually to have enabled at least 30 million targeted hungry poor people to participate in development opportunities by removing hunger as a constraint”. This actually represents an increase from the previous plan period from 23 million to 30 million people per year. Upon enquiry as to how this would be possible, given the fact that development resources are expected to remain at about the same level in 2002–2005 as in 2000–2003, the Committee was informed that the increase would be made possible by a shift in the composition of the WFP development profile. There would be an increase in the proportion of school feeding activities owing to the contribution of a high-level of additional resources from one donor country, and such activities have large numbers of beneficiaries. In the opinion of the Committee, such elements should be much more clearly identified in the plan.



9. The Advisory Committee notes the statements in paragraphs 79 and 80 that WFP prefers to regard results-based management as “results-based thinking” and that WFP, like other funds and programmes, is tailoring the approach to its own business needs and to the requirements of its governing body. While the Committee agrees with the concept of tailoring the approach to needs, it reiterates the view that efforts must be made to harmonize terminologies system-wide for the purpose of consistency of application. In this connection, the Committee recalls paragraph 32 of its report on results-based budgeting (A/55/543), in which it stated that:

“It is of fundamental importance that the basic terms employed in the proposals of the Secretary-General be fully and precisely defined and consistently applied by all involved in the process ... Over time an effort should be made to harmonize terminology with the other entities in the United Nations system so that past work on the harmonization of planning and budgeting classifications will not be lost.”

10. Upon enquiry, the Committee was informed that WFP was in the process of reviewing the glossary of results-based budgeting terms contained in the annex to the report of the Joint Inspection Unit on results-based budgeting: the experience of United Nations system organizations (A/54/287). The Committee strongly recommends that WFP consider using the terminology used by the Secretary-General in his report on results-based budgeting (A/54/456 and Add.1-5).
11. The Advisory Committee requested information on the connection between the priorities set out in the Strategic and Financial Plan for 2000–2003 and the objectives of the plan for 2002–2005. It was informed that the ten priorities in the plan for 2000–2003 had largely been completed, and that uncompleted aspects of the priorities had been incorporated in the plan for 2002–2005.
12. The Advisory Committee takes note of the statement in paragraph 16 of the report that:
- “The General Assembly has decided to have operational agencies fund the field component of a United Nations security system through their project budgets. This will increase project costs and may set a precedent for the recovery of other United Nations system-wide common costs through project budgets. WFP hopes that the Governments participating in the General Assembly will review this decision and take the responsibility for overall United Nations security, with each agency playing its own key role.”
13. Upon request for clarification, the Committee was provided with a further statement on security (see annex). The Committee points out that section II, paragraph 6, of General Assembly resolution 55/238 of 23 December 2000, which is based on a recommendation of the Advisory Committee, is clear and unequivocal. The Committee expects that the current arrangements for sharing the costs of the Office of the United Nations Security Coordinator will continue to be implemented until the General Assembly decides otherwise.

#### **Amendments to the WFP Financial Regulations on the Operational Reserve**

14. The Advisory Committee recommends that the Executive Board approve revised financial regulation 10.6 as set out in the annex to document WFP/EB.A/2001/5-C/1. With regard to the proposed amendment to financial rule 110.1, the Committee recommends that, in the first sentence of the amendment, the word “assessed” in the English text be revised to read “determined”.



## ANNEX

### WFP Statement on Security to ACABQ

“WFP gives highest priority to the safety and security of its staff. It has made security awareness training mandatory for all its staff. WFP co-ordinates closely with and works under the aegis of UNSECOORD in security matters. WFP has seconded a full-time professional and a support staff to UNSECOORD at the headquarters level. WFP policy for field co-ordination is strictly to adhere to the UN Security Management System. Security co-ordination is done with the Security Management Team (SMT), headed by the Designated Official (DO). Security issues and incidents are reported through the WFP Representative in the country to the DO and resolved within the SMT. In some operations, over and above the UNSECOORD deployed FSO, the operational agencies deploy security advisers. The roles of both are clear: the FSO has the responsibility for the overall UN staff security, whilst the agency advisers are mainly focused on the specific agency requirements (in case of WFP food convoys, food distribution sites, protection of storage facilities, etc.). In countries where there are FSO and several professional security agency advisers, WFP encourages the creation of a Technical Security Cell headed by the UN Field Security Officer for implementing of security decisions taken by the DO/SMT and for the day-to-day operational co-ordination. In other countries, or areas within countries, where no FSO(s) is deployed, WFP creates operational co-ordination with relevant agencies adhering to the structure and routines set up by the DO and SMT. It is WFP’s view that, to ensure adequate coverage of UN staff, the overall UN security arrangement, particularly in the field, needs to be significantly strengthened by the recruitment and deployment of additional FSOs by UNSECOORD, for which secured and predictable funding commitment is required.”

