

The WFP Management Plan 2008-2009

Finance Seminar
May 16, 2007

IPSAS Budget Implications

1. Budget cycle options
2. Budget basis
3. Other budget assumptions

International Public Sector
Accounting Standards



Budget Cycle Options

1. Biennial Management Plan and budget
2. Biennial Management Plan with two annual budgets, for information
3. Biennial Management Plan with two annual budget authorizations:
 - a) Two annual appropriations, without a review of second year appropriations
 - b) Two annual appropriations, with a review of second year appropriations
4. Annual Management Plan

Option 1: Biennial Management Plan and Budget

Advantages:

- Format in line with many other UN funds and programmes
- Medium-term planning
- No changes to existing procedures and practices

Disadvantages:

- No possibility to compare budget with financial statements
- Estimates for the biennium likely to change substantially due to changes of programme of work

Option 2: Biennial Management Plan with two annual budgets, for information

Advantages:

- Facilitates comparison between budget and actual figures.
- Maintains the current format and certainty in planning.

Disadvantages:

- The two year plan can not reflect changes during the biennium.

Option 3: Biennial MP with two annual budget authorizations

- a) Two annual appropriations, without a review of second year appropriations.

Advantage: Certainty in planning and firm control over annual appropriations.

Disadvantage: Without a review, difficult to adjust activities as needs change during the biennium.

- b) Two annual appropriations, with a review of second year appropriations.

Advantage: Flexibility to adjust appropriations according to changing needs.

Disadvantage: Uncertainty in planning.

Option 4: Annual Management Plan

Advantages:

- Facilitates budget vs. actual comparison.
- Will present the most updated information.

Disadvantages:

- Will introduce further volatility to the organizational planning process.
- Preparation of the new plan every year will take up many organizational resources.

Budget Cycle: Recommendation

Recommended Option:

Option 3(b) – Two annual appropriations presented in a biennial Management Plan, with review of second year appropriations.

- Enables comparison of budget vs. actual, facilitating compliance with IPSAS.
- A medium-term planning horizon, with flexibility to change appropriations if conditions change.
- Minimal change to existing process of preparing the Management Plan.

Budget Basis – Cash vs. Accrual*

- **Cash based budgeting** – recording amounts in the budget based on when cash is received or paid.
- **Accrual based budgeting** – recording transactions when revenues are earned, resources are consumed or liabilities are increased.
- **Appropriation- based budgeting (Modified)** – controlling the legal obligations or commitments entered into during a period. Records financial transactions primarily when orders are placed, contracts are awarded or other similar transactions are made that will require payment during the same or future period.

 **Recommendation: Appropriation-based Budget**

Reference: GAO Report, Accrual Budgeting, Feb 2000, GAO-AIMD-00-57

Other Budget Assumptions

- The Operational Budget is needs-based. It outlines forecasted resource requirements, excluding unforeseen emergencies.
- The Indirect Support Budget (PSA + capital and capacity funds) is resources based. It outlines proposed appropriations for approval, based on support needs and forecasted funding level.
- The approved budget in the Management Plan document relates only to PSA and capital appropriations.



Timetable for Management Plan 2008-2009

Timetable

- February / March:
 - Collection of operational requirements - Complete
- April:
 - Initiation of PSA requirements collection - Complete
 - Validation of operational requirements - Ongoing
 - Operational funding forecast - Ongoing
 - Finalization of overall PSA level
- May:
 - Review and prioritization of PSA requirements
 - Finalization of PSA budget
- June:
 - Sign-off of PSA budget
 - First Executive Board consultation
- July:
 - Second Executive Board consultation
 - Compile and issue Management Plan document

Financial Regulation 9.2

Financial Regulation 9.2: The Executive Director shall submit the proposed Management Plan,....., to the Board at its last regular session in the second year of each financial period. The proposed Management Plan shall be circulated to the Board not later than 60 days before the session.

Options:

1. Meet Financial Regulation 9.2 and close discussion of the Management Plan around July 20, 2007.
2. Board approves exception to Fin Regulation 9.2 – MP discussion continued during July 26 consultations and document finalized in August.



Recommendation: Option 2

Issues for Board Approval

FOR APPROVAL:

1. Biennial MP with annual appropriations
2. Possible exception to Fin Regulation 9.2