

# WFP Executive Board: 2014—2016 Management Plan

2nd Informal Consultation  
10:00 am – 1:00 pm, 4 September 2013



**World Food Programme**

# Agenda

- 1. Management Plan Timeline**
- 2. Strategic & Financial Context**
- 3. Proposed Programme Support & Administration (PSA) Budget for 2014**
  - Financial proposals
  - Financial management initiatives
- 4. Revised Projected Operational Requirements**
- 5. Trust Funds and Special Accounts**
- 6. Next Steps**

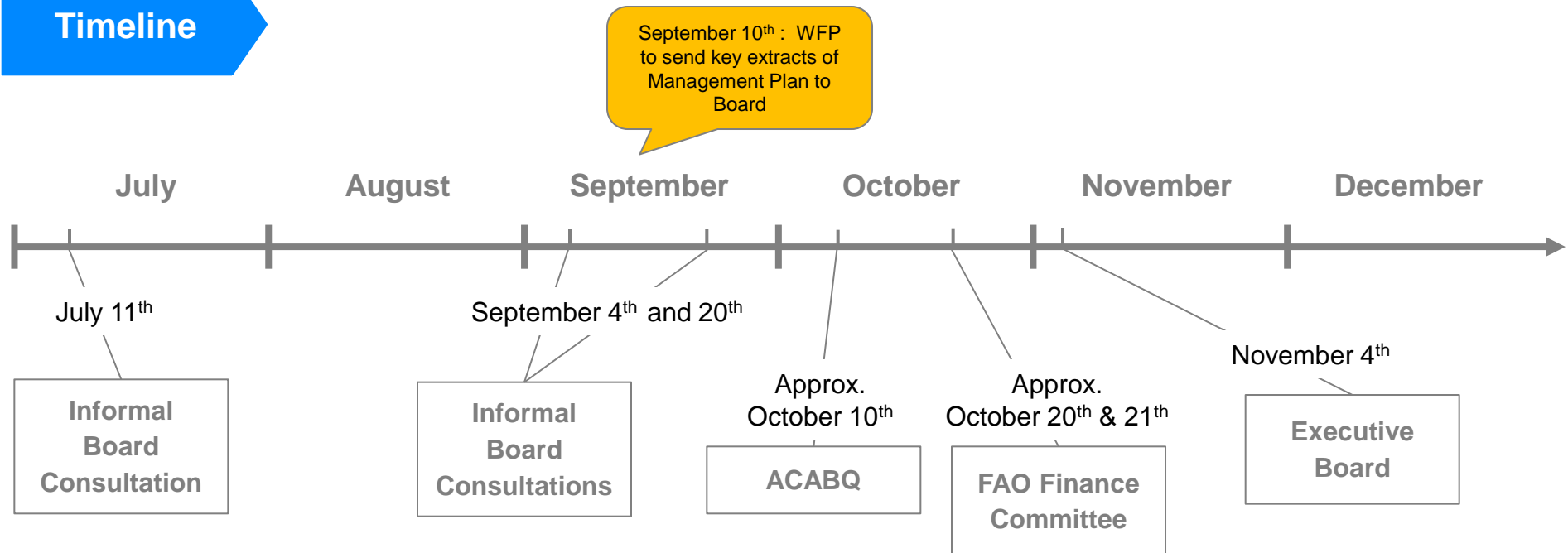
# 1. Management Plan Timeline

# Key Dates

## Objective

Present for approval the 2014-16 Management Plan for the Second Session of the Executive Board

## Timeline

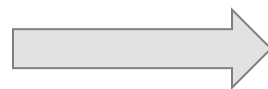
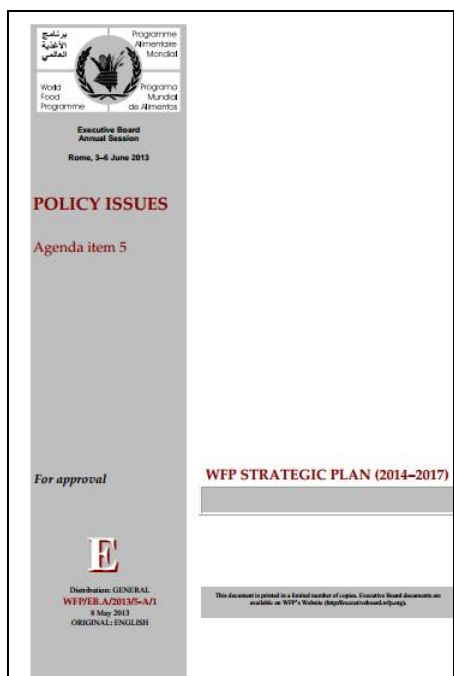


## 2. Strategic & Financial Context

# The 2014 – 2016 Management Plan is the first Plan prepared under the new Strategic Plan

Strategic Plan provides direction for 2014 - 2017

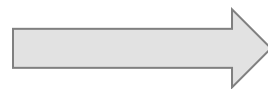
Several tools help us operationalize our strategy



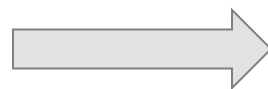
Management Plan



Strategic Results Framework

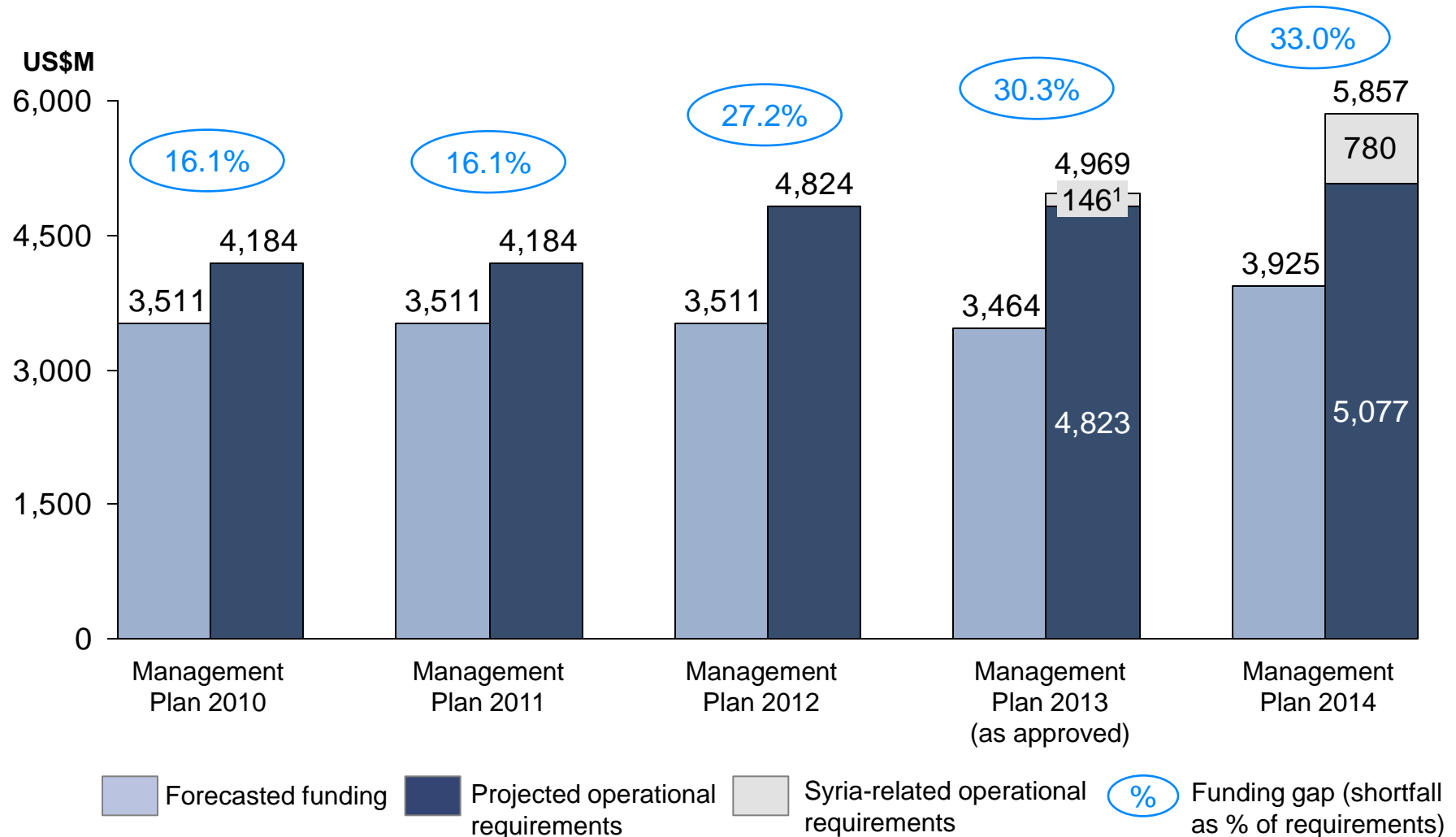


Management Results Framework

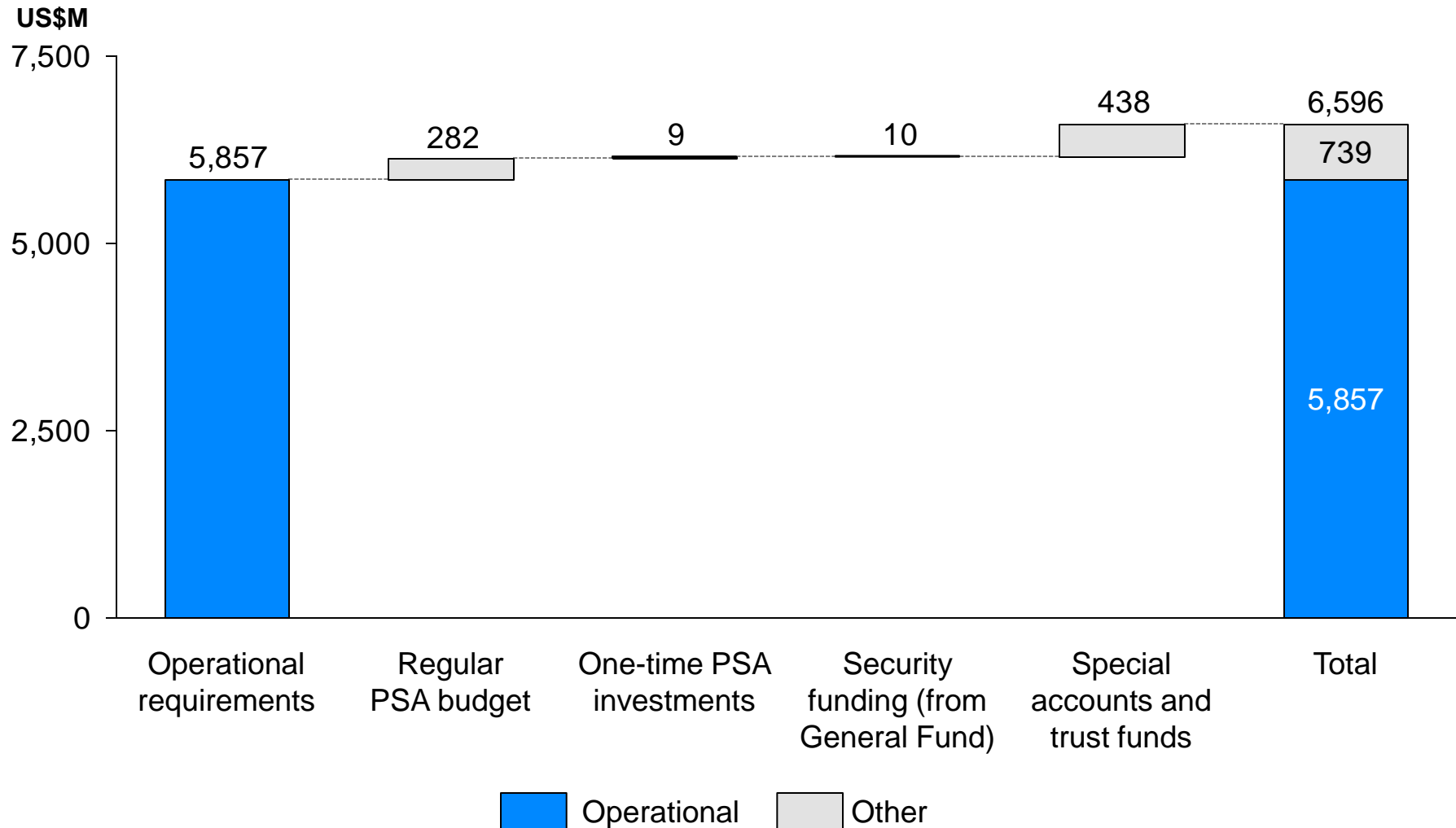


Improved financial architecture

# Financial Context for Management Plan: Operations



# The Management Plan totals US\$6,596M for operational and other requirements





### **3. Proposed Programme Support & Administration (PSA) Budget for 2014**

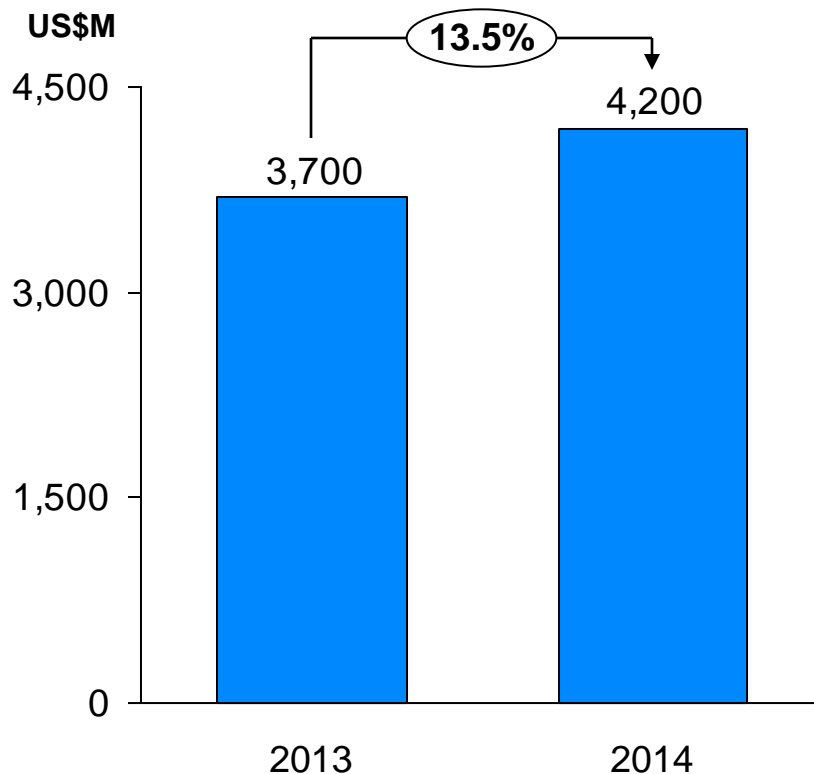
- **Financial proposals**
- **Financial management initiatives**

# What is the Programme Support & Administrative (PSA) budget?

- Funded from a standard 7% indirect support cost (ISC) charge on each contribution under WFP's Full Cost Recovery policy
- Covers the majority of Headquarter and Regional Bureaux costs, as well as a core presence in each country office
- Plan for expenditure presented within the Management Plan
- Board approval of the PSA appropriation within the Management Plan gives authority to the Executive Director for expenditures

# Funding levels are estimated to reach US\$4,200M in 2014

Funding levels estimated to increase by 13.5% in 2014



## Forecast based on observed trends

### International response to Syria crisis

- Response to funding Syria crisis is positive and expected to continue through 2014

### Trends in funding levels

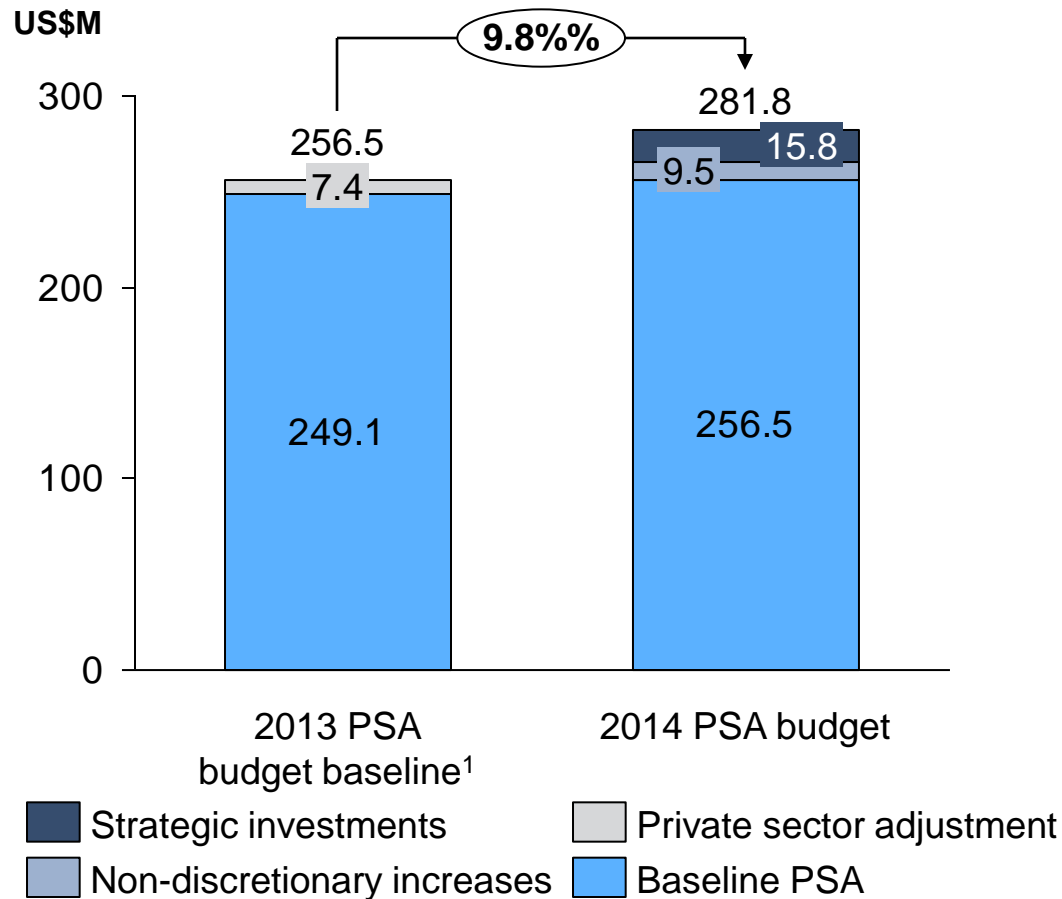
- Since 2008, funding has reached US\$4.0B every year except 2011
- 2013 funding expected to be US\$4.0B

### Innovation in resource mobilisation approaches

- Including twinning and close partnerships with host governments and the private sector

# The proposed 2014 PSA budget is ~US\$282M

## Regular PSA proposed to increase 9.8%



# Budget requests were evaluated using a different process from 2012

## Divisions presented PSA budget requirements in three categories

Priorities to be managed within PSA budgetary envelope for 2013  
*(already reviewed in context of Fit for Purpose)*

Priorities above and beyond 2013 baseline to be considered for PSA funding were it available

Initiatives that would have to be funded through trust funds

## Management allocated resources in one of two ways

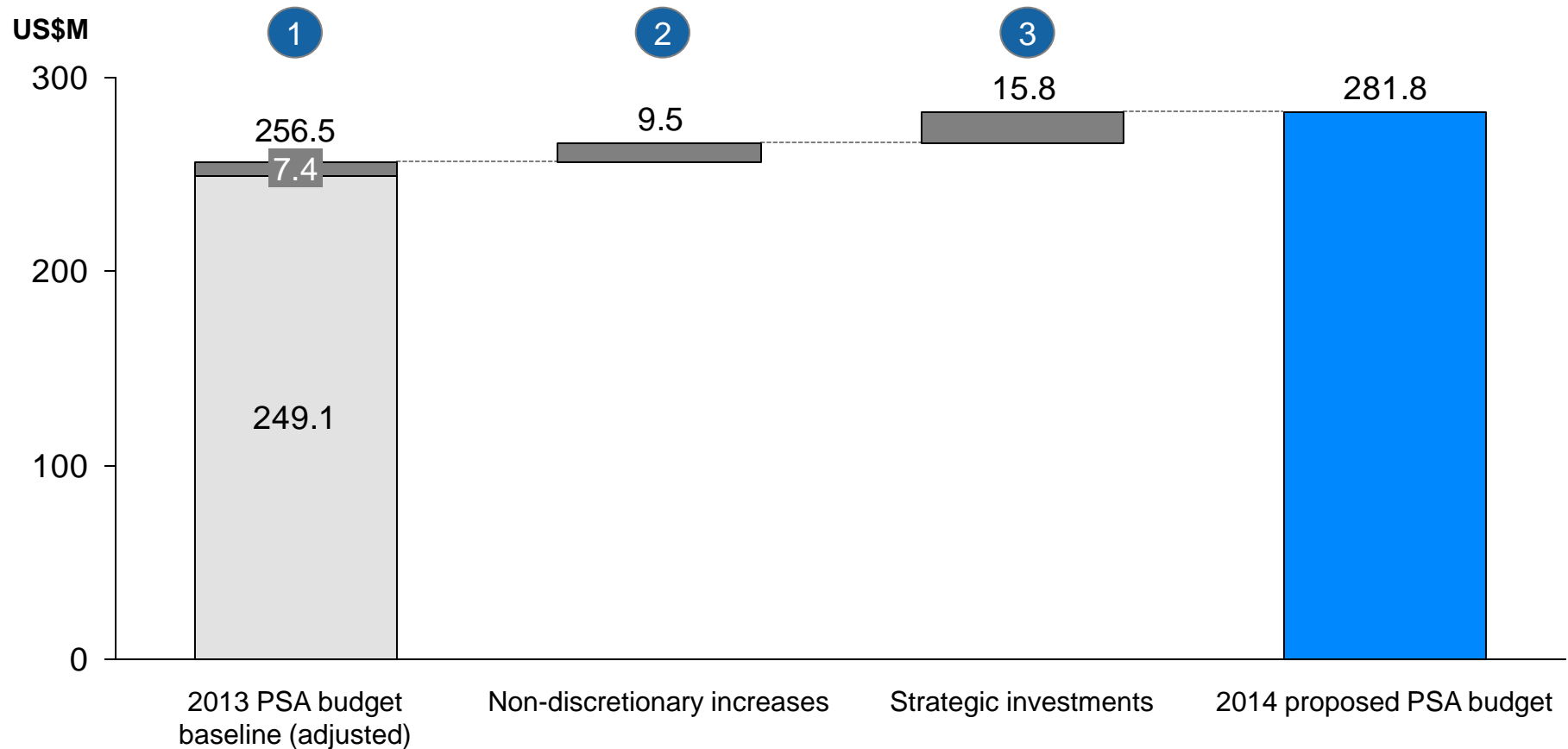
Allocate approved 2013 baseline PSA to all Divisions

*Baseline adjustments and non-discretionary increases*

Identify organisational priorities → Develop criteria → Evaluate requests

*Strategic investments*

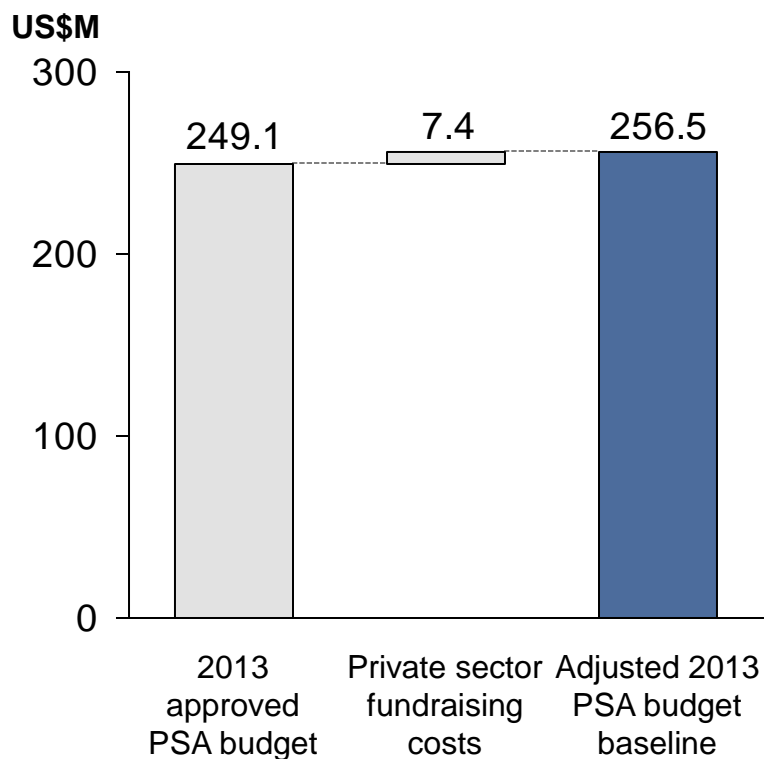
# The proposed 2014 PSA budget has three new components



The 2013 approved PSA budget taken as the starting point for 2014

# The 2013 baseline has been adjusted to reflect changes in accounting treatment for the private sector fundraising costs

## US\$7.4M for private sector fundraising costs added to 2014 PSA

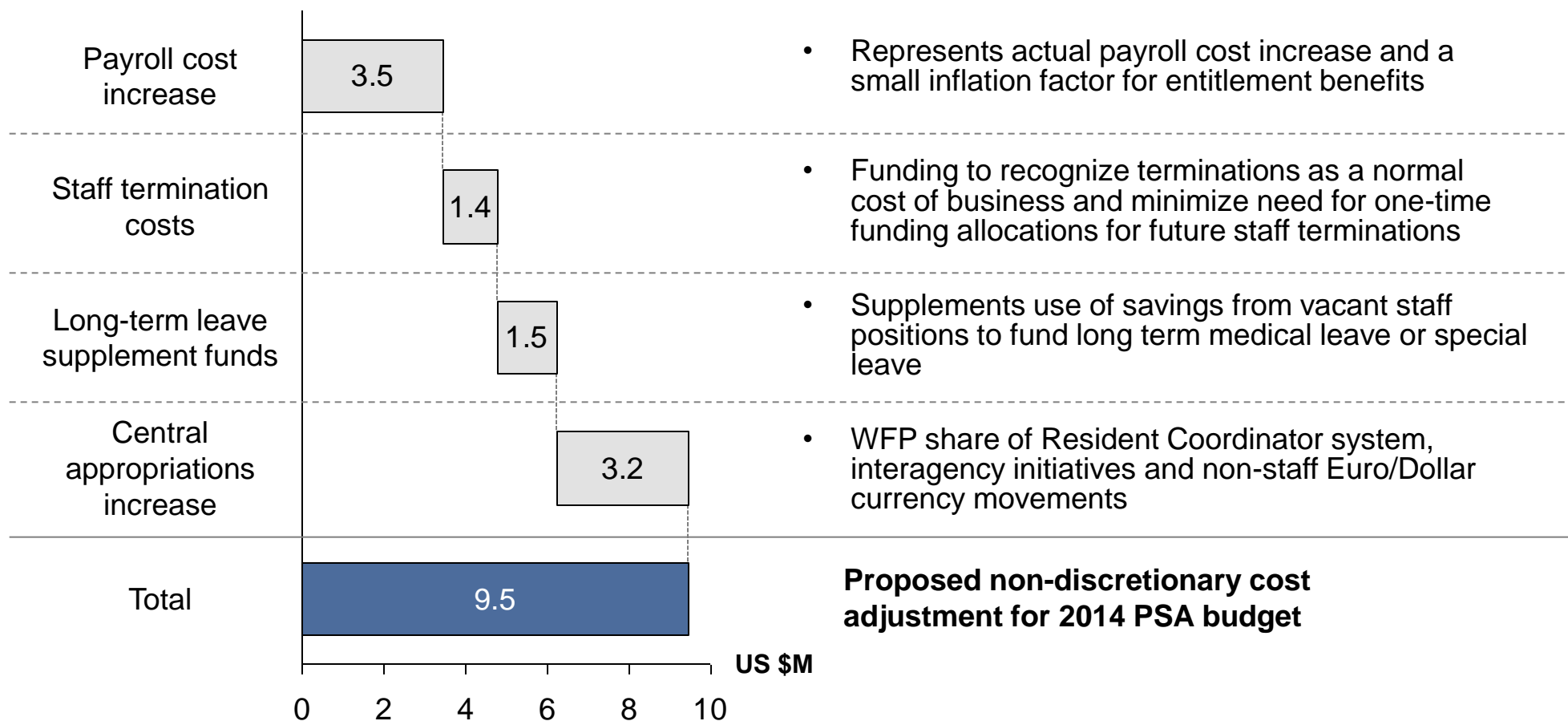


- All costs and staff positions associated with Private Sector Fundraising will be mainstreamed into the PSA budget in 2014, in accordance with the 2013 Board decision
- 2013 Private Sector fundraising costs totaled US\$7.4M, which are added to the 2013 PSA budget to produce the adjusted baseline
- Private sector donations will continue to cover related management and administrative costs
- Private Sector fundraising income estimate of US\$100M is included in total US\$4,200M forecast contributions for 2014

# 2014 PSA budget accommodates non-discretionary increases in staff-related costs and central appropriations

## Additional \$9.5M in non-discretionary costs required in 2014

## Description





# Strategic PSA investments are the result of a careful review of budget needs against top priorities

Identify organisational priorities

Develop criteria to appraise budget requests

Evaluate budget requests

**The Secretariat identified organisational priorities based on:**

- Strategic Plan 2014 – 2017
- Organisational strengthening needs to meet “Fit for Purpose” goals
- Views of Executive Board, as reflected in discussion at June 2013 session
- New Management Results Dimensions (MRDs)

**Criteria ensured consistent and rigorous evaluation of budget requests. They include:**

- Strategic and operational importance
- Corporate risks addressed
- Availability of alternative funding sources
- Potential to deliver efficiency gains
- Urgency of action in 2014

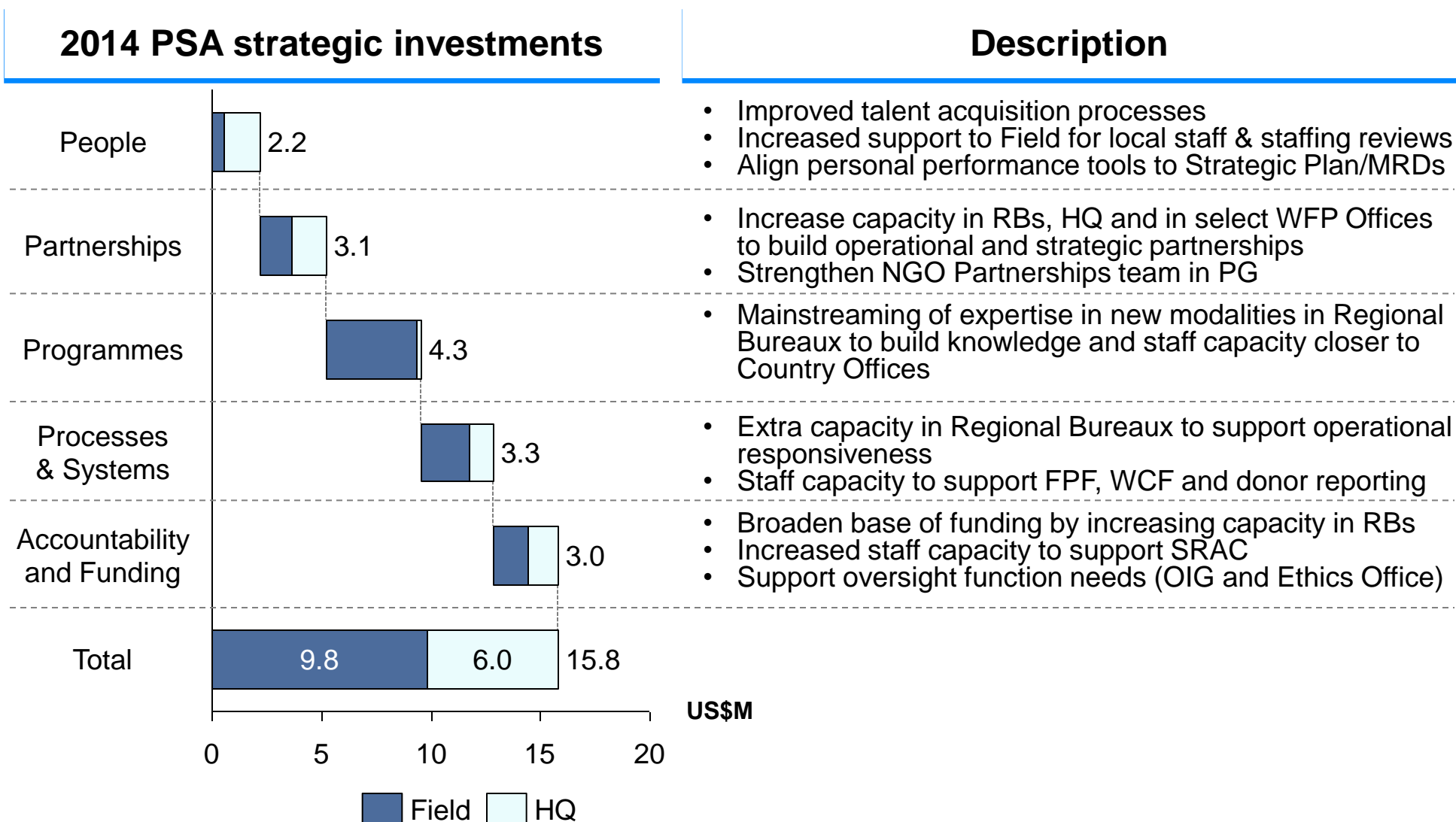
**Budget requests reviewed against criteria by leadership group to finalise recommendations:**

- Several days of meetings to review assumptions and proposals against organisational priorities and MRDs
- Executive Director challenged recommendations with leadership group
- Recommendations finalised

# Categorizing resource allocation against the MRDs allowed Secretariat to ensure key priorities were receiving attention

Management Result Dimension	Description
People	WFP is people-centred, investing in staff capability and learning within a culture of commitment, communication and accountability
Partnerships	WFP is a preferred and trusted partner for beneficiaries, communities, governments, UN Agencies, NGOs and the private sector
Programmes	WFP programmes deliver effectively and efficiently to the people we serve and build capacity
Processes & Systems	WFP has efficient processes and systems that support optimal project design and implementation, supply chains, learning, sharing and innovation
Accountability and Funding	WFP is transparent, providing value for money and accountability for all our resources, and is fully-funded

# The incremental recurring PSA investments of US\$15.8M are mostly for the Field and support the Fit for Purpose shift



# PSA investments will be tracked to ensure delivery of efficiency and effectiveness gains

## Results to be provided in the APR under the new MRDs

## Examples of existing and new indicators to track efficiency and effectiveness gains

### People

- Improvements in employee engagement
- Improvements in employee satisfaction on manager effectiveness, growth and development

### Partnerships

- Improvements in size and trend in funding from non-government partners
- Increase in percentage of partnership agreement objectives met

### Programmes

- Increase in percentage achievement of planned food assistance
- Increase in percentage of projects that reported project outcomes target as achieved

### Processes & Systems

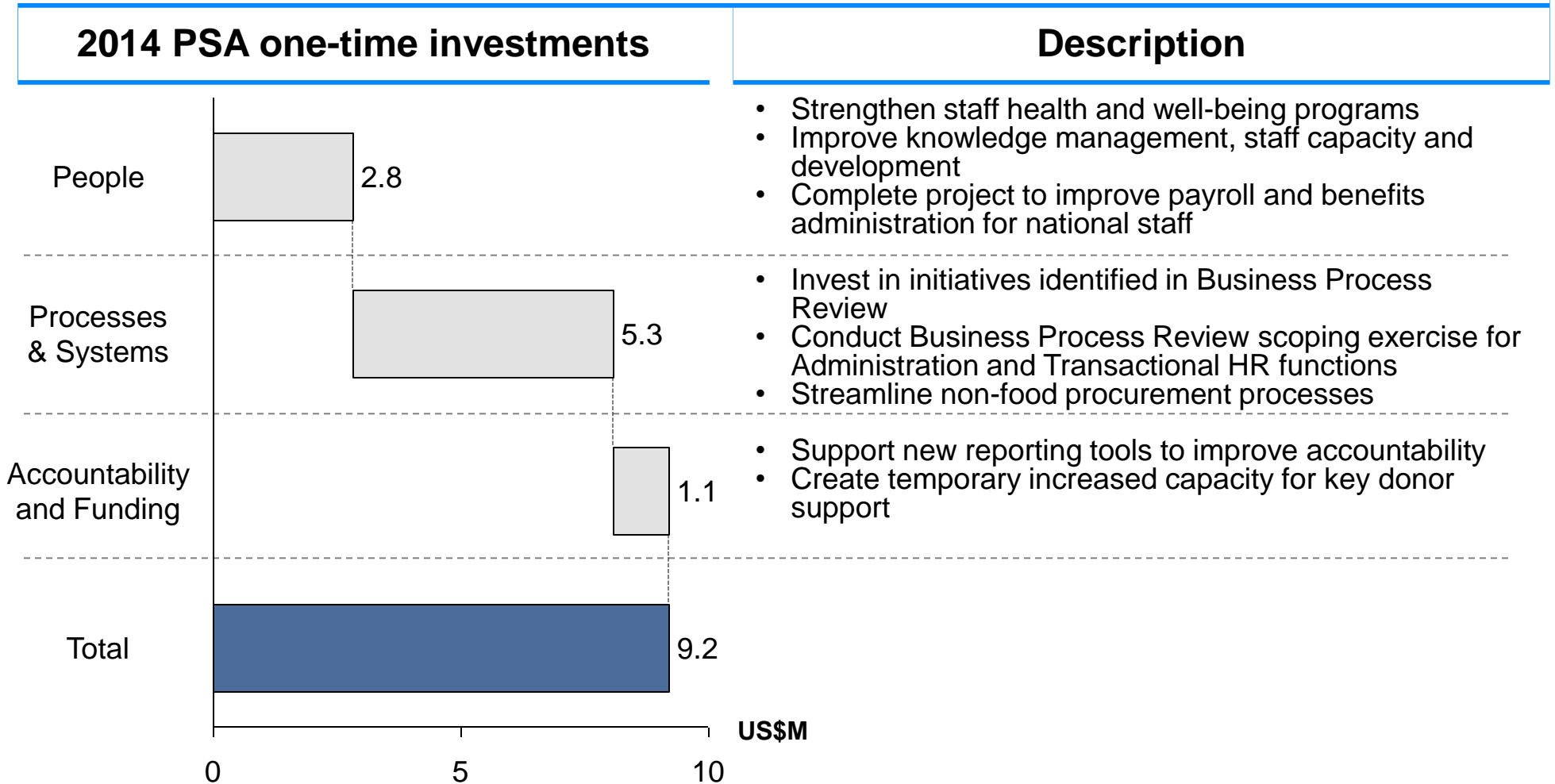
- Improved percentage lead time reduction thanks to FPF
- Improved average response time for sudden onset emergencies

### Accountability and Funding

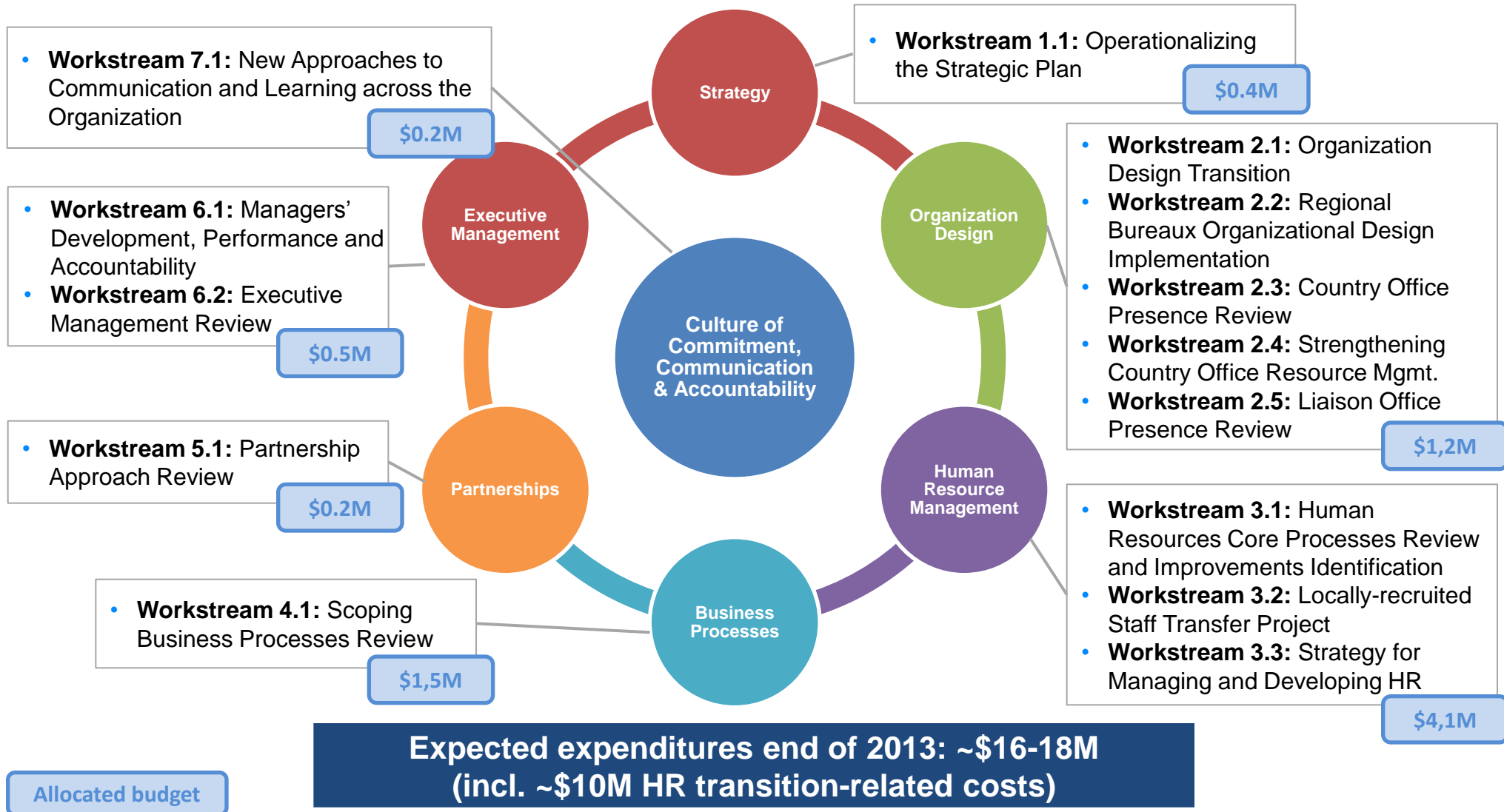
- Decrease in number of high risk oversight recommendations pending
- Increase in percentage of gross funding needs met

# For 2014, the Secretariat also proposes a one-time US\$9.2M investment for follow-on from Fit for Purpose workstreams

## One-time investments also evaluated against priorities and appraisal criteria



# Status of 2013 one-time US\$20M PSA allocation



# The 2013 one-time allocation has enabled critical organizational strengthening activities—examples:

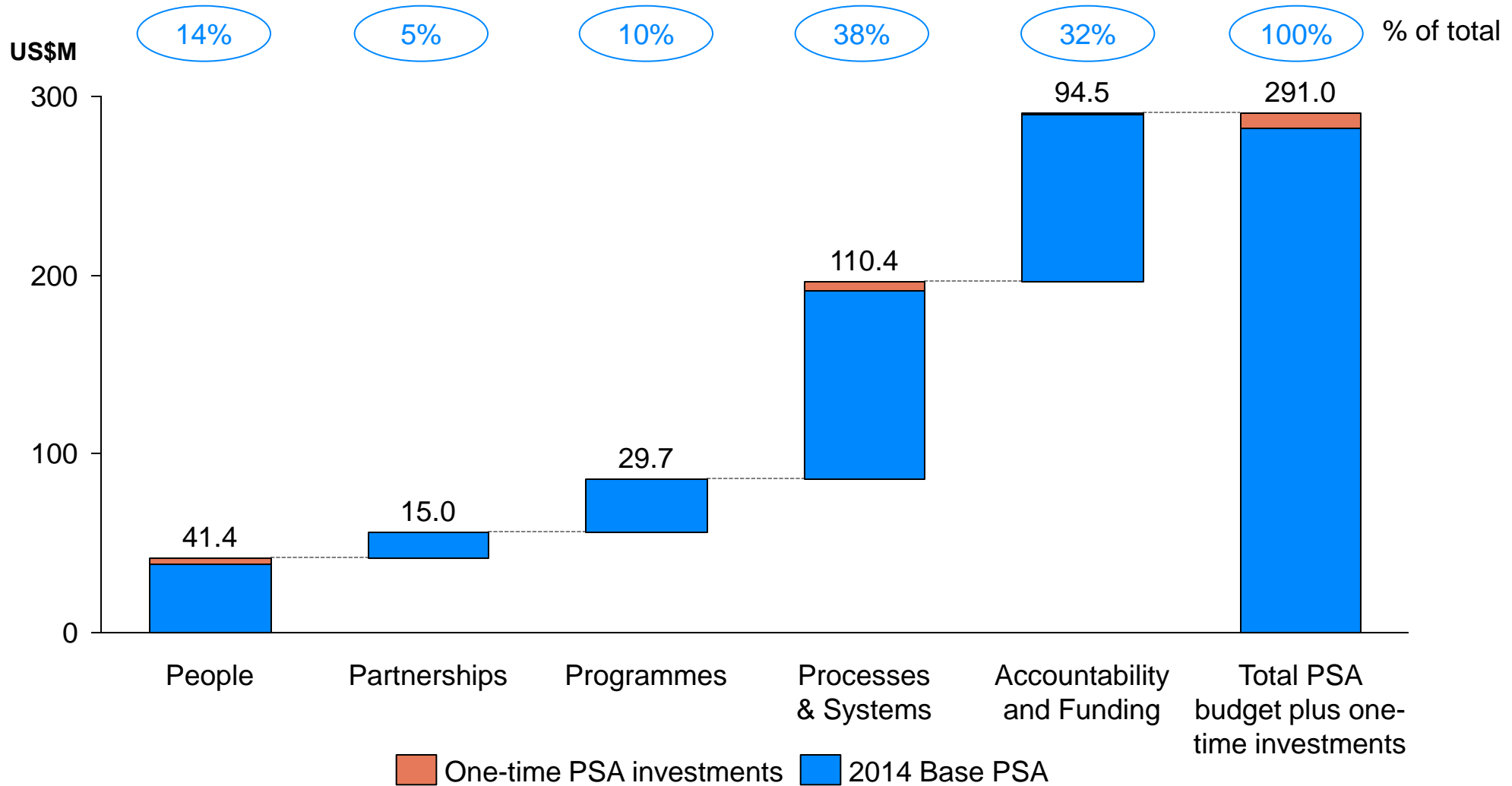
## Business Processes

- **Business Process Review** identified 38 improvement ideas with clear timeline, benefits, risks and resource requirements
- Ideas comprise both quick wins and ready-to-go projects
- Global, consultative process to gather ideas and best-practices from wide-range of WFP field staff
  - 160 staff involved in business process review workshops to generate ideas for change

## Organization Design

- Quick and effective **reassignment** process
  - More than 100 senior manager posts opened to selection in a single process for the first time in WFP's history
  - 5 months to complete the reassignment of 120 senior staff and 450 staff in the P2-P5 grades
- Developed new, strategic **CO resource management** review methodology and completed first pilot
- Comprehensive review of **Regional Bureaux** structural bottlenecks and roles to become fit for purpose
- Developed framework to assess **Liaison Office** location and presence

# The total proposed 2014 PSA budget plus one-time investments is US\$291M





# The 2014 PSA budget and one-time investments of US\$291M compares to the US\$277M total budget approved in 2013

Item	2013 (US\$M)	2014 (US\$M)	Change (%)
<i>Funding forecast (100% voluntary)</i>	<i>3,700</i>	<i>4,200</i>	<i>+13.5%</i>
PSA Budget	256.5	281.8	+9.8%
One-time investments	20.0	9.2	-54.0%
<b>Total approved budget</b>	<b>276.5</b>	<b>291.0</b>	<b>+5.2%</b>

# What is the PSA Equalization Account?

- ISC income varies due to nature of voluntary contributions. Differences (surplus or deficit) arise between ISC income and PSA expenditure.
- The PSA Equalization Account (PSAEA): a reserve to cushion deficits in a given financial period.
- PSAEA provides a level of certainty in PSA planning if ISC income does not materialize at the expected rate.
- All uses of the PSAEA are approved by the Executive Board and are limited to support costs.

# Proposed budget accounts for resources in PSA equalization account and the need to maintain a certain balance

	2013 MP	2013 Updated	2014 Projection
January 1, Projected Opening Balance	82.1	102.8	91.4
Projected ISC revenue	236	254.7	274*
Estimated PSA expenditure	-249.1	-249.1	-281.8
One-time activities	-20	-17	-9.2
<b>December 31, Projected Closing Balance</b>	<b>49</b>	<b>91.4</b>	<b>74.4</b>

Represents 3 months of PSA expenditures

*\*Note: ISC for 2014 includes Private Sector*

# Summary: 2014 PSA budget proposal

- ❑ **Budget requests evaluated using a different process from 2012**
  - **Building on Fit for Purpose for baseline adjustments and non-discretionary increases**
  - **Rigorous prioritisation and appraisal for strategic investments (recurring and one-time)**
  
- ❑ **Projected increase in funding from US\$3,700M to US\$4,200M (+13.5%)**
  
- ❑ **Proposing 2014 PSA budget of US\$282M (+9.8%) covering non-discretionary costs and recurring strategic investments**
  
- ❑ **Proposing one-time investments of US\$9.2M (vs. US\$20M in 2013)**
  
- ❑ **Total 2014 PSA budget and one-time investments of US\$291M (+5.2%)**
  
- ❑ **Projected 31 December 2014 PSA Equalization Account balance of US\$74.4M (3 months of PSA expenditure) versus US\$49M projected in 2013 MP**

### **3. Proposed Programme Support & Administration (PSA) Budget for 2014**

- **Financial proposals**
- **Financial management initiatives**

# Financial management initiatives

## In 2014 – 2016 Management Plan

- Capital Budgeting Facility
- Increase in Forward Purchase Facility
- Change parameters for adjusting PSA budget

## To come in 2014

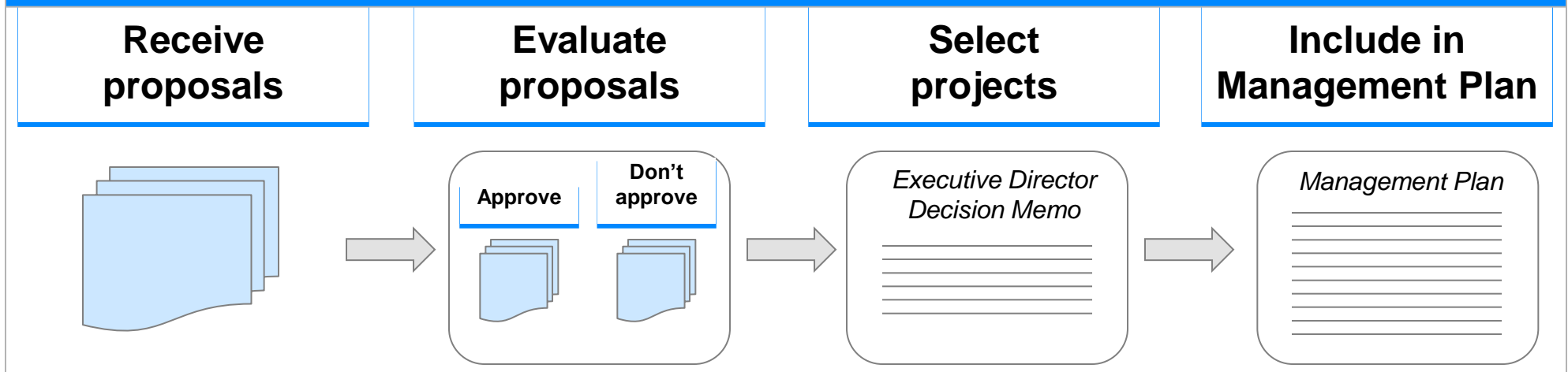
- Financial Framework Review
- ISC rate review

# Secretariat will establish a capital budgeting facility to enable critical, long-term projects in corporate services

## Concept summary

- Establish a revolving Capital Budgeting Facility (CBF) to fund long-term initiatives
- Fund through Working Capital Facility, with US\$20M ceiling for 2014
- Support only projects with clear economic benefits and plan for repayment through administrative savings or charges to operational projects to replenish the CBF
- Enables Secretariat to make short-term outlays for medium/long-term benefits for WFP

## Governance model



## Pilot project

- Logistics Execution Support System (LESS)

# Secretariat proposes an US\$50M increase in the FPF

## Current Driver: Needed for surge capacity in WFP's supply chain

### Context

- Advance financing tools have become a central part of WFP's response capability but are reaching their ceiling
- FPF successes seen with response in Pakistan, South Sudan, Sahel, Syria etc.
- Continually volatile situation in Syria and the Middle East makes it imperative to cater to unforeseen events leading to sudden escalation in demand

### Proposed solution

- Enhance advance procurement capacity in the event of an unforeseen escalation of crises requiring immediate food supply response
- Facility to be funded by increasing the FPF by US\$50M from US\$300M to US\$350M
- Maintain existing risk mitigation principles and approach:
  - Keep current leverage ratio of 6:1
  - Increase the operational reserve by US\$8.3M

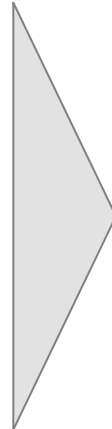




# Secretariat proposes modification to draft decision on parameters for adjusting the PSA budget

## Current text

ix) authorizes the Executive Director to adjust the Programme Support and Administrative component of the budget in accordance with any variation in the volume of operational requirements of more than 10 percent from levels outlined in Section III



## Proposed approach

Authorize the Executive Director to adjust the Programme Support and Administrative component of the budget in accordance with any variation in:

- the level of forecasted funding for the year
- limit the permitted increase in the PSA to 3.5% of the forecasted funding beyond the projected level in Section I

# Executive Board paper in February 2014 on Financial Framework Review

## Objectives:

- Enhance funding stability
- Improve planning and cost management
- Optimize use of resources
- Enhance transparency of financial operations

## Paper would include:

- Comprehensive review of financial architecture, including advance financing tools
- Recommendations based on financial risk management
- Implications on current financial framework, operational reserve, leverage ratios etc

# Potential for review of ISC Rate

## Several factors suggest review of ISC could be beneficial:

- Last WFP review was many years ago and WFP was a different organisation then
- QCPR impetus for review of fundamental principles, including the concept and application of Full Cost Recovery
- ISC harmonization initiative led by UNDP completed
- New ISC rate of 8% approved for UNDP/UNICEF/UNFPA and UN Women by joint Board effective 2014

## Potential timeline:

- February 2014: Consultations with EB to review and endorse methodology
- June 2014: Consultations with EB to review and endorse ISC rate for 2015
- November 2014: Finalization of Management Plan and implementation of ISC rate

# Summary: Financial management initiatives in 2014

## *Described in Management Plan:*

- Launch Capital Budgeting Facility with revolving US\$20M ceiling and pilot for LESS**
- Propose US\$50M increase in FPF capacity to enhance advance purchasing capacity for unforeseen escalation in crises**
- Propose change in draft decision on parameters for adjusting PSA**

## *To come in 2014:*

- Comprehensive Financial Framework Review**
- ISC rate review**

## 4. Revised Operational Requirements

## In 2014 WFP's operational requirements will be US\$5,857M

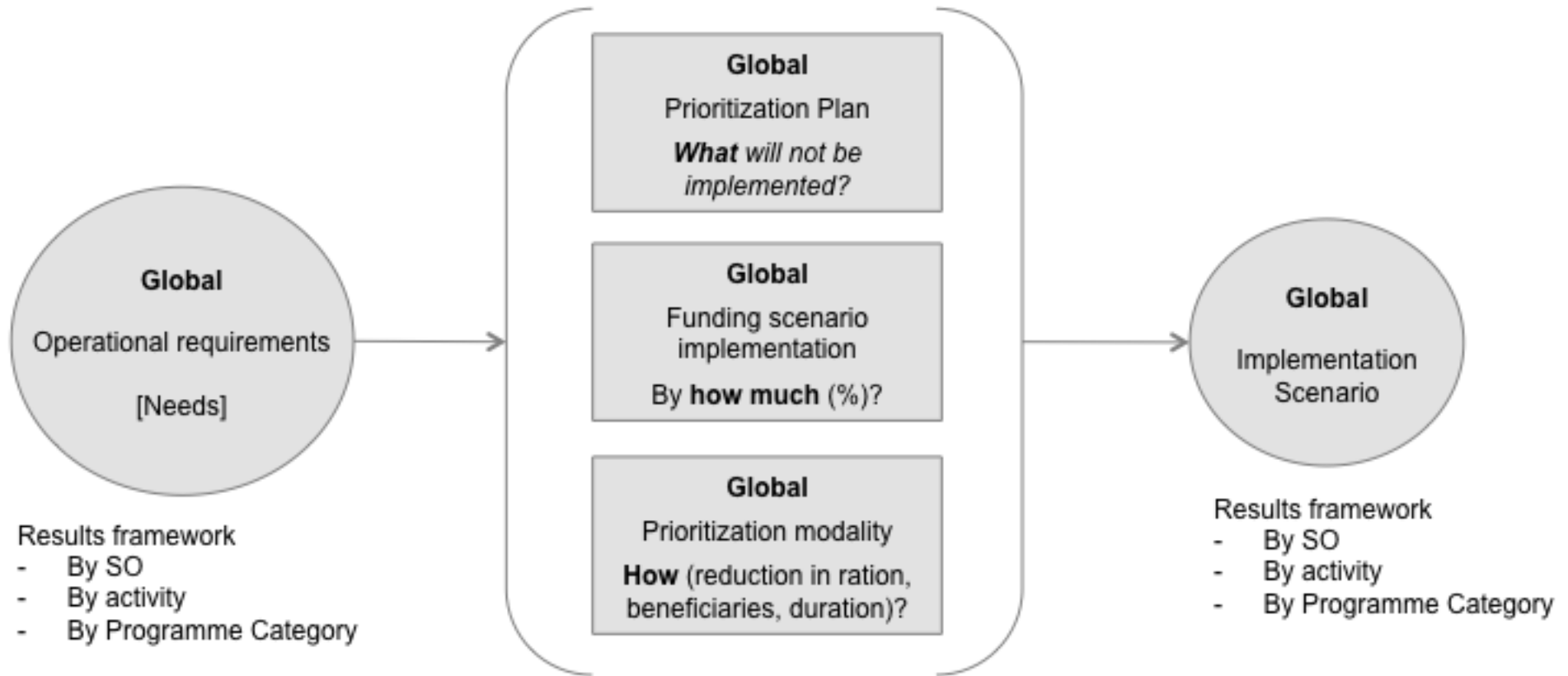
Programme Category	MP 2013 projected operational requirements (US\$M)	MP 2014 projected operational requirements (US\$M)
PRRO	2,800	3,354
EMOP	1,074	1,407
DEV/CP	839	788
SOP	257	300
<b>TOTAL</b>	<b>4,969</b>	<b>5,857</b>

Syria-related requirements account for US\$780 million or 55% of EMOPs. 20% increase in PRROs reflects evolution of several EMOPs into PRROs.

# 10 largest programmes account for 61% of operational requirements

WFP's 10 Largest Programmes		
	2014 Operational Requirements (US\$ millions)	%
Syria	780 <sup>1</sup>	13
Ethiopia	569	10
Sudan	392	7
South Sudan	374	6
Somalia	316	5
Niger	309	5
Kenya	256	4
Yemen	208	4
Democratic Republic of the Congo	197	3
Chad	183	3
<b>Total</b>	<b>3 584</b>	<b>61</b>
<b>Total projected operational requirements</b>	<b>5 857</b>	<b>100</b>

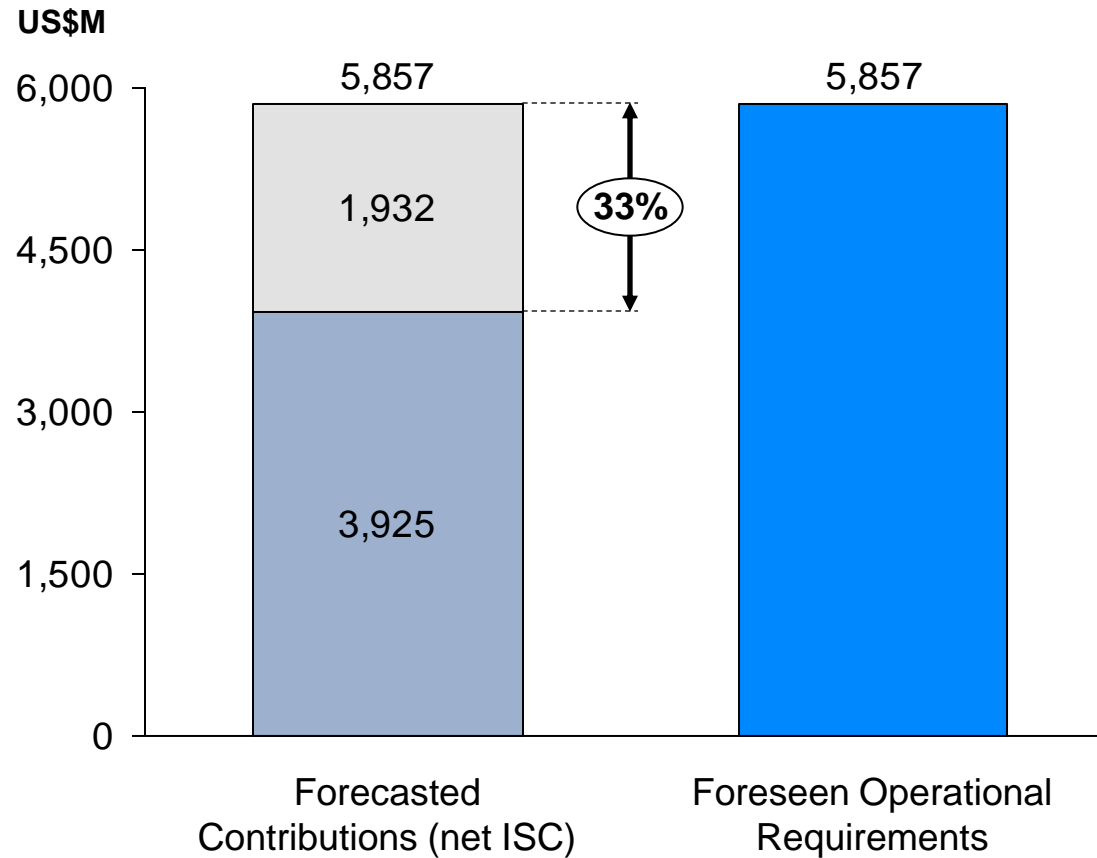
# Operational requirements planning and reconciling with implementation scenarios



**Funding Gap**



# WFP anticipates a 33% funding gap in 2014



# Prioritization by Strategic Objective

- Globally, **Strategic Objective 1** (*Save Lives and Protect Livelihoods in Emergencies*) and **Strategic Objective 4** (*Reduce Undernutrition and Break the Intergenerational Cycle of Hunger*) will achieve 70% of the plan.
- In general, **Strategic Objective 2** (*Support or restore food security and nutrition and establish livelihoods in fragile settings and following emergencies*) and **Strategic Objective 3** (*Reduce Risk and Enable People, Communities and Countries to Meet their Own Food and Nutrition needs*) will achieve 60% and 62% of the plan, respectively.

# Impact of funding gap on implementation

- Beneficiaries will be impacted through reduced rations or duration of assistance
- Six million beneficiaries, or 8% of the original plan, will not be reached
- Beneficiary levels under nutrition and school feeding activities will be less impacted, while their food rations will be reduced by 19% on average
- FFW/FFA/FFT activities will be reduced proportionally more than other activities
- Reductions in ration and duration will result in decreased nutritional impact for beneficiaries

## 5. Trust Funds and Special Accounts

# In 2014 WFP will require US\$438M in funding from trust funds and special accounts

**WFP's total trust fund and special account requirements in 2014 is US\$438M**

**WFP's estimate of trust fund requirements in 2014 is US\$258M**

- Trust funds are contributions whose purpose, scope and reporting requirements are outside WFP's regular operational programmes but complement WFP's corporate objectives
- 64% of trust fund requirements are Field-based

**WFP's estimate of special accounts requirements in 2014 is US\$180M**

- Special accounts established by the Executive Director to fund non-profit business services and activities that do not fall into programme categories
- Examples include aviation services or vehicle leasing
- Special accounts will stay at the same level as 2013

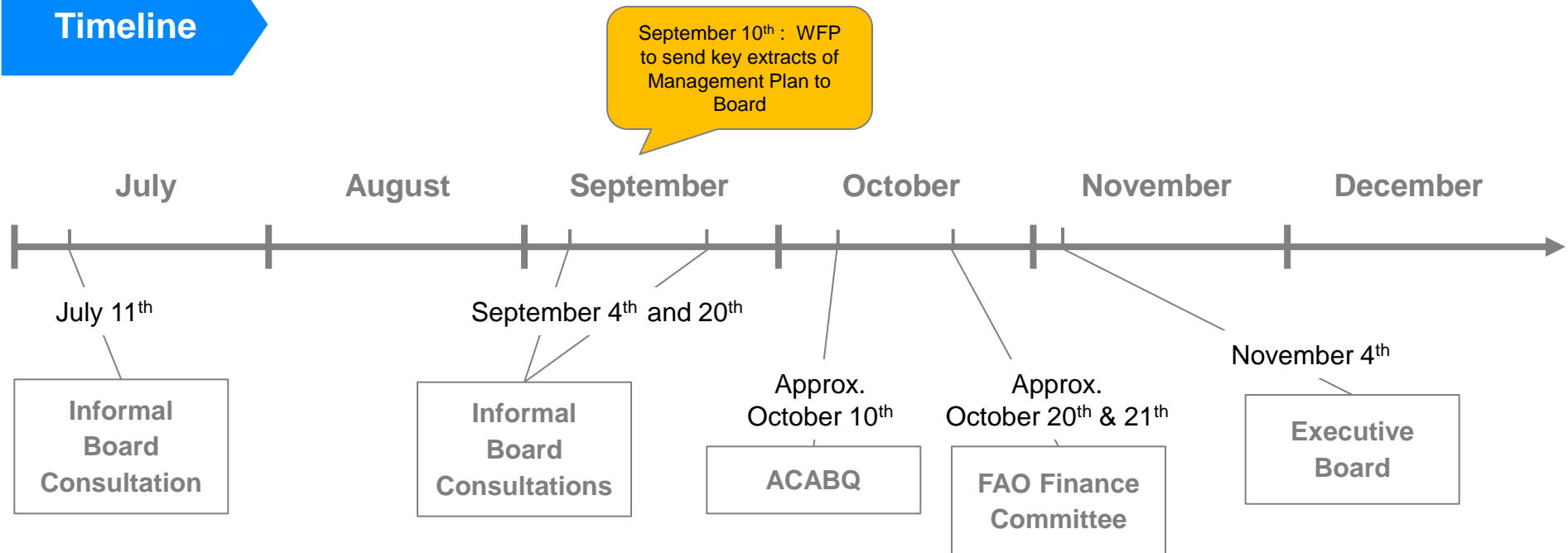
## 6. Next Steps

# Recall: Key Dates

## Objective

Present for approval the 2014-16 Management Plan for the Second Session of the Executive Board

## Timeline



# Key Management Plan extracts to be provided to the Board on September 10th

Management Plan Section	Extract on September 10 <sup>th</sup>
Executive Summary	
Draft Decision	
<b>Section One: Introduction</b>	✓
<b>Section Two: Operational Requirements</b>	✓
<b>Section Three: Programme Support and Administrative Budget</b>	✓
Section Four: Special Accounts and Trust Funds	
Annex I: Organisational structure and PSA positions	
Annex II: PSA budget proposal by appropriation line	
<b>Annex III: Operational Requirements – Regional Overview</b>	✓
<b>Annex IV: Unforeseen Requirements 2014</b>	✓
Annex V: Review of 2013 – 2015 Management Plan	
<b>Annex VI: Report on Transition Fund</b>	✓
Annex VII: Evaluation Work plan	
Annex VIII: Terminology	
Acronyms used in the document	



Thank you